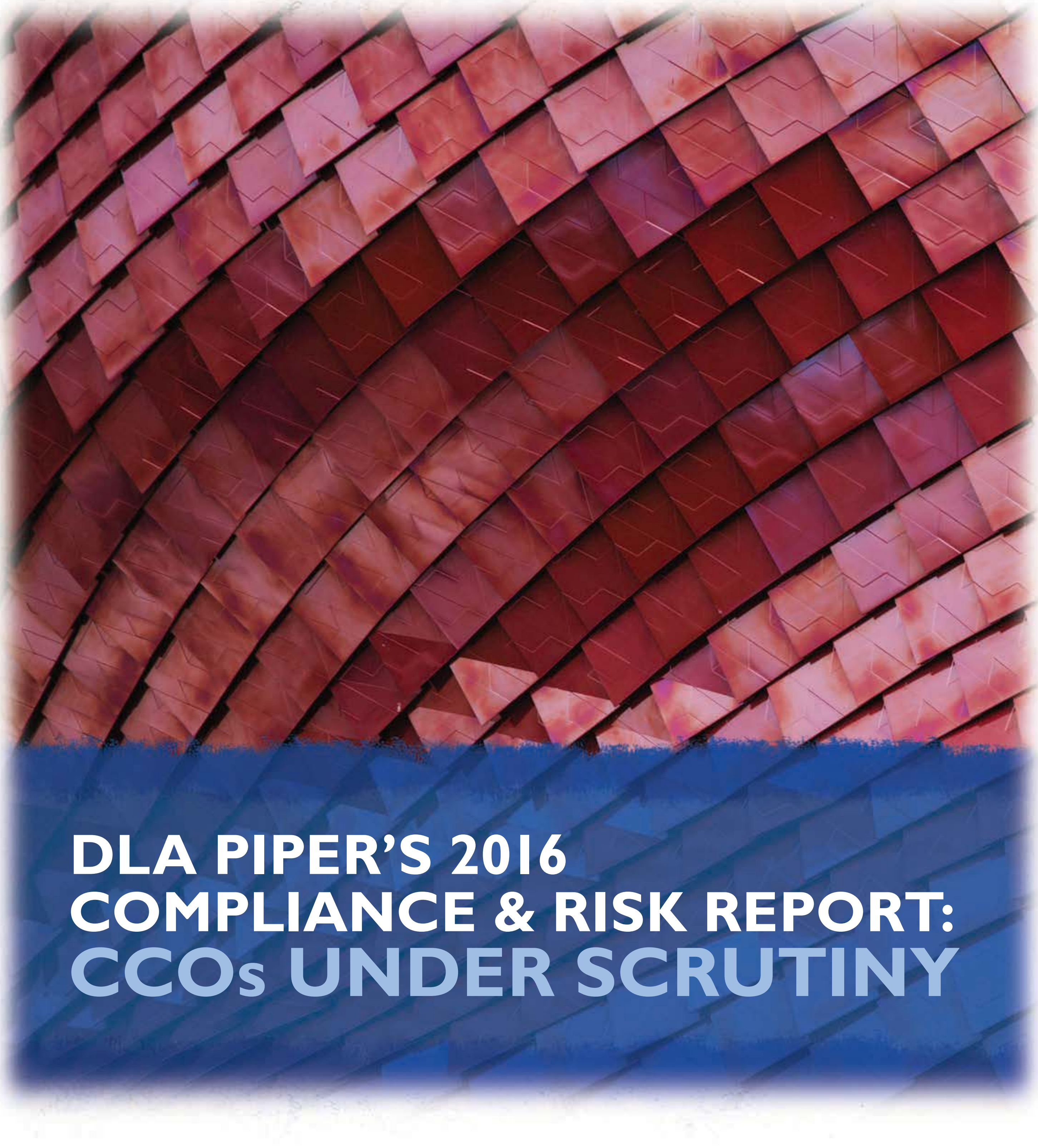

DLA PIPER'S 2016 COMPLIANCE & RISK REPORT: CCOs UNDER SCRUTINY

DLA PIPER

A CHANGING LANDSCAPE

The first DLA Piper compliance survey arrives at a crucial hour, with regulators and enforcement authorities increasingly viewing the establishment of ethical and compliant business cultures as one of the most important tasks for corporate boards and C-suite executives.

In this environment, companies must create sustainable cultures of integrity that empower personnel at all levels to make the right decisions. This is often the most difficult job for CCOs. Our survey results demonstrate that CCOs are worried about personal liability and that companies are still struggling with monitoring and auditing their compliance programs.

