Identifying Key Performance Drivers & Obstacles

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Introducing our Speakers

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The Harris Poll

Agenda

- Survey Demographics

- 5 Key Findings

- Ethics & Compliance

- Risk Management & Approach to Third-Parties

- ESG

Survey Demographics

Survey Methodology

Mode:
Online self-administered survey

Length:
40-Minutes (average)

Qualification Criteria:
- Ages 18+
- Knowledgeable about Risk and Compliance
- Job level of C-suite, Sr. Management/Director, Other Management, or Non-management

Weighting:
Data were not weighted

Sample Size: 1,105

Field Dates: March 30 – May 9, 2022

Respondents were identified and recruited utilizing NAVEX's customer and prospect mailing-list. Prospective respondents were invited to a secure website to be fully screened, and if qualified, to complete an online self-administered questionnaire via a personal device.
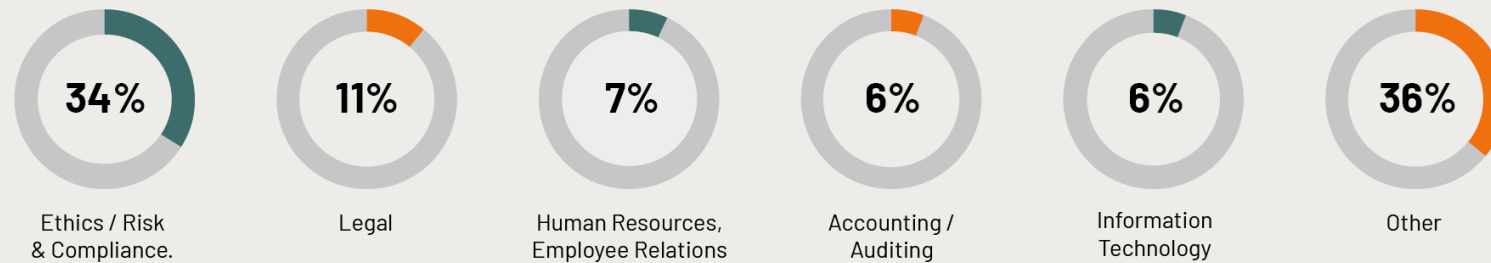
Raw data were not weighted and are therefore only representative of the individuals who completed the survey. Also note that there is no sampling error since all current and prospective customers had the opportunity to respond to the survey.

Assuming the <1% sample who did respond contains no nonresponse bias and only random error, the precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within ± 2.9 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest.

All sample surveys and polls, whether they use probability sampling or not, are subject to other multiple sources of error which are most often not possible to quantify or estimate, including, but not limited to coverage error, error associated with nonresponse, error associated with question wording and response options, and any post-survey weighting and adjustments (not applicable in this case).

Respondents

Job Function

34%
Ethics / Risk & Compliance.

11%
Legal

7%
Human Resources, Employee Relations

6%
Accounting / Auditing

6%
Information Technology

36%
Other
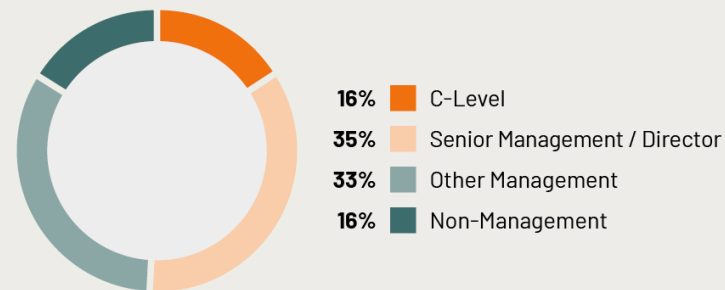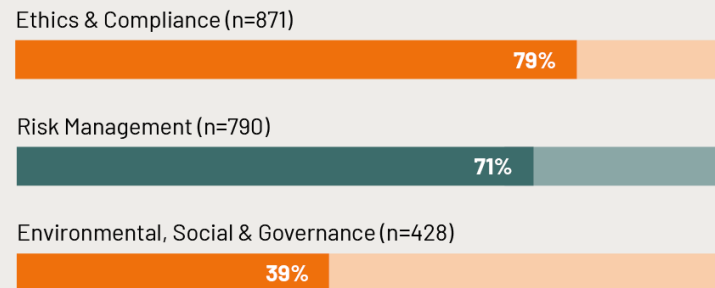
Survey Respondent Profile

N=1,105

Program Maturity

10% Underdeveloped
17% Defining
35% Adapting
21% Managing
17% Optimizing

Job Level

- 16% ▮ C-Level
- 35% ▮ Senior Management / Director
- 33% ▮ Other Management
- 16% ▮ Non-Management

Knowledgable About

Ethics & Compliance (n=871)
79%

Risk Management (n=790)
71%

Environmental, Social & Governance (n=428)
39%
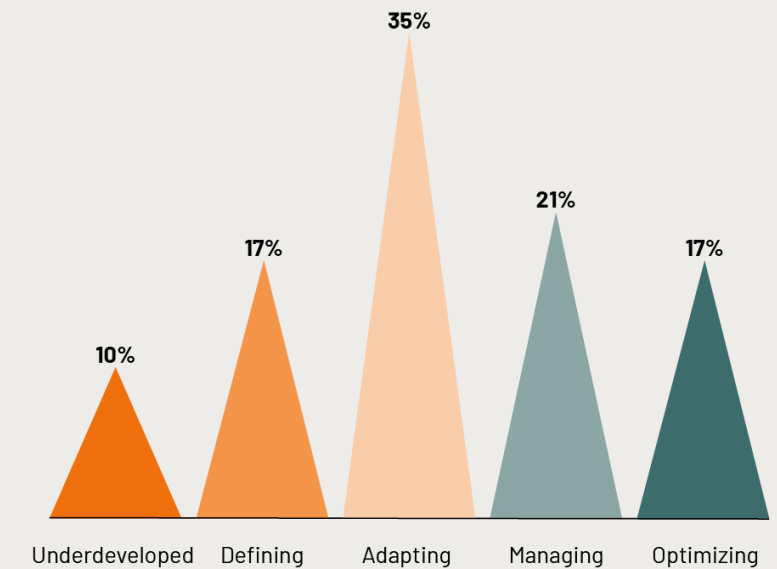
Respondents' Organizations

Geographical Footprint (by Headquarters)

13%
69%
4%
7%
5%
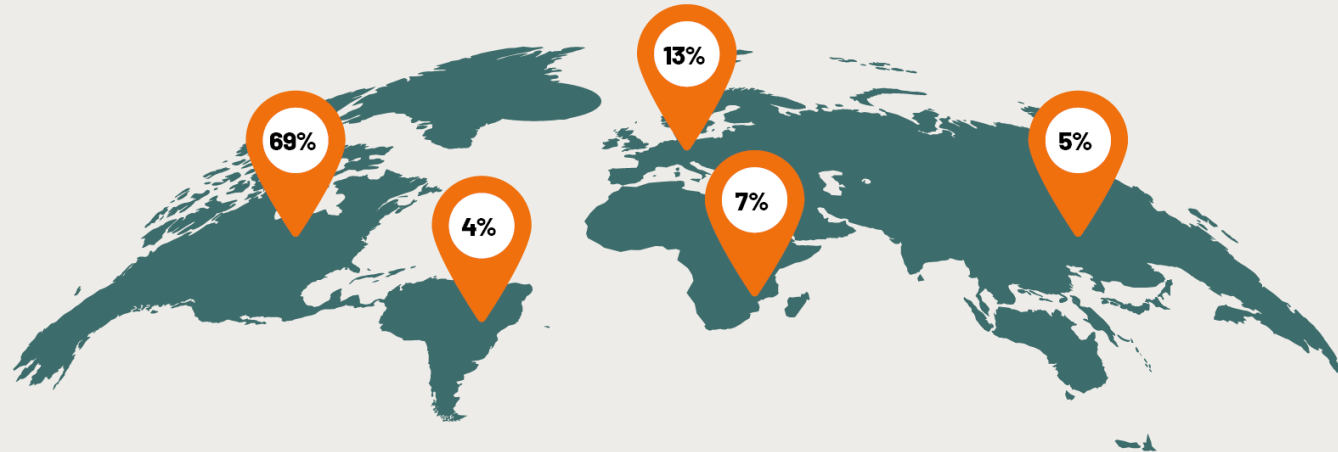
Company Annual Revenue (USD)

28%	> $1B
27%	$50M – $1B
25%	< $50M
10%	Nonprofit / Government
9%	Don't Know / Won't Say
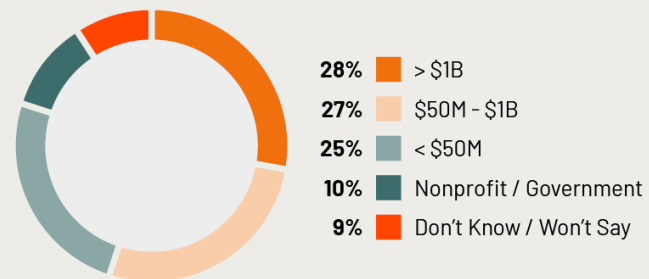
Industries (Percentage of Respondents)

Industry	
Healthcare / Social Assistance	17%
Finance / Insurance	15%
Manufacturing	12%
Professional / Scientific / Technical Services	9%
Educational Services	7%
Other	40%
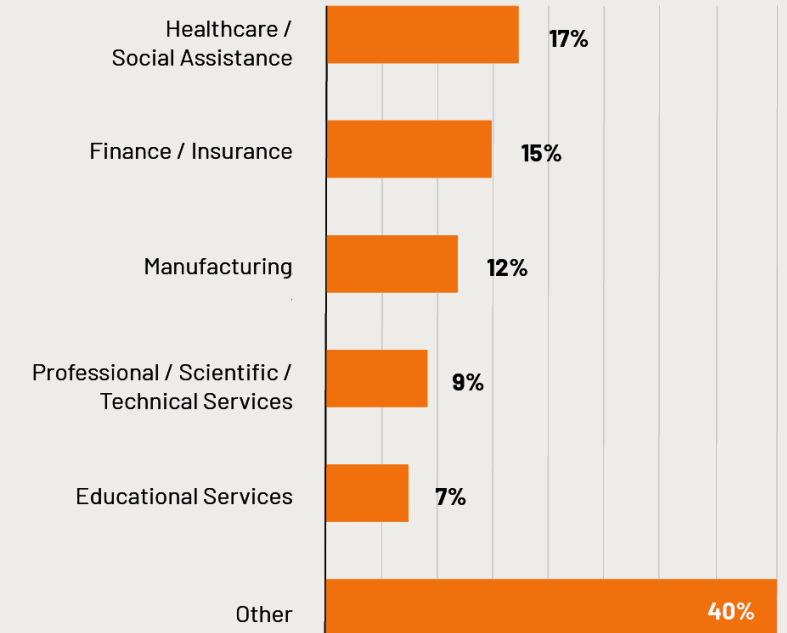
Key Finding 1

The Lingering Impact of COVID-19

Plan to Return to Pre-COVID Working Location

More orgs are deciding not to return to pre-COVID working location

2022

- 18% Don't Know
- 22% No
- 60% Yes

2021

- 33% Don't Know
- 57% Yes
- 10% No

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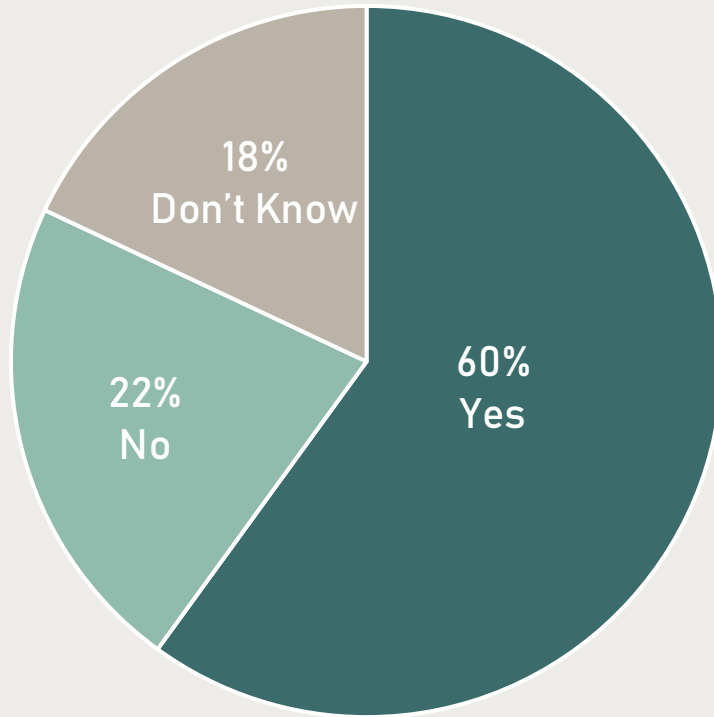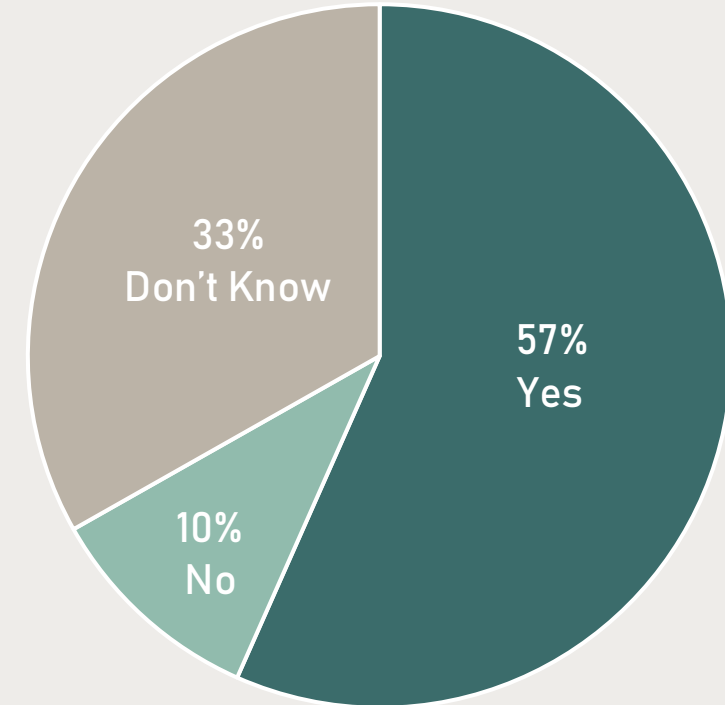
Post-Pandemic Work Policy Planning

Most expect a hybrid workforce

Best of both worlds: We anticipate a fairly even mix of in-office and remote employees. — **56%**

Back to (near) normal: We anticipate most employees currently working remotely will be returning to the office — **30%**

No going back: We anticipate most employees will be working where and how they currently are. — **10%**

There is no plan: Our planning efforts are paused until we have enough information to make more informed — **5%**

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Ranking 'Importance to Return to Work In-Person' Decision Making

Organizations are thinking more about operational concerns in 2022

2022

Rank 1 ■ Rank 2 ■ Rank 3

SAFETY
- 17%
- 33%
- 50%

LEGAL
- 61%
- 27%
- 12%

OPERATIONAL
- 22%
- 40%
- 38%

2021

Rank 1 ■ Rank 2 ■ Rank 3

SAFETY
- 7%
- 15%
- 78%

LEGAL
- 54%
- 33%
- 8%

OPERATIONAL
- 34%
- 49%
- 14%

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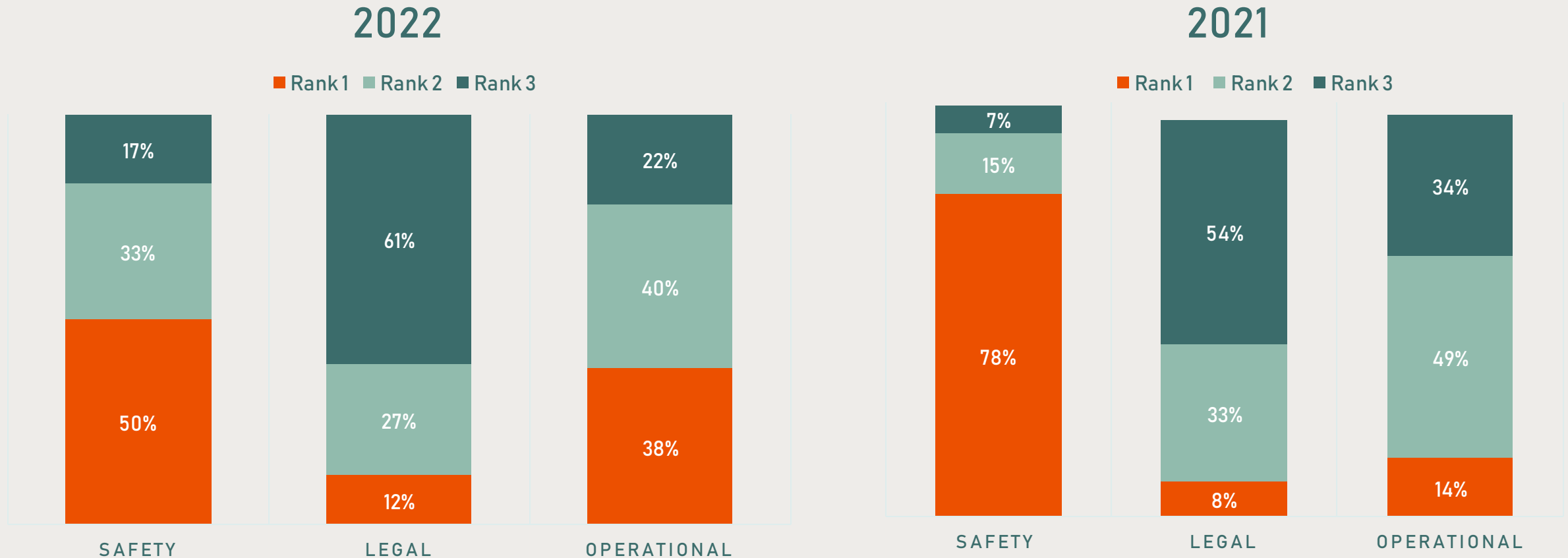
Level of COVID-19 Disruption

COVID-19 continues to be minimally disruptive to risk and compliance

Category	5 - Minimally disruptive	4	3	2	1 - Very disruptive
Third-party management (e.g., vendors, suppliers, business associates)	28%	24%	28%	14%	6%
Data privacy and protection	40%	22%	23%	12%	3%
Managing compliance issues/failures	39%	24%	22%	11%	3%
Policy and procedure management	43%	23%	21%	9%	5%
Ethics and compliance training	45%	22%	19%	9%	6%
Hotline reporting and investigations	53%	18%	18%	8%	3%

Legend: ■ 5 - Minimally disruptive ■ 4 ■ 3 ■ 2 ■ 1 - Very disruptive

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Impact Work-From-Home Models had on Workplace Culture

Most organizations report positive cultural impact from remote work

18% Negative Impact

62% Positive Impact

| 2% | 16% | 12% | 38% | 24% |

- ■ Very negative impact
- ■ Somewhat negative impact
- ■ No impact/no change
- ■ Somewhat positive impact
- ■ Very positive impact
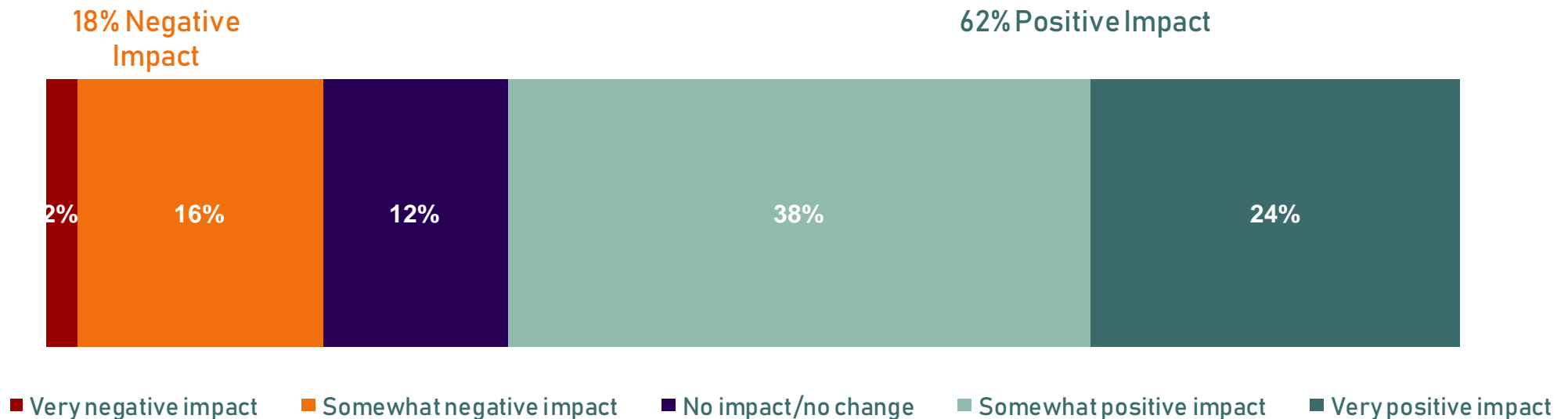
*8% report don't know

Summary: The Lingering Impact of COVID-19

- More organizations are deciding not to return to pre-COVID working location

- More than half (56%) expect a hybrid workforce

- Operational concerns are on the rise, with 38% ranking this as their top concern for return to in-person work. Safety remains the top concern with 50% stating this is their top concern.

- COVID-19 continues to be minimally disruptive to risk and compliance

- Most organizations report positive cultural impacts from remote work

Key Finding 2

Leadership has opportunity to improve commitment to compliance

Board of Directors Role

Boards are receiving periodic reports – but may lack the context to effectively interpret them

Bar chart comparing 2022 and 2021:

- It receives periodic reports on compliance matters*: 2022 = 70%
- It has oversight of our compliance program*: 2022 = 56%
- It examines compliance reporting data when exercising oversight: 2022 = 48%, 2021 = 60%
- It has members with compliance experience and/or expertise: 2022 = 40%, 2021 = 47%
- It hold executive and/or private sessions with compliance: 2022 = 36%, 2021 = 46%
- None of the above: 2022 = 12%, 2021 = 19%

* In 2021 this question was not asked of all respondents.

■ 2022 ■ 2021

Senior Leadership Role

Leadership shows commitment to compliance – but doesn't always persist in in that commitment

We have encouraged compliance within my organization — 78%

We have demonstrated commitment to the company's compliance efforts — 71%

We have modeled proper behavior to subordinates — 52%

We have persisted in that commitment in the face of competing interests and/or business objectives — 48%

None of the above — 5%
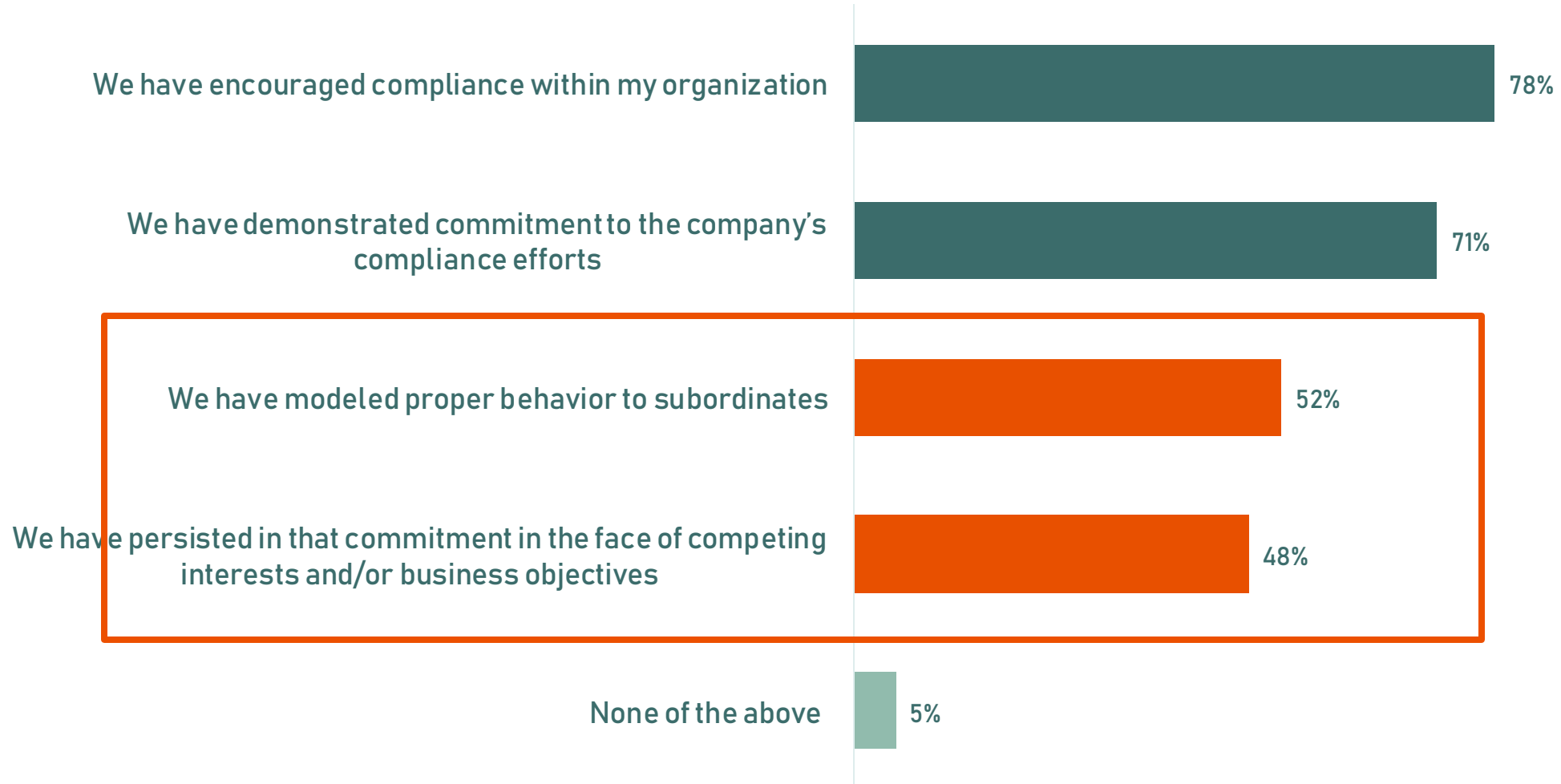
Management Role

Less than half of managers persist in their commitment to compliance in the face of competing interests and/or business objectives

We have demonstrated commitment to the company's compliance efforts — **77%**

We have persisted in that commitment in the face of competing interests and/or business objectives — **48%**

We have tolerated greater compliance risks in pursuit of new business and/or greater revenues — **21%**

We have impeded compliance personnel from effectively implementing their duties — **9%**

We have encouraged employees to act unethically to achieve a business objective — **6%**

None of the above — **5%**

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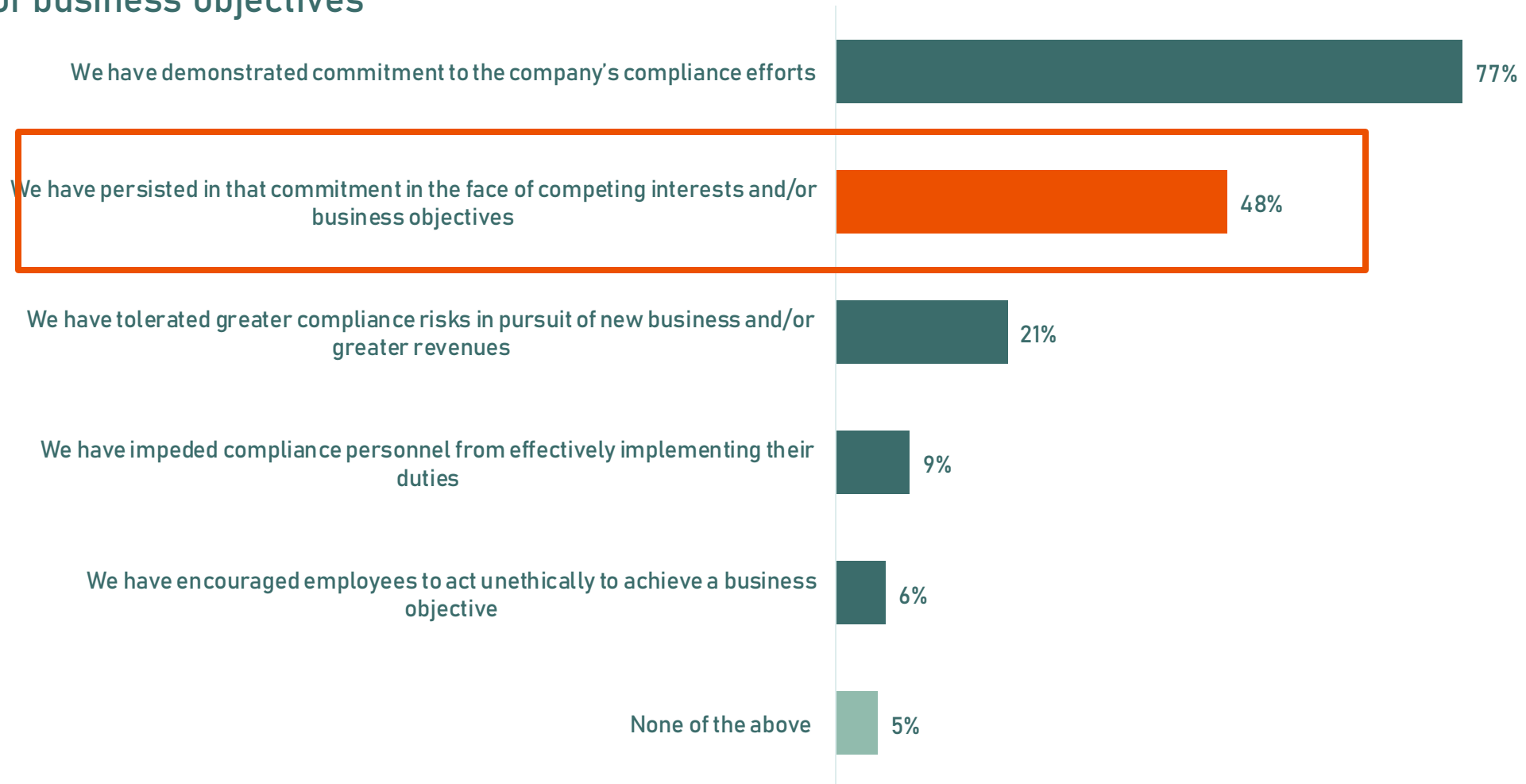
Summary: Leadership has opportunity to improve commitment to compliance

- Leadership shows a commitment to compliance, but does not always persist in that commitment

- Less than half of managers persist in their commitment to compliance in the face of competing interests and/or business objectives

- Boards are receiving periodic reports – but may lack the context to effectively interpret them

Key Finding 3

Programs still have opportunities to better utilize data

Organization Risk Assessment

Risk assessments are being done, but not consistently used to inform programs

Chart data:

It is current and subject to periodic review
- 2022: 74%
- 2021: 70%

It is informed by continuous access to operational data across business functions
- 2022: 47%
- 2021: 40%

It has resulted in a risk-tailored resource allocation that devotes greater time and scrutiny to high-risk areas and transactions
- 2022: 46%
- 2021: 47%

None of the above
- 2022: 8%
- 2021: 10%

Legend: ■ 2022 ■ 2021
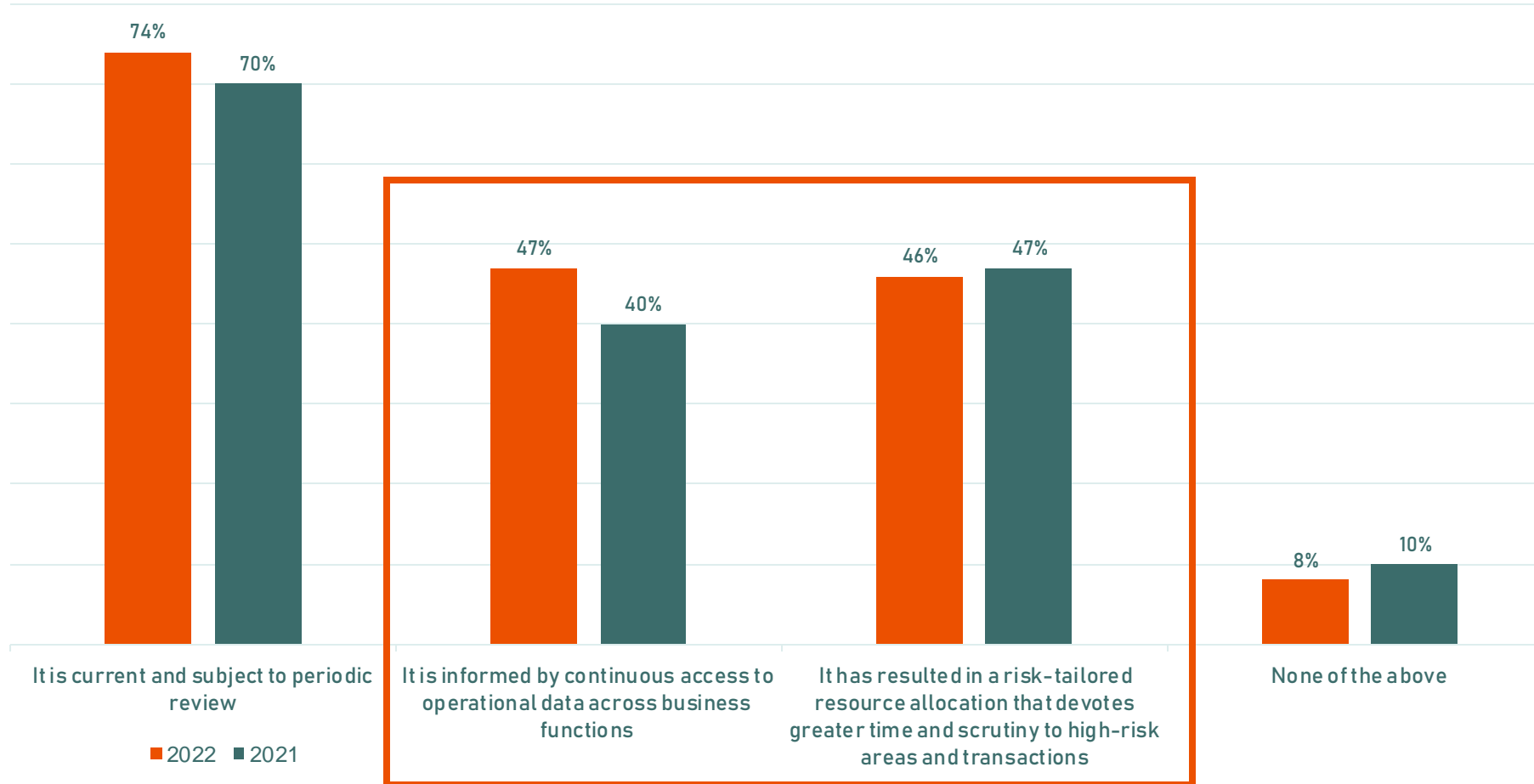
Information Sources Used to Review, Test and Improve R & C Program

64%
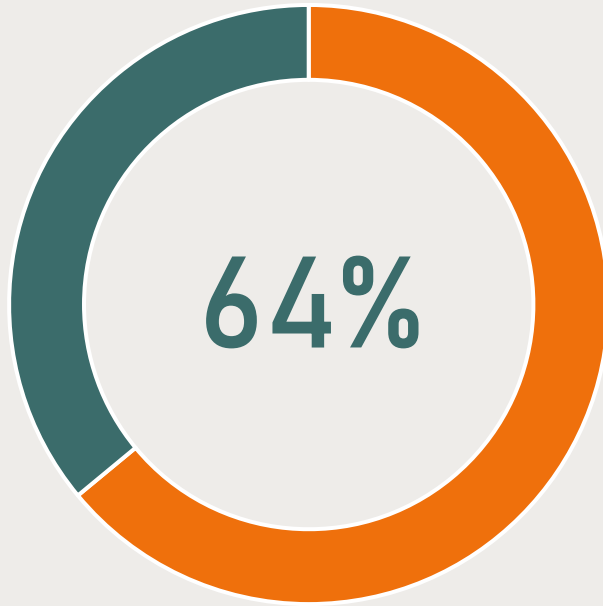
Percent of respondents reporting using lessons learned from misconduct (own and/or peers) to review, test and improve risk and compliance programs.

45%
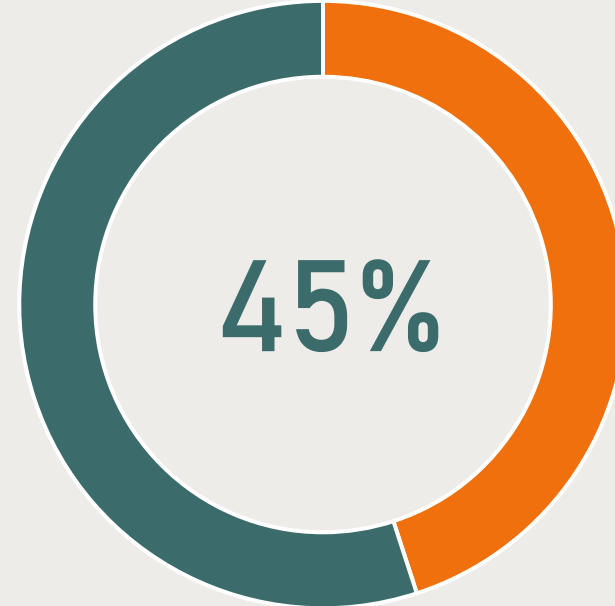
Percent of respondents reporting using measures of the organization's culture of compliance to review, test and improve risk and compliance programs.

Organization R & C Program Audits

Organizations use a variety of sources for program audits

84%	71%	70%	64%	58%	57%	57%	2%
Review of compliance policies, procedures and practices to ensure they make sense for particular business segments/subsidiaries	Internal investigation reports	Incident reports from our hotline/whistleblower programs	Testing of controls	Employee interviews, feedback or quiz results after training	Data from our compliance training program	A gap analysis to determine if particular areas of risk are not sufficiently addressed in policies, controls or training	Other

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Organization Program Access

Organizations have generally sufficient access to data, funding and staffing

Access to sources of data to monitor and/or test policies, controls, and transactions

| 5% | 13% | 26% | 41% | 16% |

Funding to audit, document, analyze, and act on the results of the compliance efforts

| 7% | 14% | 27% | 39% | 13% |

Staffing to audit, document, analyze, and act on the results of the compliance efforts

| 9% | 17% | 31% | 33% | 10% |

- Not at all sufficient
- Not very sufficient
- Somewhat sufficient
- Sufficient
- Very Sufficient

Summary: Programs still have opportunities to better utilize data

- Risk assessments are being done, but not consistently used to inform programs

- Nearly two-thirds of respondents report using lessons learned from misconduct to review, test and improve risk and compliance programs

- Less than half use measures of the organization's culture to review, test and improve risk and compliance programs

- Organizations use a variety of sources for program audits

- Organizations have generally sufficient access to data, funding and staffing for their risk and compliance programs

Key Finding 4

Regulatory compliance is a top priority

Importance of Compliance Issues to Organization

Regulation, data security top compliance issues for organizations

66%
64%
55%
49%
43%
40%
39%
34%

Regulatory
Compliance

Data Privacy,
Protection &
Security

Bribery,
Corruption &
Fraud

Harassment &
Discrimination

Whistleblowing,
Reporting &
Retaliation

Conflicts of
Interest

Organizational
Culture

Diversity, Equity &
Inclusion

■ Absolutely essential

* Represents a value less than 1% but greater than 0%

– Represents a value of 0%

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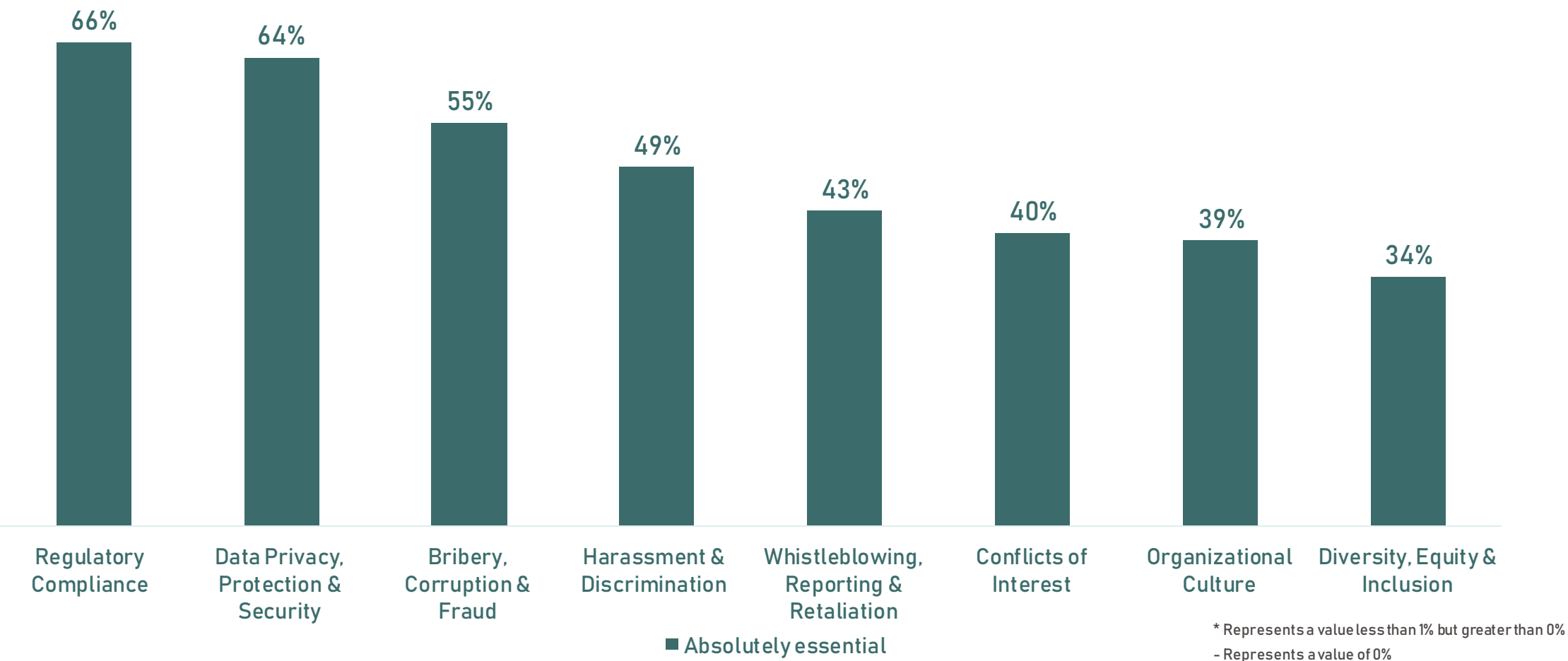
Importance to Organization Decision-Making

Regulatory compliance leads the decision-making process

Keeping my organization compliant with all relevant laws, policies, and regulations.
2% | 11% | 23% | 63%
1%

Ensuring those within my organization are committed to doing what is right.
5% | 16% | 29% | 50%
1%

Identifying, monitoring, mitigating, and controlling risks to my organization.
4% | 15% | 36% | 44%
1%

Helping my organization maintain social and environmental accountability.
5% | 12% | 29% | 32% | 22%

■ Not important ■ Somewhat important ■ Important ■ Very important ■ Absolutely essential

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Reasons for Adopting New R & C Automation and Technology Solutions

Reason	Percent
To reduce risks	38%
To meet regulatory requirements	35%
To streamline workflows/ reduce redundancy	23%
To automate practices and procedures	22%
To integrate program components (e.g., incident management, risk management, policy & procedure management, etc.)	21%
To increase reporting capabilities	21%
To reduce time spent on managing Risk & Compliance tasks	20%
To improve program analytics	14%
To reduce costs	11%
To increase the number of program dimensions analyzed	4%
My organization is not adopting new Risk & Compliance automation and technology solutions	10%
My organization does not use automation and technology solutions for our Risk & Compliance program	14%

35%

Percent of respondents indicating they are adopting technology to meet regulatory requirements

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Summary: Regulatory compliance is a top priority

- Regulatory compliance, data privacy, protection and security are top compliance issues for organizations

- 63% report that keeping the organization compliant with all relevant laws, policies and regulations is "absolutely essential"

- 35% of respondents indicate they are adopting new Risk and Compliance automation and technology solutions to meet regulatory requirements

Key Finding 5

Risk & Compliance responsibilities still reside in multiple functions

Department Where Compliance Function Resides

Organizational structure is still not standardized

- 29% — Within the legal department
- 25% — It is an independent function reporting to the CEO and/or board of directors
- 21% — It is split across multiple departments
- 6% — Under another business function
- 5% — Within the internal audit department
- 4% — Within the finance department
- 4% — Within the human resources department
- 3% — Within the IT/ Data security/ Data privacy
- 3% — Don't know

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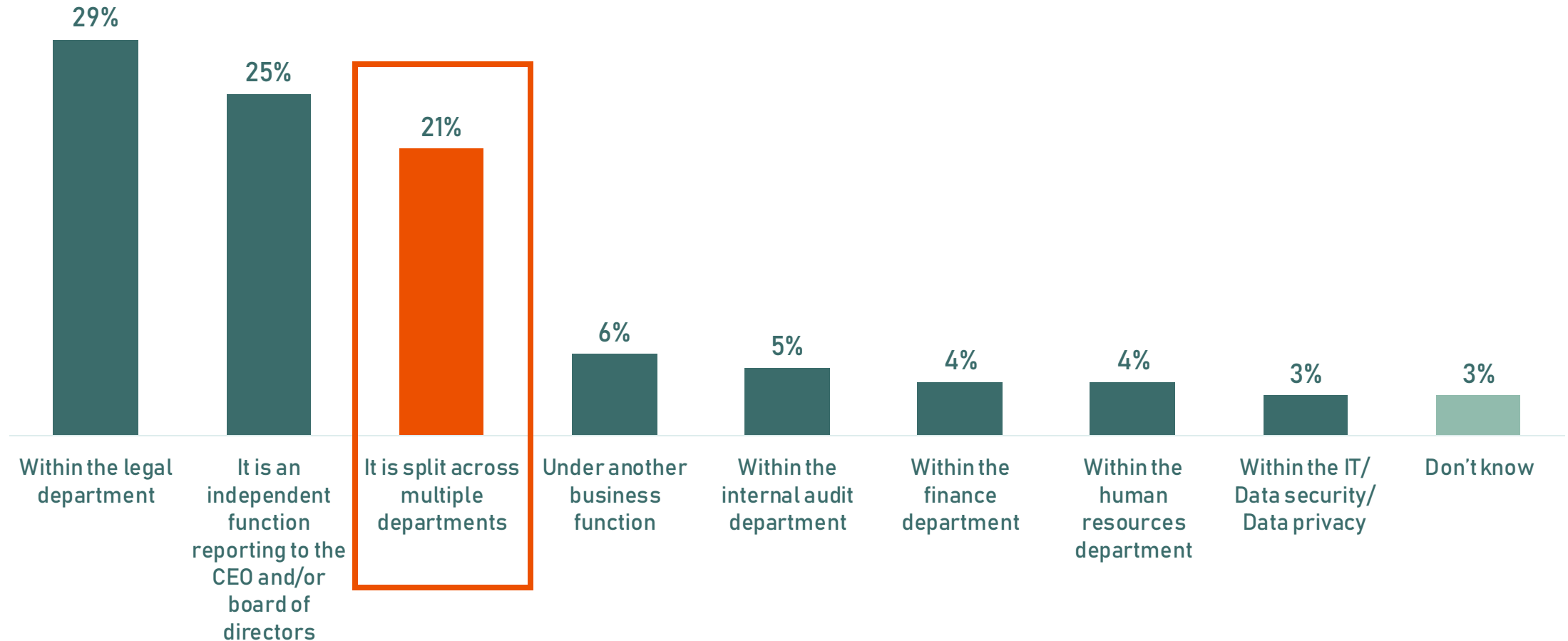
Responsible for Managing Risk Integration Strategy

Ownership of risk management remains unstandardized – responsibility is spread across functions

Chart data:
- Chief Risk Officer (CRO): 15%
- Management-level: 12%
- Chief Executive Officer (CEO): 11%
- Chief Compliance Officer (CCO): 11%
- Chief Risk and Compliance Officer (CRCO): 8%
- Chief Finance Officer (CFO): 8%
- General Counsel: 8%
- Chief Information Security Officer (CISO): 4%
- Chief Audit Executive (CAO): 3%
- Data Privacy Officer: 1%
- Other: 7%
- Don't know: 5%
- No one – we don't currently have a risk integration strategy: 8%

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Compliance Personnel Qualifications & Responsibilities

44 percent have non-compliance responsibilities

They have appropriate experience and qualifications for their roles and responsibilities — 75%

They receive periodic training and professional development opportunities — 61%

They have other, non-compliance responsibilities with the company — 44%

They have a comparatively high turnover rate — 8%

None of the above — 3%

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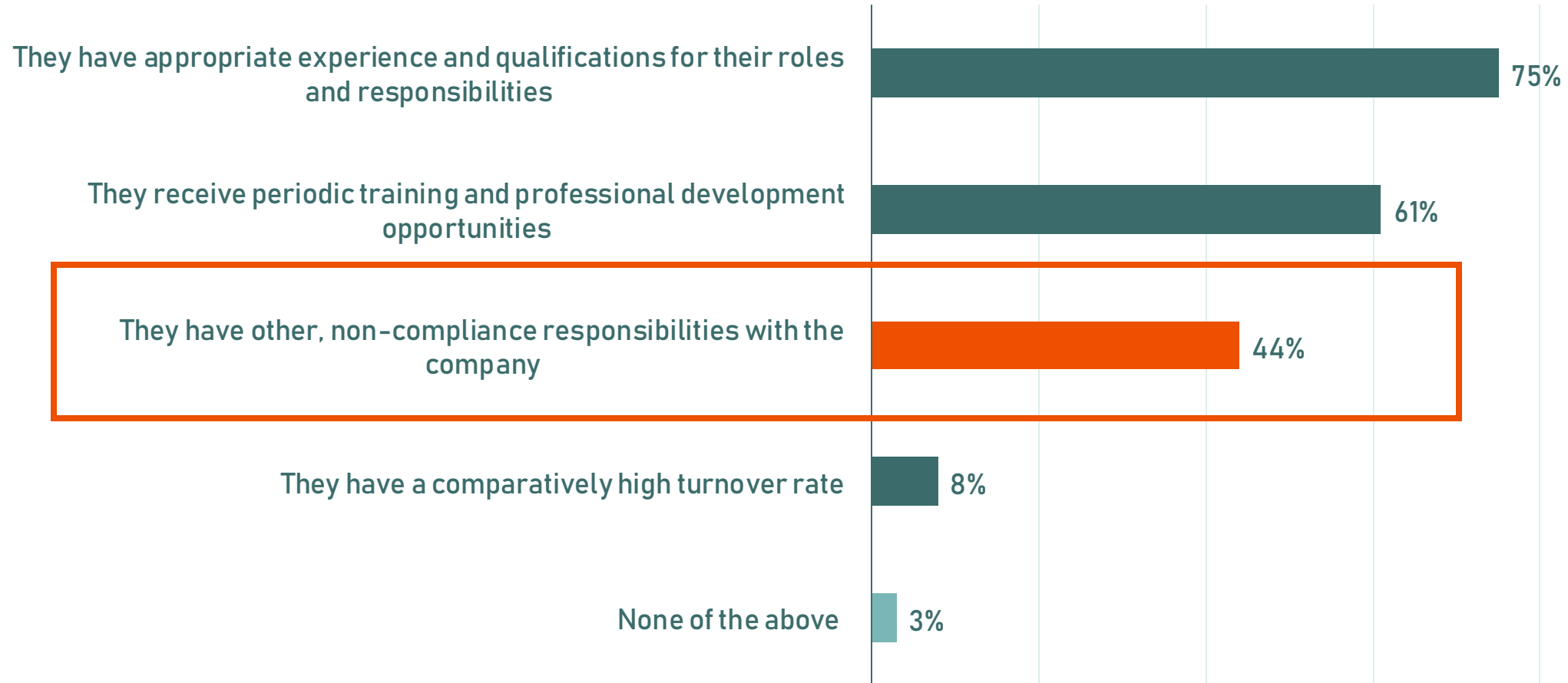
Summary: Risk & Compliance responsibilities still reside in multiple functions

- Organizational structure for R&C programs is not standardized, with 21% reporting it is split across multiple departments

- The same is true for risk management. Respondents report a variety of "owners" for risk integration strategy management

- 44% of compliance professionals report having other non-compliance responsibilities within the company

E&C

ECI's Program Maturity Model

The HQP Assessment measures the maturity of an E&C program based on 5 principles

HQP PROGRAM MATURITY FRAMEWORK

UNDERDEVELOPED
A new E&C program or an existing one that has not progressed far in embedding HQP elements.

ADAPTING
An E&C program that has a few HQP elements, but still lacks many important attributes.

DEFINING
An E&C program that contains a number of HQP elements reflecting some important attributes, but with room to further mature.

MANAGING
An E&C program that can be considered effective or good, but not an HQP.

OPTIMIZING (HQP)
An E&C program that contains the majority of, if not all, HQP elements.

Source: Ethics & Compliance Initiative, www.ethics.org

R&C Program Maturity

Maturity self-reporting conforms to expectations

10%	17%	35%	21%	17%
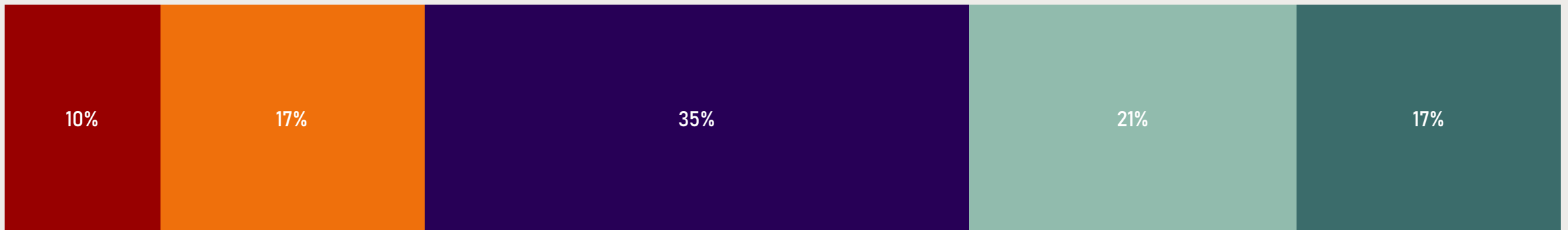
- ■ Underdeveloped: It is new and/or lacks many HQP elements
- ■ Defining: It has a few HQP elements, but still lacks many important attributes.
- ■ Adapting: It contains a number of HQP elements reflecting some important attributes, but with room to further mature.
- ■ Managing: It contains many HQP elements and can be considered effective or good, but not a high-quality program (HQP) that is managed well.
- ■ Optimizing: It contains the majority of, if not all, HQP elements.

BASE: ALL QUALIFIED RESPONDENTS (N=1105)
Q200 Which of the following statements best describes your organization's Risk & Compliance program?

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Importance of Compliance Issues to Organization

Less than half say whistleblowing and retaliation are 'absolutely essential' issues

Regulatory Compliance	66%
Data Privacy, Protection & Security	64%
Bribery, Corruption & Fraud	55%
Harassment & Discrimination	49%
Whistleblowing, Reporting & Retaliation	43%
Conflicts of Interest	40%
Organizational Culture	39%
Diversity, Equity & Inclusion	34%

■ Absolutely essential

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Administration of R & C Program Elements

Variety of approaches and inconsistent use of technology

	Code of Conduct	Policy & Procedure Management	Disclosure Management	Third-Party Risk Monitoring	Program Analytics & Benchmarking	Ethics & Compliance Training	Hotline & Incident Management
Paper-based	32%	28%	25%	17%	14%	13%	11%
Office productivity/ERP software	35%	39%	28%	28%	31%	39%	36%
Purpose-built solution	28%	26%	24%	28%	23%	42%	41%
We don't have this	2%	4%	12%	17%	21%	5%	8%
Don't know	3%	2%	12%	11%	11%	2%	4%

Legend:
- Paper-based
- Office productivity/ERP software
- Purpose-built solution
- We don't have this
- Don't know

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Summary: E&C

- R&C program maturity was self reported, with 38% of respondents indicating their program is either in the "managing" or "optimizing" stage of maturity. Another 35% reported being in the "adapting" stage of maturity.

- Less than half say whistleblowing and retaliation are "absolutely essential" issues

- Regulatory compliance, data privacy, protection and security are top compliance issues for organizations

- One in five R&C programs do not use analytics and benchmarking

Policy Management

Top Policy Management Challenges

Challenge	Percent
Training employees on policies	48%
Aligning policies with changing regulations	40%
Creating and updating documents easily	27%
Managing version control and policy redundancy	27%
Providing easy access to current policies and procedures	25%
Connecting policies to an incident management system	21%
Adapting policy and procedure development, distribution and attestation measures to the needs of a largely at-home workforce	20%
Managing records	20%
None – my organization does not have any policy management challenges	8%
Other	3%

48%

Percent of respondents stating that training employees on policies is a top challenge

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Rating Organization's Compliance Program's Performance in Terms of Policy and Procedure Management

Half of respondents report poor or fair performance in tracking access to various policies

Category	Poor	Fair	Good	Very Good	Excellent
Developing policies that reflect and deal with legal and regulatory risks	3%	9%	30%	40%	19%
Communicating policies and procedures to employees and third parties	6%	16%	35%	27%	15%
Consulting with business units on policy and procedure design	6%	18%	34%	28%	13%
Publishing policies and procedures in a searchable format for easy reference	7%	18%	28%	28%	19%
Providing guidance and training to key gatekeepers in the control process (e.g., those with approval authority or certification…	6%	20%	34%	27%	13%
Addressing linguistic or other barriers to employees' access	12%	21%	32%	24%	11%
Tracking access to various policies and procedures to understand what policies are attracting more attention from relevant employees	28%	22%	25%	15%	9%

Legend: ■ Poor ■ Fair ■ Good ■ Very Good ■ Excellent

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Metrics Used to Measure Effectiveness of Policy Management Program

Metric	Percentage
Reduction in legal and regulatory fines	20%
Improved efficiencies in completing policy management tasks	22%
Employee quiz results	24%
Employee accessibility to search and find policies quickly	24%
Policy contribution to improve organization/employee culture	24%
Reduction in policy-driven compliance failures	29%
Completion rates for attestations	29%
Other	4%
We do not use any metrics to measure the effectiveness of our policy management program	31%

Key Finding: Nearly 1/3 of programs don't use metrics to measure policy and procedure management effectiveness

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Summary: Policy Management

- Analyzing reports for patterns of misconduct is where respondents indicate they are the weakest

- Nealy half of respondents indicate that training employees on policies is a top challenge

- Half of respondents report poor or fair performance in tracking access to various policies and procedures

- Nearly one-third of programs don't use metrics to measure policy and procedure management effectiveness

Training

Rating Organization's Performance in Terms of Ethics and Compliance Training

Half of organizations have no plan when employees fail training

	Poor	Fair	Good	Very Good	Excellent
Training offered in the form and language appropriate for the audience	10%	16%	32%	28%	13%
Offering a process by which employees can ask questions arising out of the trainings	11%	17%	30%	28%	15%
Testing employees on what they've learned	13%	19%	33%	22%	12%
Different or supplementary training for supervisory employees	14%	21%	31%	24%	9%
Tailoring training for high-risk and control employees	15%	22%	31%	22%	11%
Offering shorter, more targeted training (i.e., micro-learning)	17%	22%	31%	18%	12%
Addressing employees who fail all or a part of testing	21%	22%	31%	17%	9%
Measuring the effectiveness of training measures	21%	25%	30%	16%	8%
Measuring the impact of training on employee behavior and/or operations	23%	28%	28%	14%	7%

■ Poor ■ Fair ■ Good ■ Very Good ■ Excellent

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Compliance Topics Will Train on in Next 2-3 Years
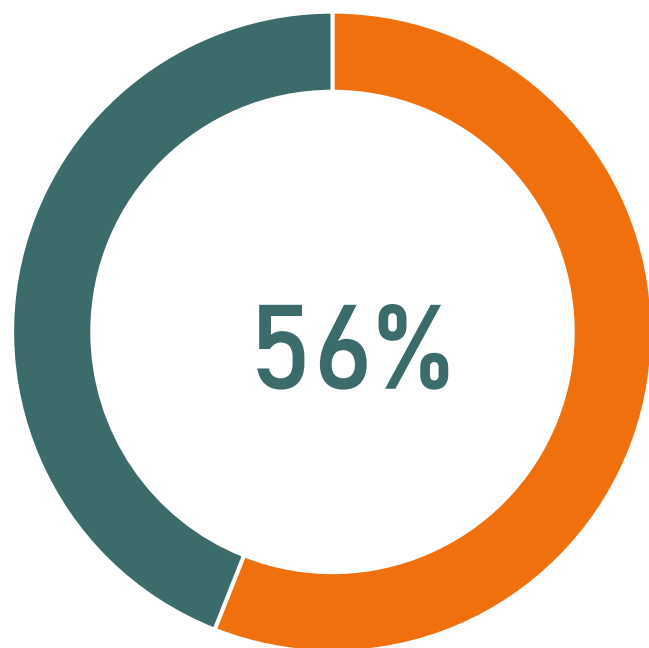
56%

Only 56% of respondents indicate they will be training on whistleblowing, reporting and retaliation – despite new whistleblower protection rules coming into effect.
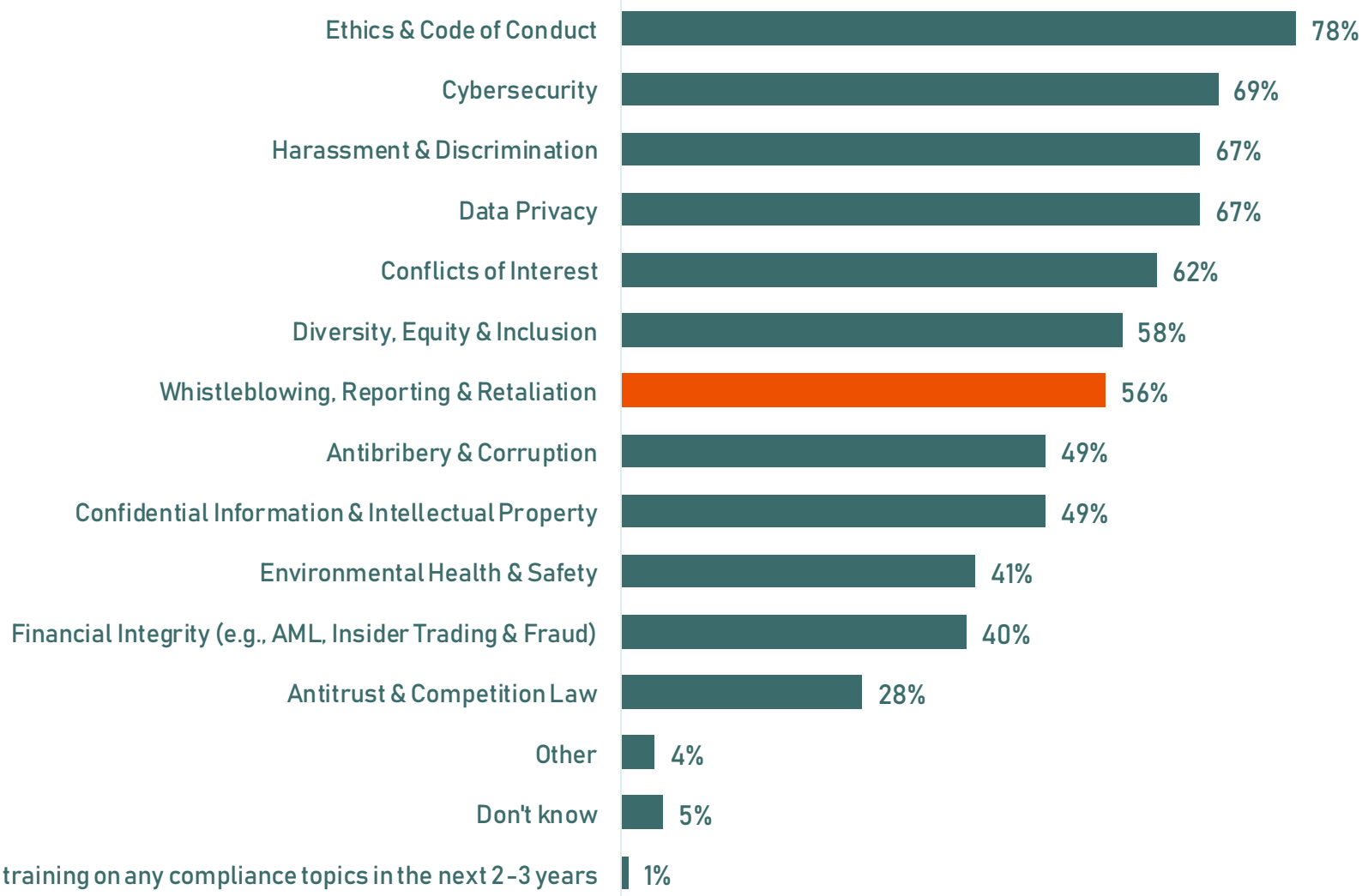
Topic	%
Ethics & Code of Conduct	78%
Cybersecurity	69%
Harassment & Discrimination	67%
Data Privacy	67%
Conflicts of Interest	62%
Diversity, Equity & Inclusion	58%
Whistleblowing, Reporting & Retaliation	56%
Antibribery & Corruption	49%
Confidential Information & Intellectual Property	49%
Environmental Health & Safety	41%
Financial Integrity (e.g., AML, Insider Trading & Fraud)	40%
Antitrust & Competition Law	28%
Other	4%
Don't know	5%
None – my organization is not providing training on any compliance topics in the next 2-3 years	1%

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Compliance Subtopics will Train on in Next 2-3 Years

Subtopic	Percentage
Sexual Harassment	65%
Racial Discrimination & Harassment	53%
Gift Giving & Receiving	52%
Remote Work – Cybersecurity	47%
Unconscious Bias	41%
HIPPA Privacy & Security	38%
COVID-19 Health & Safety	37%
GDPR	28%
Active Shooter	26%
Healthcare Fraud Prevention	22%
EU Whistleblower Directive	17%
EU Competition Law	9%
Other	4%

Key Finding: Sexual harassment and racial discrimination and harassment remain top priorities.

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Summary: Training

- More than 2 in 5 (43%) rate their organization as poor/fair in addressing employees who fail all or a part of testing
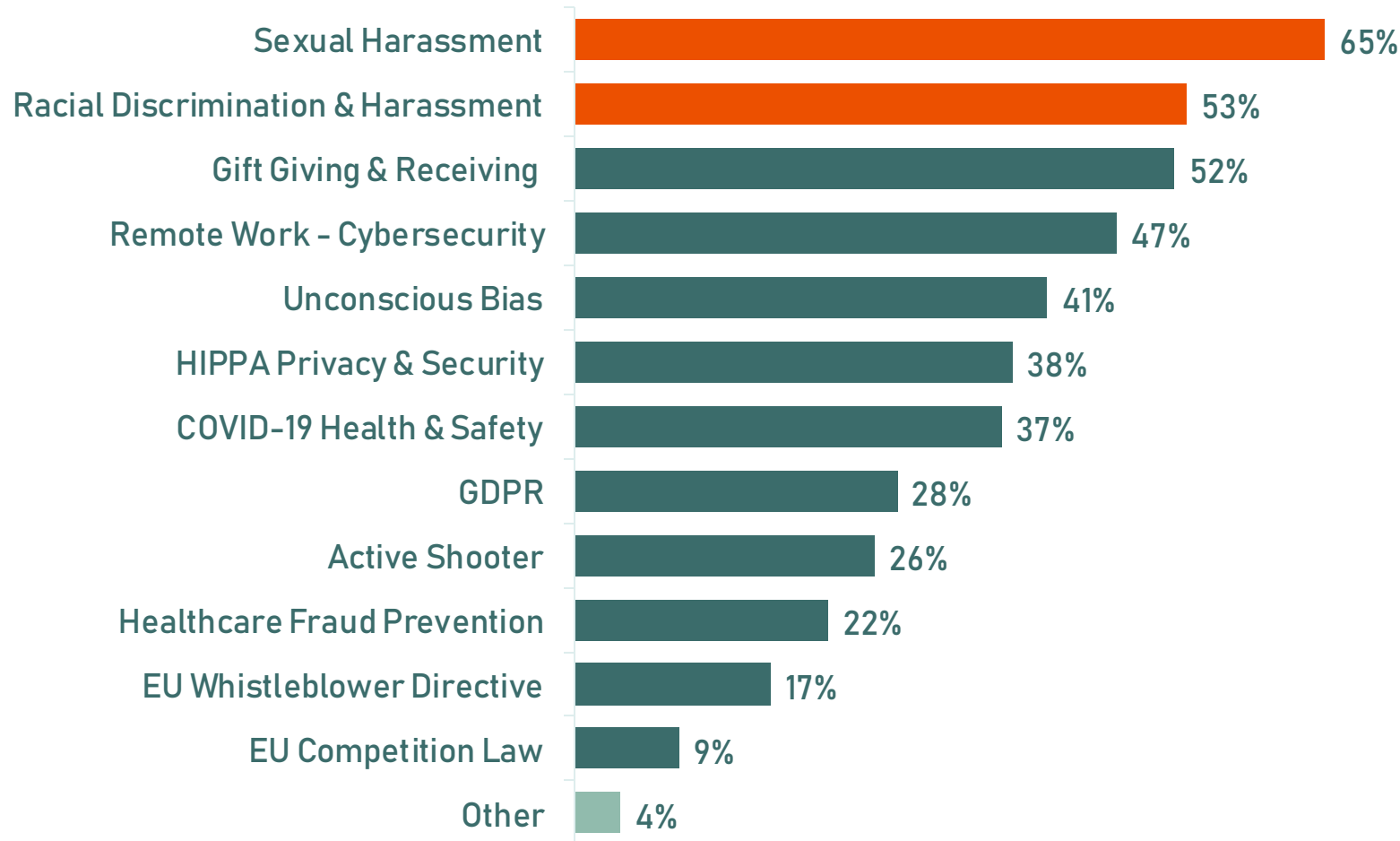
- Only 56% of respondents indicate they will be training on whistleblowing, reporting and retaliation – despite new whistleblower protection rules coming into effect

- Sexual harassment and racial discrimination and harassment training are top priorities for compliance sub-topics

Hotline & Incident Management

Rating Organizations Compliance Program Performance in Terms of Hotline and Incident Management

Category	Poor	Fair	Good	Very good	Excellent
Assessing the seriousness of allegations received	4%	11%	29%	35%	21%
Ensuring proper investigations are conducted (i.e., investigations which are independent, consistent, objective, and documented)	5%	12%	29%	32%	22%
Properly scoping investigations	5%	14%	35%	30%	17%
Generating awareness of, and comfort with, your anonymous reporting mechanism	8%	16%	31%	26%	18%
Using metrics to ensure responsiveness	14%	22%	32%	21%	12%

Legend: ■ Poor ■ Fair ■ Good ■ Very good ■ Excellent

Key Finding: Respondents rate themselves highly in terms of hotline and incident management but are least confident in using metrics to ensure responsiveness.
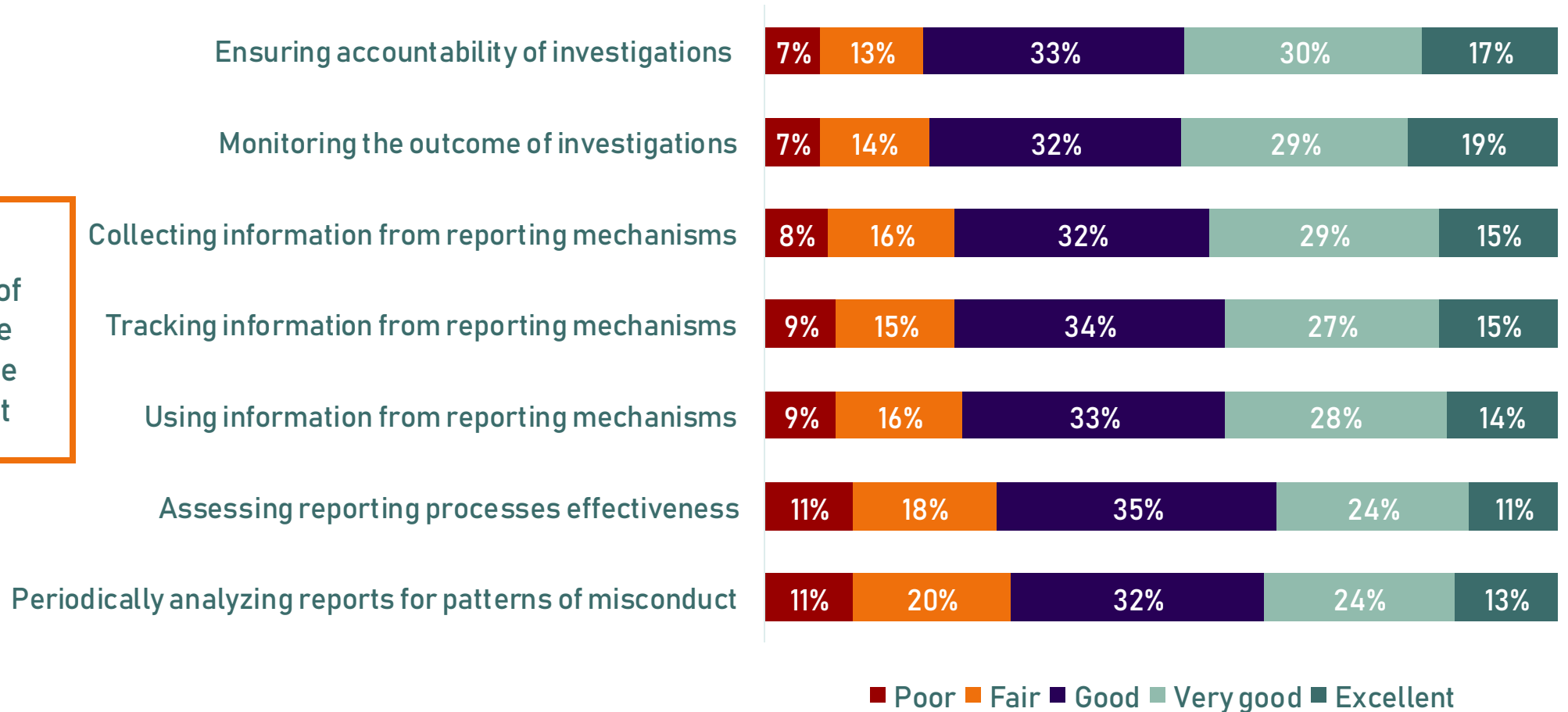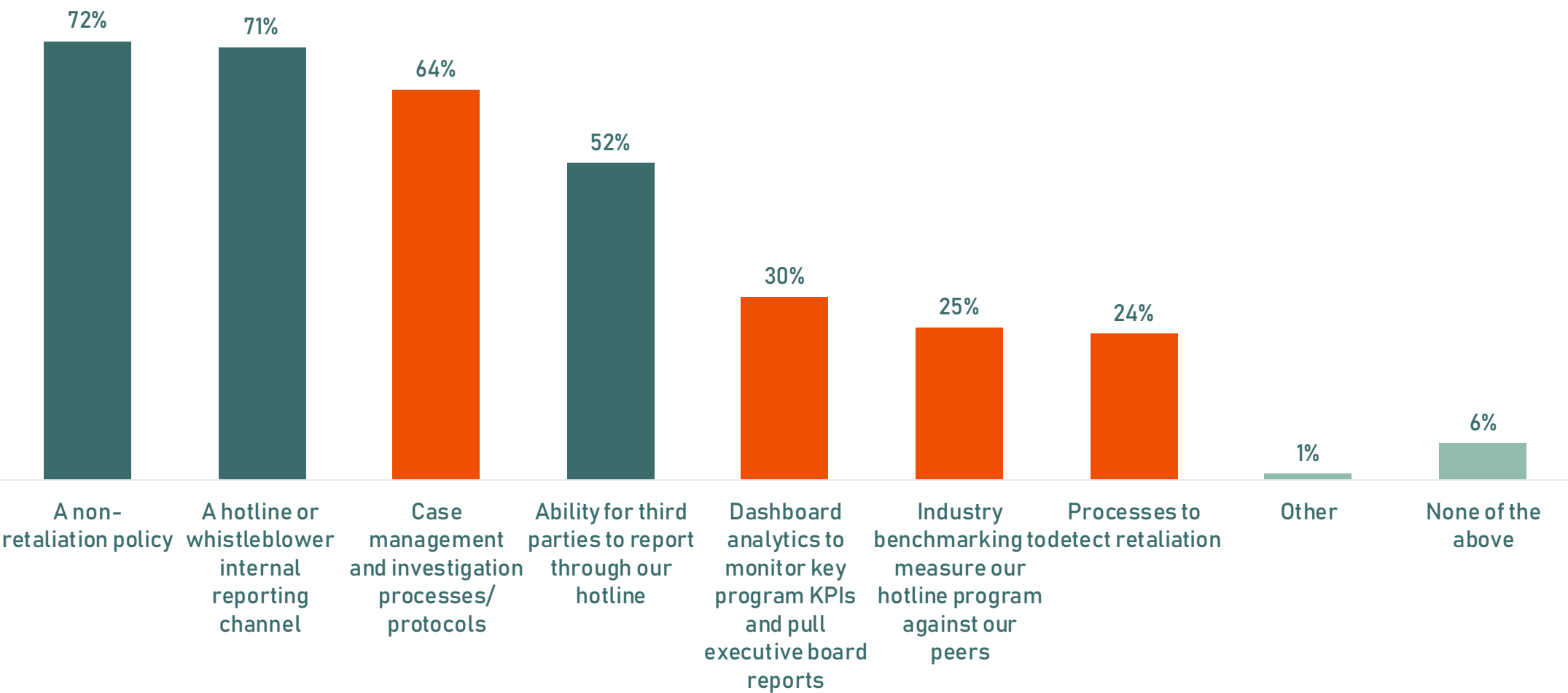
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Rating Organizations Compliance Program Performance in Terms of Hotline and Incident Management

Key Finding:
Analyzing patterns of misconduct is where respondents indicate they are the weakest

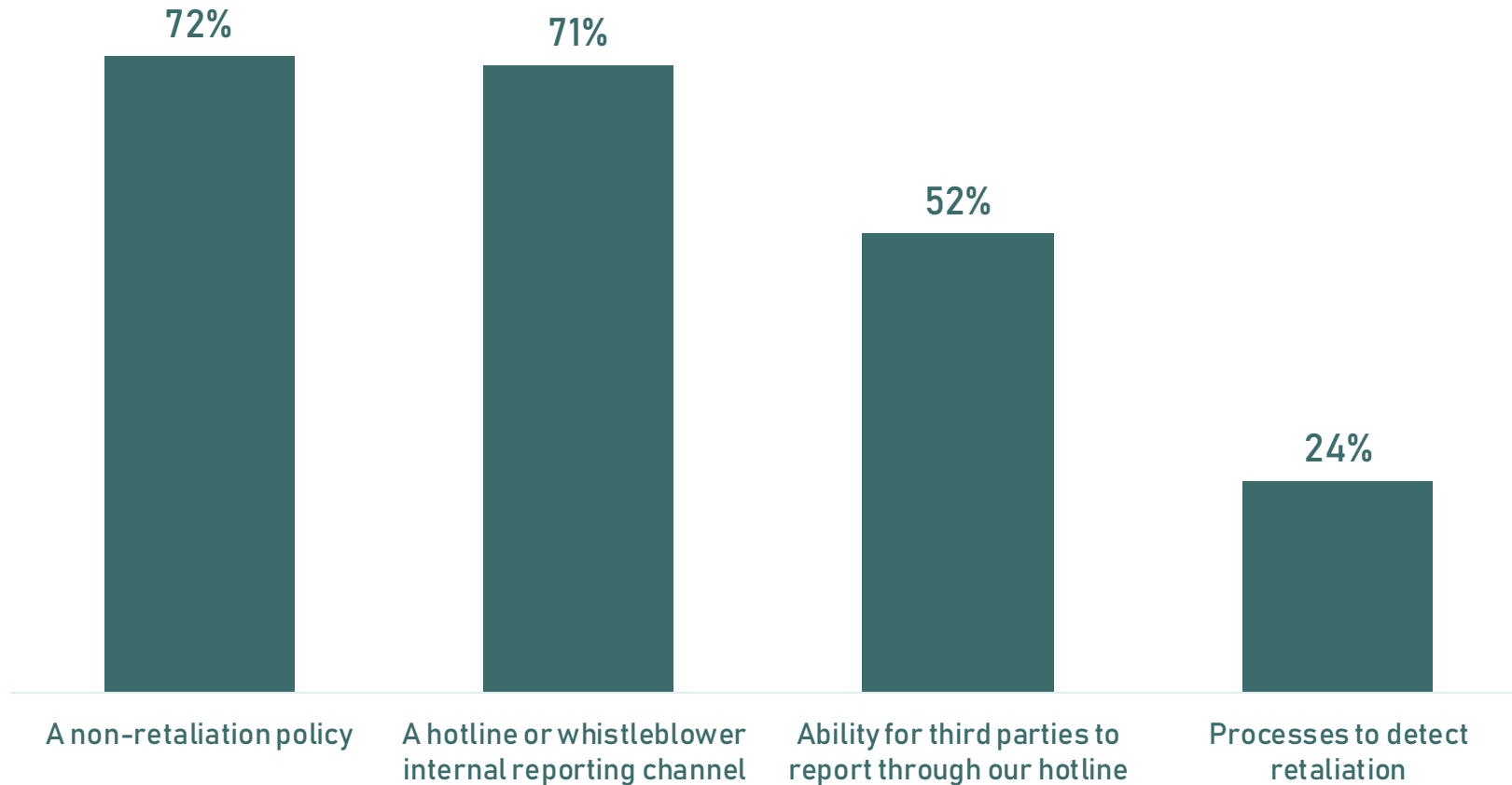|	Poor	Fair	Good	Very good	Excellent
Ensuring accountability of investigations	7%	13%	33%	30%	17%
Monitoring the outcome of investigations	7%	14%	32%	29%	19%
Collecting information from reporting mechanisms	8%	16%	32%	29%	15%
Tracking information from reporting mechanisms	9%	15%	34%	27%	15%
Using information from reporting mechanisms	9%	16%	33%	28%	14%
Assessing reporting processes effectiveness	11%	18%	35%	24%	11%
Periodically analyzing reports for patterns of misconduct	11%	20%	32%	24%	13%

■ Poor ■ Fair ■ Good ■ Very good ■ Excellent

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Confidential Reporting and Investigations

One-quarter of organizations lack a hotline or non-retaliation policy

Category	Percentage
A non-retaliation policy	72%
A hotline or whistleblower internal reporting channel	71%
Case management and investigation processes/protocols	64%
Ability for third parties to report through our hotline	52%
Dashboard analytics to monitor key program KPIs and pull executive board reports	30%
Industry benchmarking to measure our hotline program against our peers	25%
Processes to detect retaliation	24%
Other	1%
None of the above	6%

Confidential Reporting and Investigatory Program, Continued

72% — A non-retaliation policy

71% — A hotline or whistleblower internal reporting channel

52% — Ability for third parties to report through our hotline
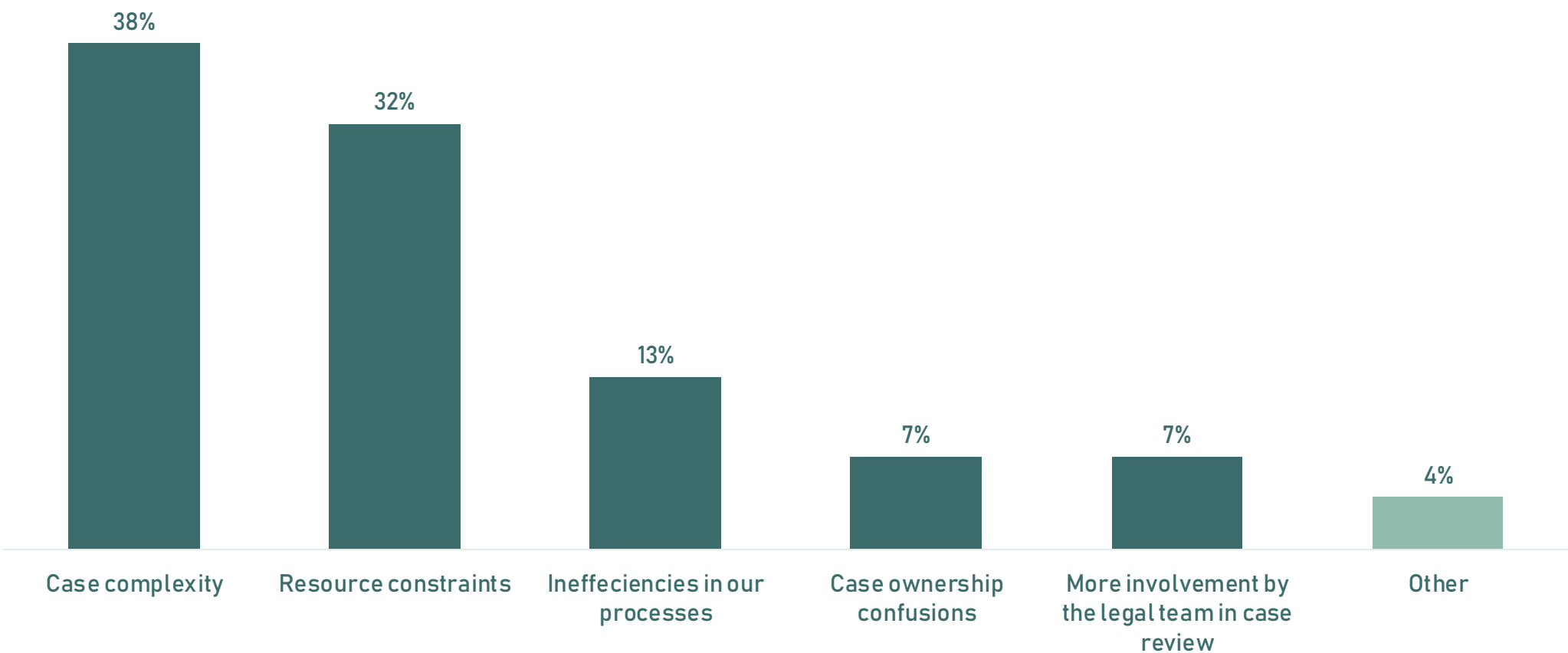
24% — Processes to detect retaliation

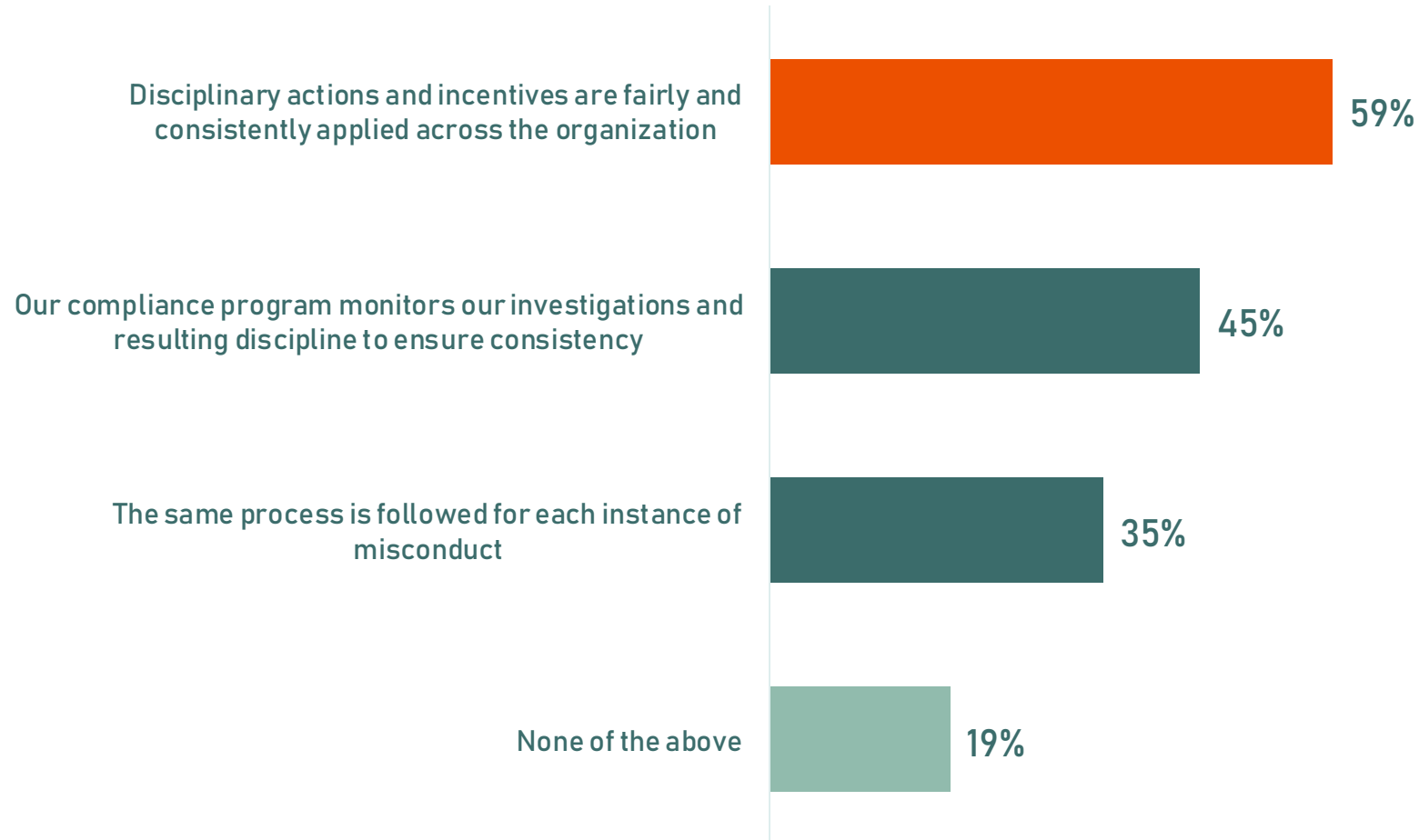Let's take a deeper dive into some of those findings:
- Nearly three-quarters have a non-retaliation policy
- The same is true for hotline or whistleblower internal reporting channels
- Only half have the ability for third-parties to report through the hotline
- Less than a quarter have processes in place to detect retaliation

Biggest Impact on Time it Takes to Investigate and Close a Report

Case complexity, resource restraints impacting case closure times

38%	32%	13%	7%	7%	4%
Case complexity	Resource constraints	Ineffeciencies in our processes	Case ownership confusions	More involvement by the legal team in case review	Other

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Organization Disciplinary Process

Disciplinary actions and incentives are fairly and consistently applied across the organization — **59%**

Our compliance program monitors our investigations and resulting discipline to ensure consistency — **45%**

The same process is followed for each instance of misconduct — **35%**

None of the above — **19%**

Key Finding:
Over 40% of respondents believe disciplinary actions aren't consistently applied across their organization.
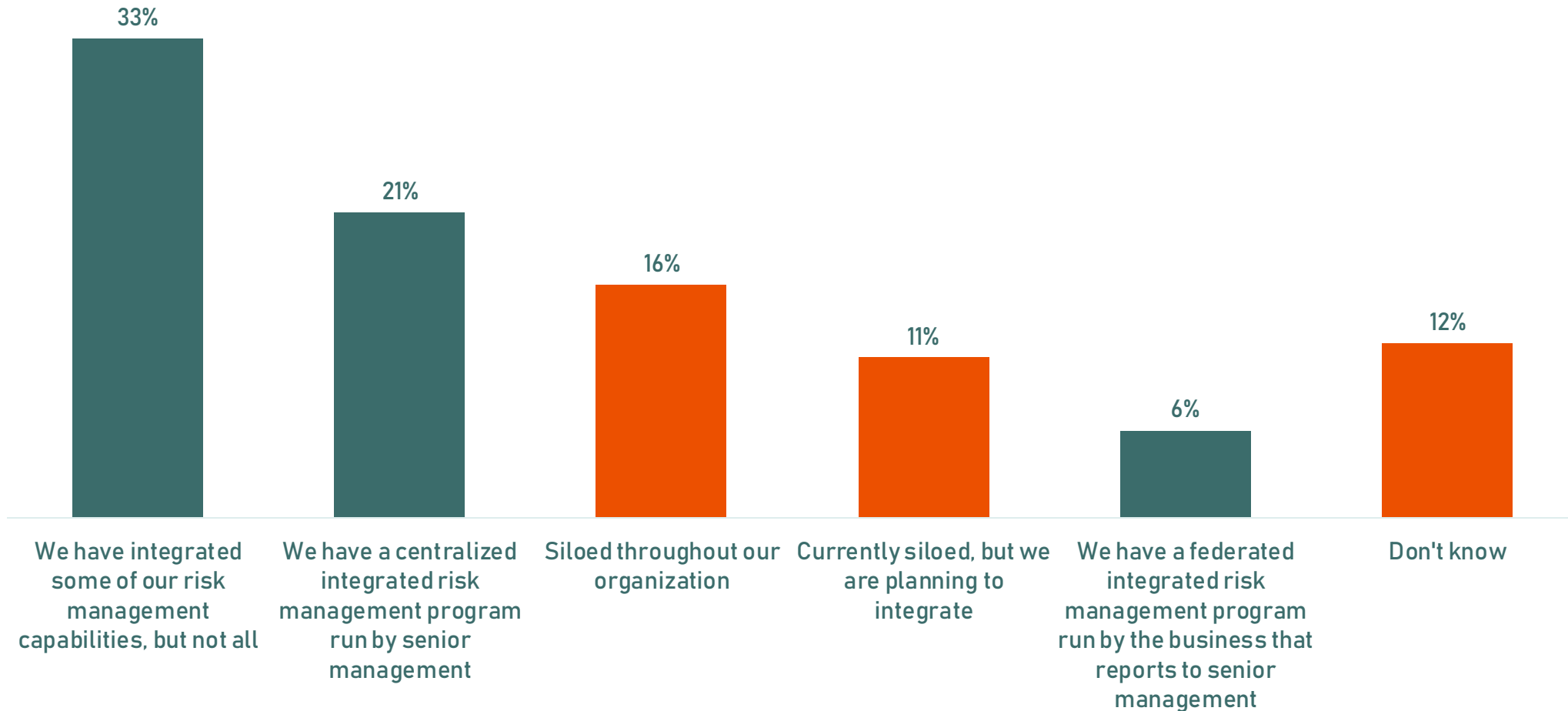
Summary: Hotline & Incident Management

- One-quarter of organizations lack a hotline or non-retaliation rule

- Respondents rate themselves highly in terms of hotline and incident management but are least confident in using metrics to ensure responsiveness

- Case complexity and resource restraints have the biggest impact on case closure times

- Over 40% of respondents believe disciplinary actions aren't consistently applied across their organization

Risk Management & Approach to Third-Parties

Risk Integration Management Capabilities

Over half (60%) of organizations have some level of risk integration

Category	Percentage
We have integrated some of our risk management capabilities, but not all	33%
We have a centralized integrated risk management program run by senior management	21%
Siloed throughout our organization	16%
Currently siloed, but we are planning to integrate	11%
We have a federated integrated risk management program run by the business that reports to senior management	6%
Don't know	12%

Committee to Address Risk Integration Enterprise-Wide

Less than a third have a board level committee to address risk integration, just over one-third have a management level committee

27% No

64% Yes

29%

35%

11%

17%

9%

- ■ Yes, a Board level committee
- ■ Yes, a management level committee
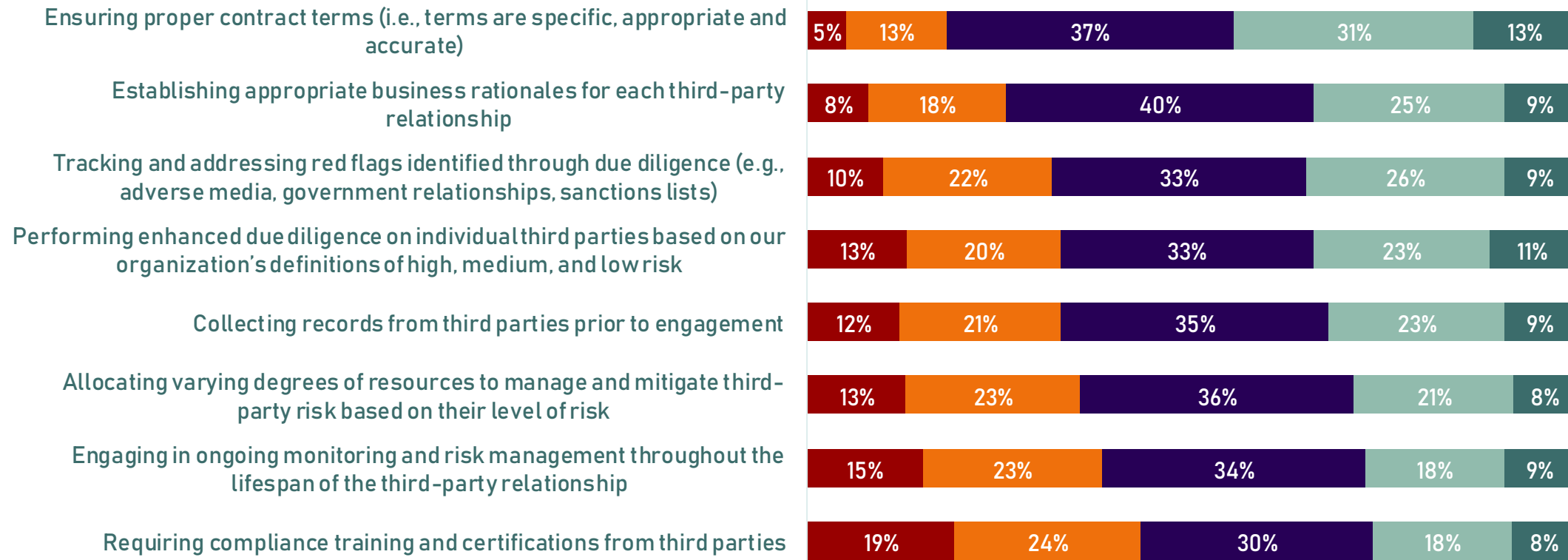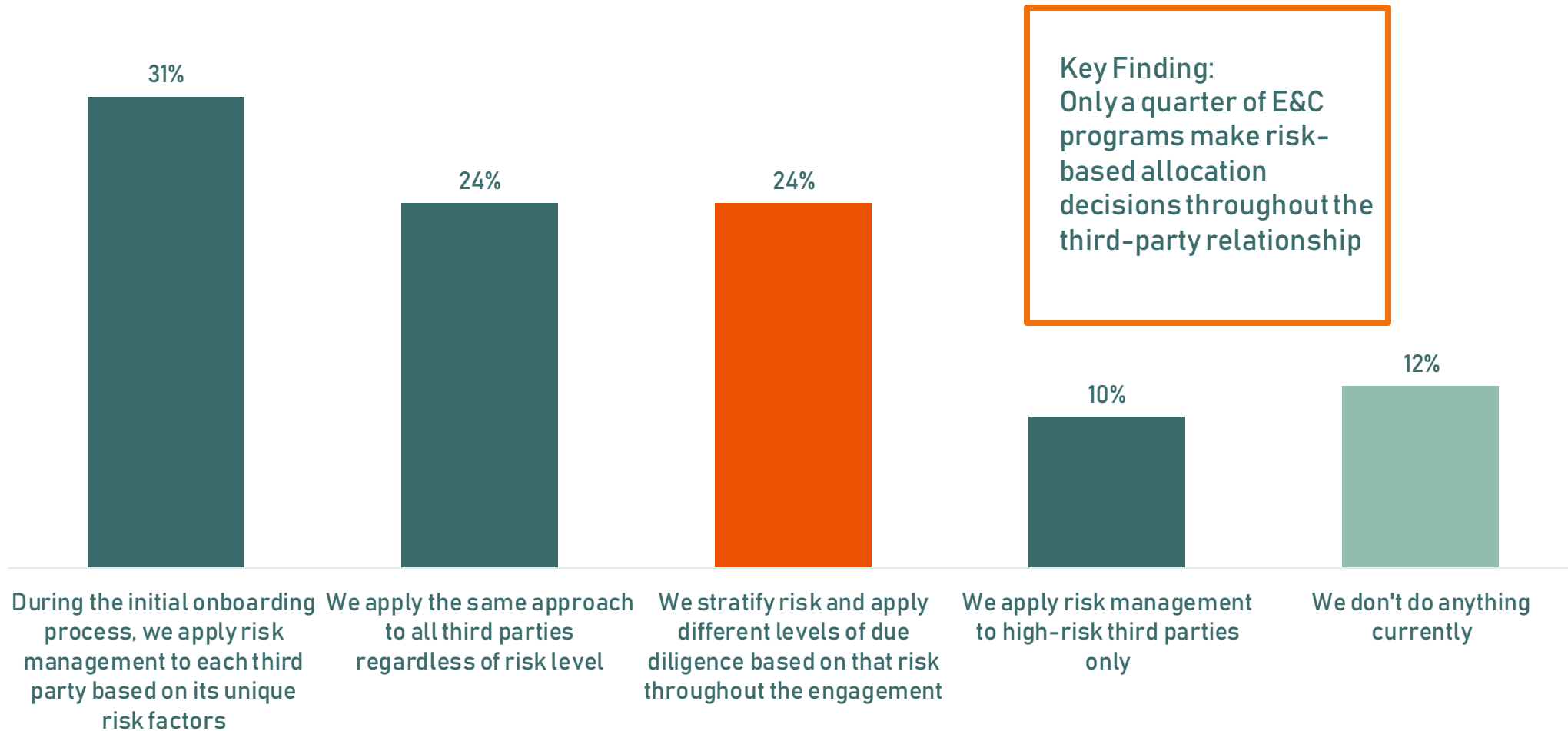- ■ No, but we are planning to do so
- ■ No, we are not pursuing this strategy at this time
- ■ Don't know
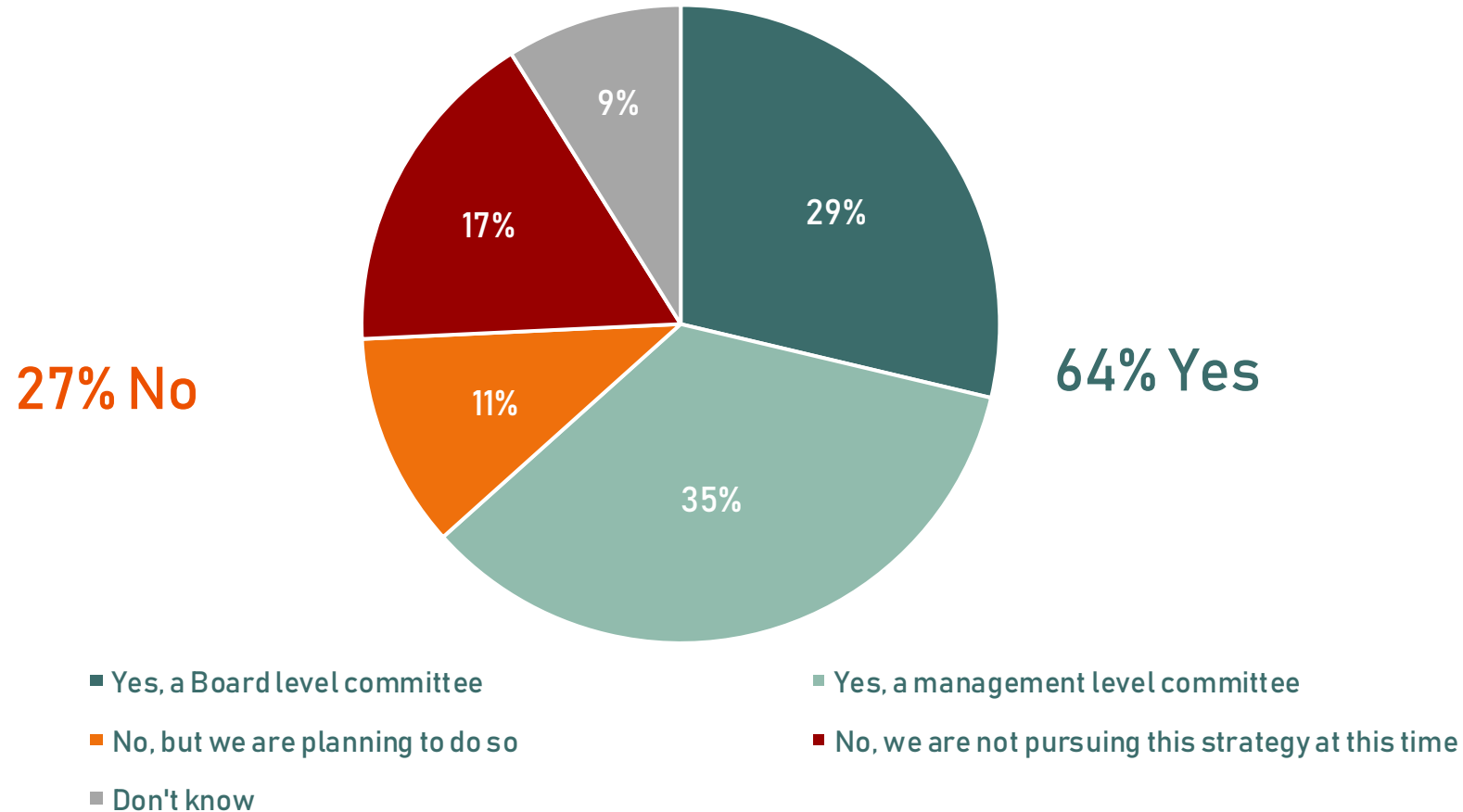
Rating Organization's Compliance Program's Performance in Terms of Third-Party Due Diligence

Performance across third-party activities is generally consistent, with room for improvement

Activity	Poor	Fair	Good	Very good	Excellent
Ensuring proper contract terms (i.e., terms are specific, appropriate and accurate)	5%	13%	37%	31%	13%
Establishing appropriate business rationales for each third-party relationship	8%	18%	40%	25%	9%
Tracking and addressing red flags identified through due diligence (e.g., adverse media, government relationships, sanctions lists)	10%	22%	33%	26%	9%
Performing enhanced due diligence on individual third parties based on our organization's definitions of high, medium, and low risk	13%	20%	33%	23%	11%
Collecting records from third parties prior to engagement	12%	21%	35%	23%	9%
Allocating varying degrees of resources to manage and mitigate third-party risk based on their level of risk	13%	23%	36%	21%	8%
Engaging in ongoing monitoring and risk management throughout the lifespan of the third-party relationship	15%	23%	34%	18%	9%
Requiring compliance training and certifications from third parties	19%	24%	30%	18%	8%

Legend: ■ Poor ■ Fair ■ Good ■ Very good ■ Excellent

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Organizational Approach to Third Parties

31% — During the initial onboarding process, we apply risk management to each third party based on its unique risk factors

24% — We apply the same approach to all third parties regardless of risk level

24% — We stratify risk and apply different levels of due diligence based on that risk throughout the engagement

10% — We apply risk management to high-risk third parties only

12% — We don't do anything currently

Key Finding:
Only a quarter of E&C programs make risk-based allocation decisions throughout the third-party relationship

BASE: KNOWDEGEABLE ABOUT ETHICS & COMPLIANCE (N=871)
Q375 Which best describes your organization's approach to third parties? Please select one.

"Our Third-Party Due Diligence Program Significantly Reduces our Legal, Financial and Reputational Risks"

Nearly two-thirds of respondents believe their third-party due diligence programs significantly reduce risk

15% Disagree

63% Agree

| 6% | 9% | 23% | 37% | 26% |

■ Strongly disagree　■ Somewhat disagree　■ Neither agree or disagree　■ Somewhat agree　■ Strongly agree

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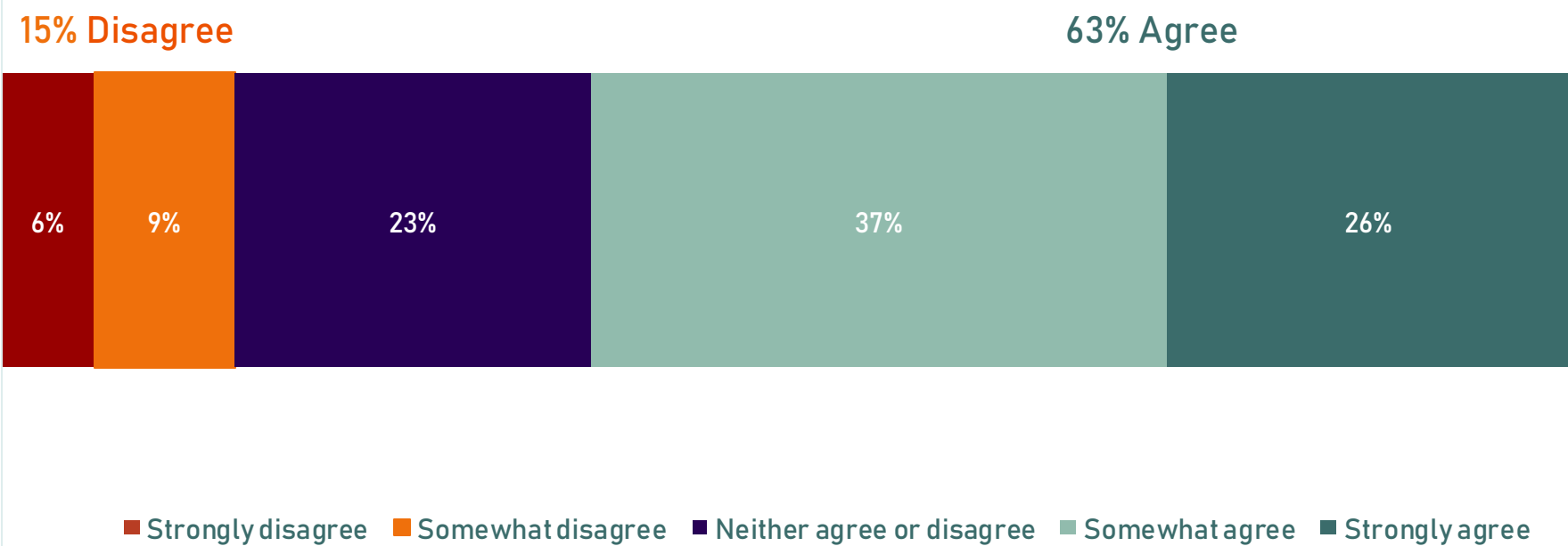
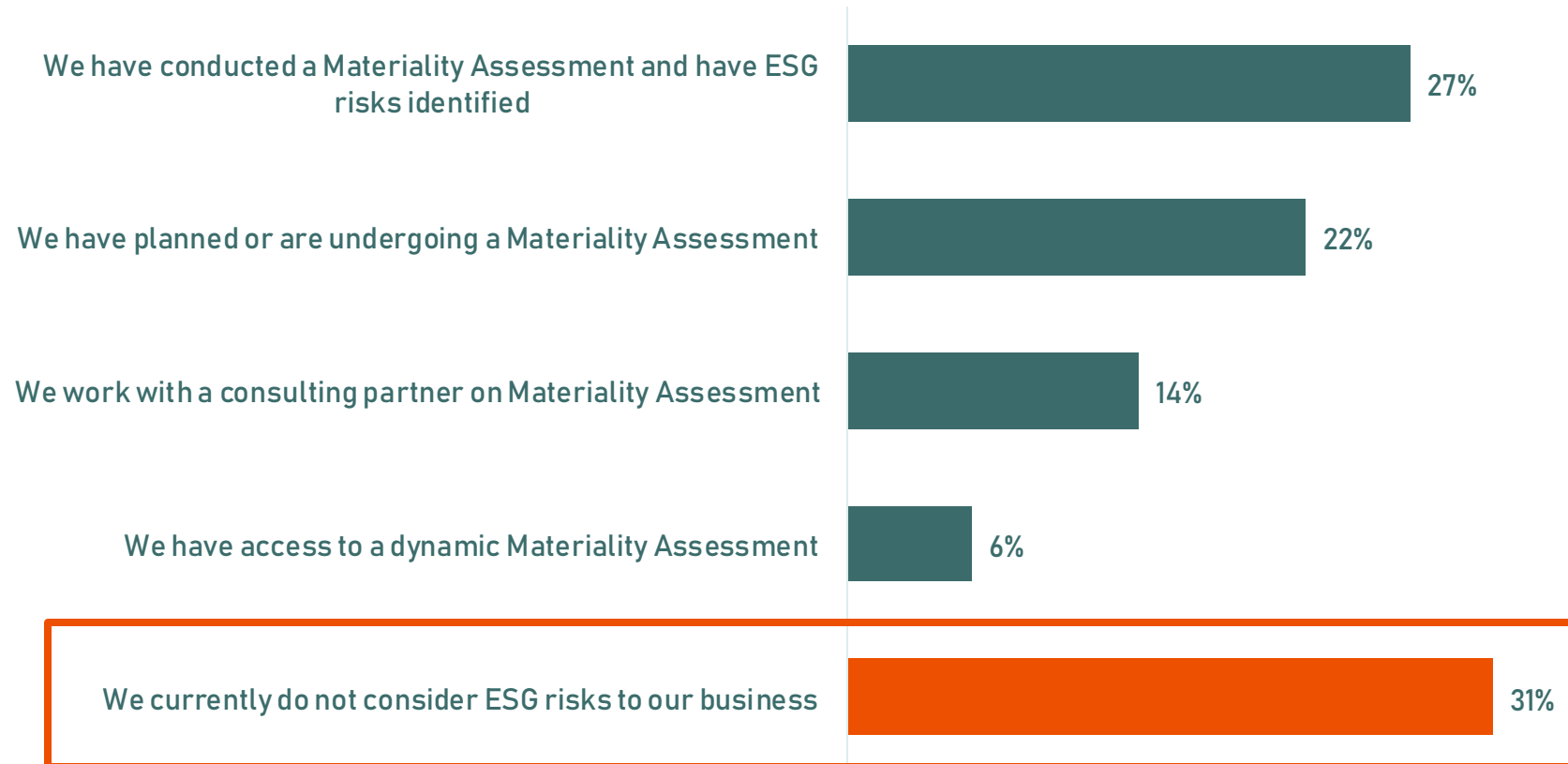# Summary: Risk management & approach to third-parties

- The top reason for adopting R&C automation and technology is to reduce risks

- Over half (60%) of organizations have some level of risk integration

- Less than a third have a board level committee to address risk integration, just over one-third have a management level committee

- Performance across third-party activities is generally consistent, with room for improvement

- Only a quarter of E&C programs make risk-based allocation decisions throughout the third-party relationship
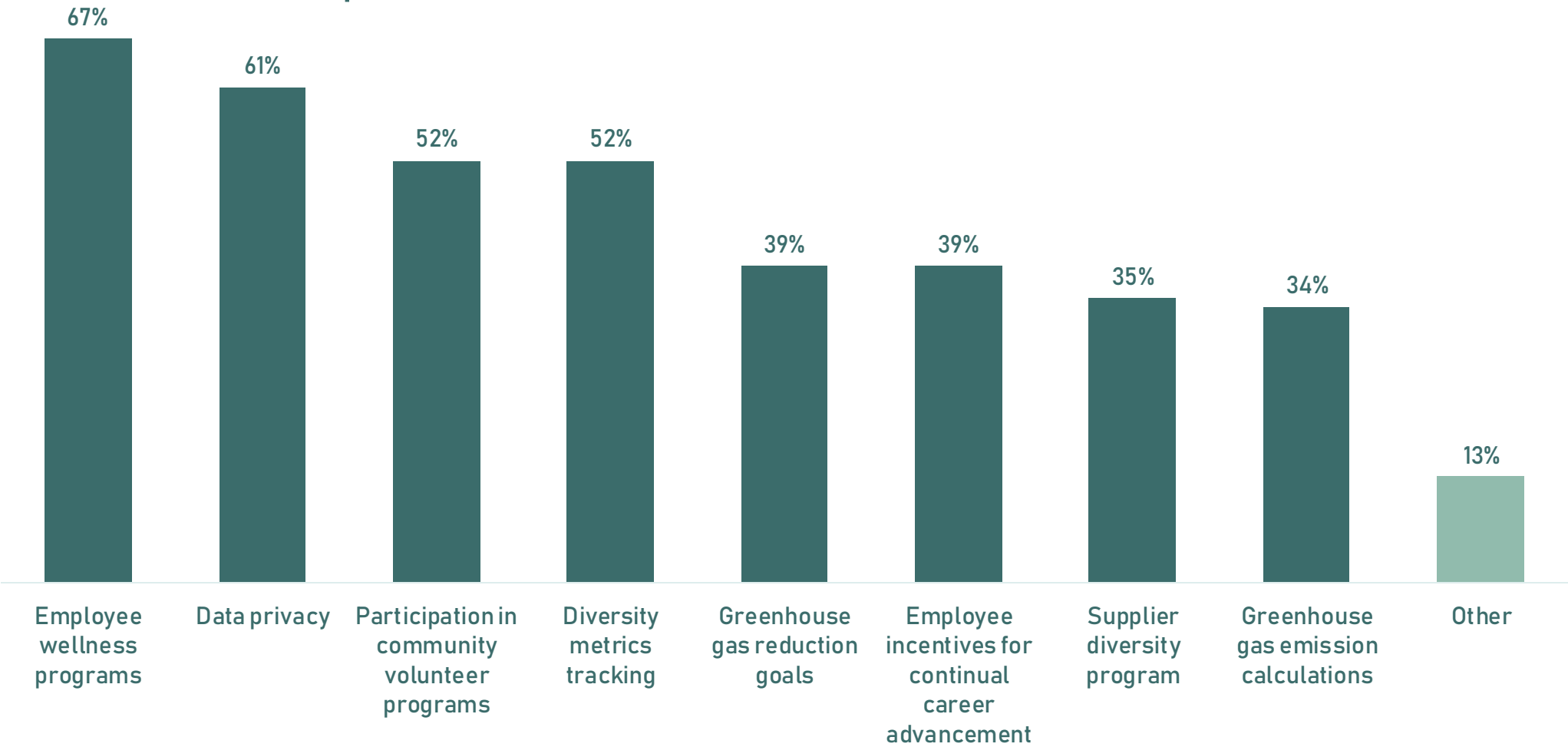
ESG

Determining ESG Risks to Business

Nearly one-third of respondents do not consider ESG risks to their business

We have conducted a Materiality Assessment and have ESG risks identified	27%
We have planned or are undergoing a Materiality Assessment	22%
We work with a consulting partner on Materiality Assessment	14%
We have access to a dynamic Materiality Assessment	6%
We currently do not consider ESG risks to our business	31%

Aspects of ESG Program

HR-centric elements top ESG activities

Category	Percentage
Employee wellness programs	67%
Data privacy	61%
Participation in community volunteer programs	52%
Diversity metrics tracking	52%
Greenhouse gas reduction goals	39%
Employee incentives for continual career advancement	39%
Supplier diversity program	35%
Greenhouse gas emission calculations	34%
Other	13%

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Organization ESG Program

Over half of respondents' report having support from the CEO for ESG programs – nearly one-third have assigned a dedicated person to focus on ESG issues
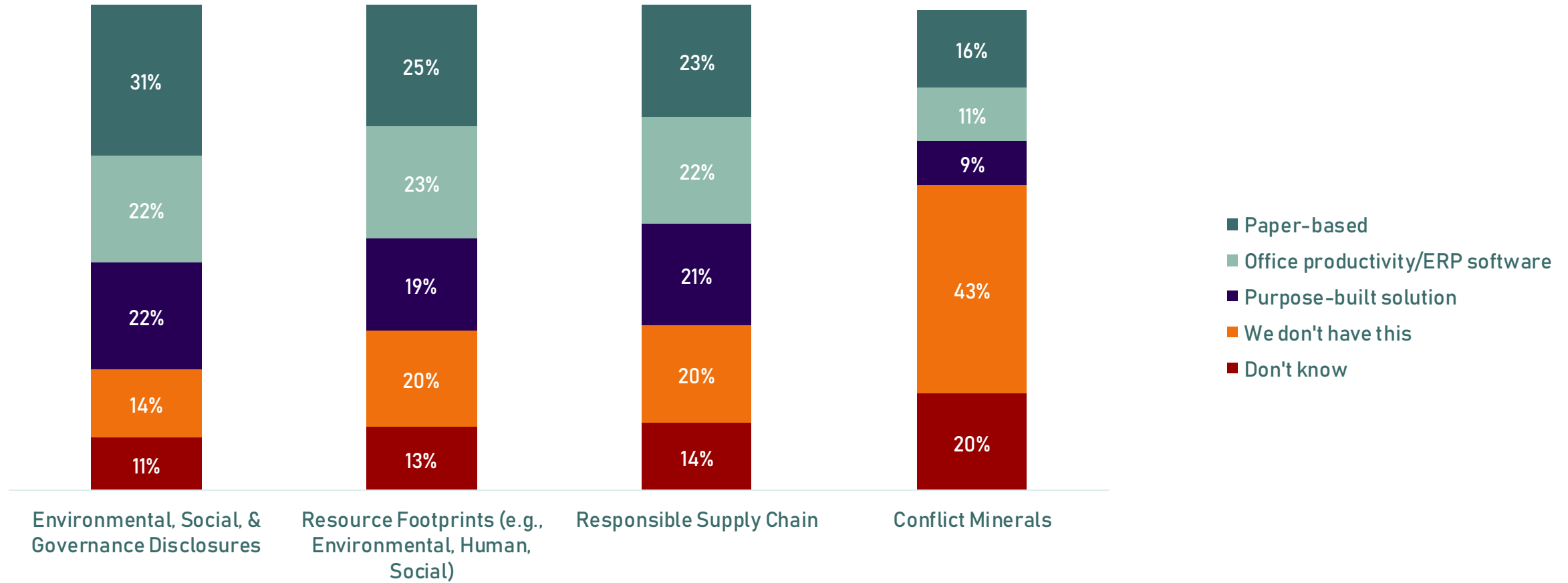
Category	Percentage
It has support from the CEO	56%
It is integrated within our organization	40%
We have assigned/hired a dedicated person to focus on ESG issues	31%
It has a dedicated budget	23%
We integrate our ESG reporting with financial reporting	21%
We use an external auditor to verify our ESG data	19%
We can easily generate ESG and sustainability reports	17%
None of the above	22%

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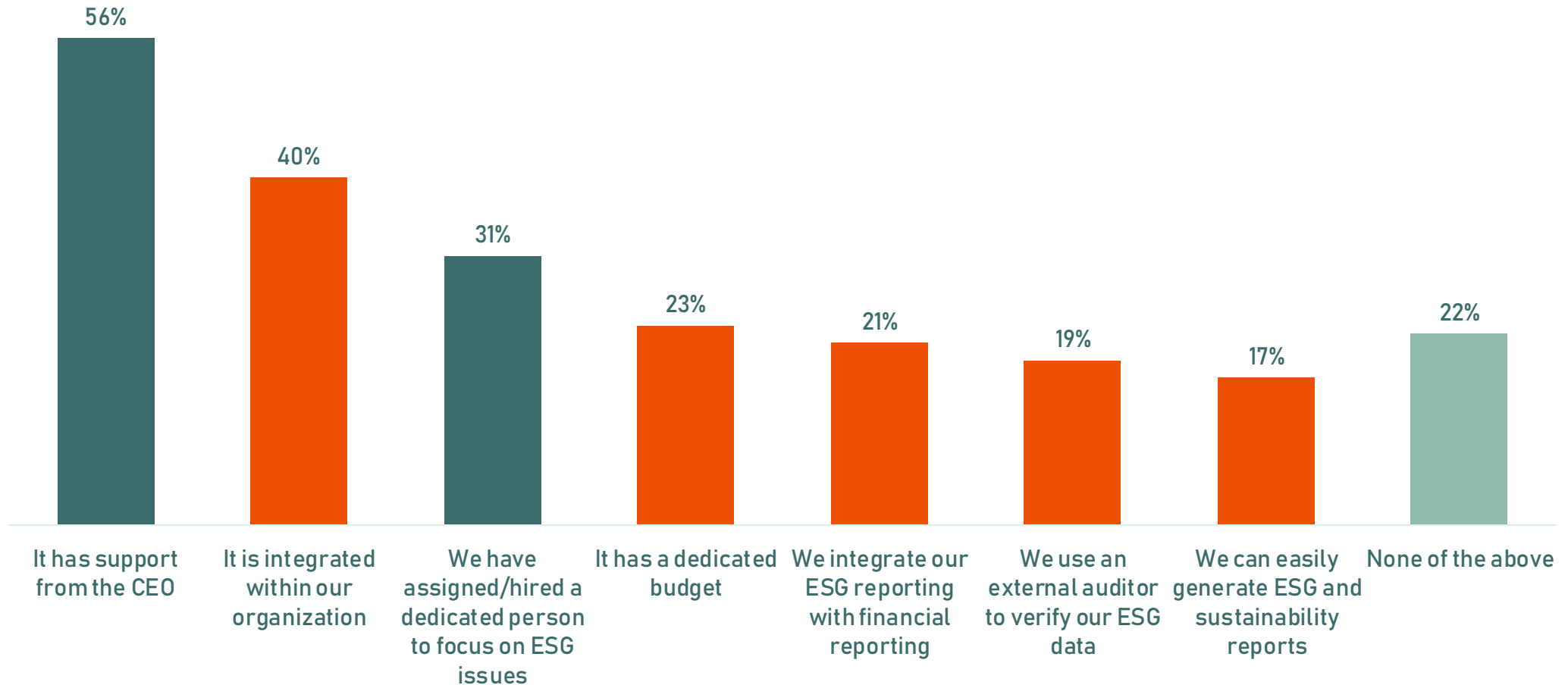
Importance in Organizational Decision-Making Process

Over half report that ESG is very important/absolutely essential, showing this sector is poised for growth
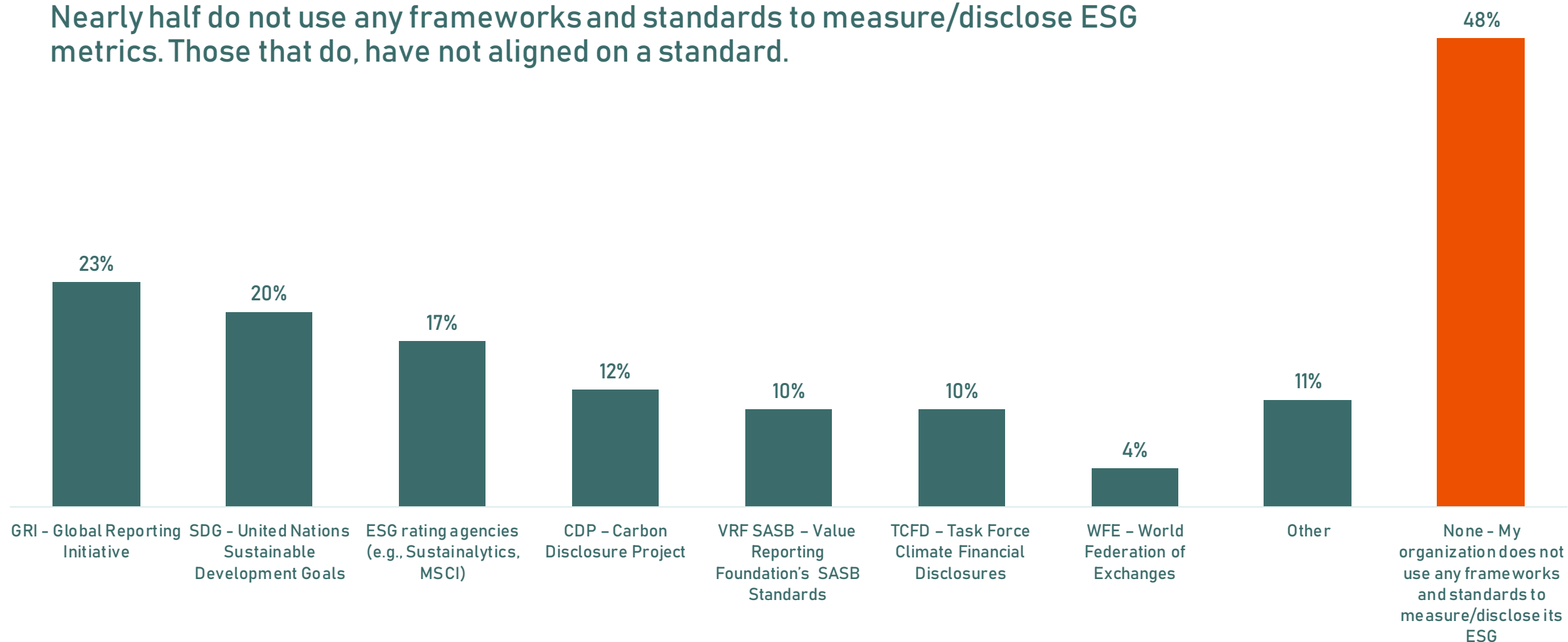
Helping my organization maintain social and environmental accountability.

| 5% | 12% | 29% | 32% | 22% |

- ■ Not important
- ■ Somewhat important
- ■ Important
- ■ Very important
- ■ Absolutely essential

Administer R & C Program Elements

Nearly one-third of respondents manage ESG disclosures with paper

Legend:
- Paper-based
- Office productivity/ERP software
- Purpose-built solution
- We don't have this
- Don't know

Environmental, Social, & Governance Disclosures
- 31%
- 22%
- 22%
- 14%
- 11%

Resource Footprints (e.g., Environmental, Human, Social)
- 25%
- 23%
- 19%
- 20%
- 13%

Responsible Supply Chain
- 23%
- 22%
- 21%
- 20%
- 14%

Conflict Minerals
- 16%
- 11%
- 9%
- 43%
- 20%

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Frameworks and Standards Used to Measure/Disclose ESG Performance

Nearly half do not use any frameworks and standards to measure/disclose ESG metrics. Those that do, have not aligned on a standard.

Bar chart values:
- GRI – Global Reporting Initiative: 23%
- SDG – United Nations Sustainable Development Goals: 20%
- ESG rating agencies (e.g., Sustainalytics, MSCI): 17%
- CDP – Carbon Disclosure Project: 12%
- VRF SASB – Value Reporting Foundation's SASB Standards: 10%
- TCFD – Task Force Climate Financial Disclosures: 10%
- WFE – World Federation of Exchanges: 4%
- Other: 11%
- None – My organization does not use any frameworks and standards to measure/disclose its ESG: 48%

Summary: ESG

- Nearly one-third of respondents do not consider ESG risks to their business

- HR-centric elements are the top ESG activities

- Over half of respondents' report having support from the CEO for ESG programs – nearly one-third have assigned a dedicated person to focus on ESG issues

- Over half report that ESG is very important/absolutely essential, showing this sector is poised for growth

- Nearly one-third of respondents manage ESG disclosures with paper

- Nearly half do not use any frameworks and standards to measure/disclose ESG metrics. Those that do, have not aligned on a standard

Summary & Key Learning Points

Risk assessments aren't be done enough and aren't being used well when they are completed.

Leadership commits to compliance but is challenged when facing competing priorities or business objectives.

The focus on whistleblowing and non-retaliation by the regulators isn't matched by practitioner focus and should be.

Regulations continue to drive R&C programs, but an ethical culture is fundamental to adhering to the regulatory requirements.

ESG standards are not settled but this area is gaining attention from consumers, investors and leadership.

Thank You.

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