Building on the success of our inaugural examination of compliance programs, we already are at work on our second annual compliance survey, which will include a special focus on directors – their views of compliance and how best to engage and educate a firm's governing body about compliance issues – and on the unique issues confronting both foreign and domestic multinational businesses.

Senator George Mitchell
Partner
Chairman Emeritus

In my career as General Counsel and Chief Compliance Officer at global Fortune 500 companies, and more recently as a director of publicly traded companies, I have seen the best and the worst of how compliance can affect a company's financial performance, reputation and culture. And so, through that lens, we at DLA Piper set out to conduct a survey that would produce meaningful and practical direction for compliance professionals in companies big and small, public and private.

More than simply a collection of data, this survey provides insights, analysis and actionable guidance to help ensure that your compliance program is working to protect not only your company, but also yourself and all of the individuals charged with developing and implementing the program.

And with that, I am proud to introduce the first annual DLA Piper compliance survey.

Stasia Kelly
Co-chair of DLA Piper's Global Governance and Compliance practice
Co-managing Partner (Americas)

EXECUTIVE SUMMARY

"One of the most effective ways to combat corporate misconduct is by seeking accountability from the individuals who perpetrated the wrongdoing."

— U.S. Deputy Attorney General Sally Q. Yates, Sept. 9, 2015

Contained in what is now commonly referred to as the Yates Memo, those words sent waves of apprehension through the corporate compliance world last fall. Coupled with the appointment of Hui Chen as the Justice Department's first-ever compliance counsel and accompanied by a steady drumbeat of guidance from Andrew Ceresney, Securities and Exchange Commission director of enforcement, the memo seemed to signal a new era of scrutiny and personal liability for senior executives and compliance officers.

That apprehension hasn't subsided among the vast majority of compliance officers and CEOs, according to DLA Piper's **2016 Compliance & Risk Report: CCOs Under Scrutiny**. More than eight in 10 respondents to our survey said they were at least somewhat concerned about the change in tone and tactics from Washington. Ninety-one percent predicted greater scrutiny now that Hui Chen has been appointed compliance counsel. And nearly two-thirds said the recent developments would affect their decisions to remain or accept positions as CCOs.

Potentially exacerbating the situation, compliance resources aren't keeping pace with increasing oversight, respondents said. Only about a third were confident that they had sufficient resources to do their jobs – and the vast majority said they have not changed their compliance programs in the wake of the recent saber rattling from Washington.

The tension between heightened personal liability and stunted resources could have multiple negative implications for the compliance industry. It could drain the industry's talent pool, for instance, acting as a deterrent for early-to-mid career professionals. "If you have another 25 years to work, do you really need this kind of risk?" one experienced compliance officer told us.

8 out of 10 at least somewhat concerned about the change in tone and tactics from Washington

91% predicted greater scrutiny now that Hui Chen has been appointed compliance counsel

2/3 said the recent developments would affect their decision to remain or accept positions as CCOs

With this as a backdrop – and with no indication that federal oversight will diminish any time soon – the following report aims to provide an insightful picture on the state of compliance: What are the greatest risks companies face, how are employees being trained, what is the status of the compliance chain of command and what actions should companies take in this new landscape?

More external pressure, but little change – so far

Despite the change in tone from Washington, 79 percent of survey respondents said they had not altered their compliance programs in response. This could be a timing issue – Chen's appointment and the Yates Memo are both fairly fresh – but other factors could be at play.

Many respondents don't seem to think they have the resources necessary to build and maintain strong compliance programs. When asked if they had sufficient resources to do their jobs, only about a third (30 percent) answered "to a great extent." This could be a function of CCOs' continuous drive to improve, and of senior managers' general reluctance to allocate resources to non-revenue-generating functions and exclusive focus on measuring the return on investment for any expenditure. But clearly some CCOs feel they're not getting what they need – nearly a quarter said they only had sufficient resources "to a small extent" (12 percent) or "not at all" (12 percent). That group is likely to experience particularly acute anxiety as regulators turn up the heat.

"You sit in this role and you always think of more that could be done if you had more people or more resources," one seasoned CCO told us. "But if you're being held accountable and you don't feel you have sufficient resources – and you've asked for them – that's very problematic."

47% encountered resistance when requesting budget increases

Respondents were about evenly split on whether they encountered resistance when requesting budget increases, though some said pointing to the consequences of violations helped their cause. In that sense, the new scrutiny from Washington could help shake loose the resources they need. Sometimes, one CCO said, senior executives and board members need to be "scared straight."

But in post-survey interviews, several CCOs said some companies likely haven't changed their programs simply because they don't feel they need to. These CCOs said the recent changes from Washington, while significant, merely add clarity to the guidelines that companies were – or should have been – following already.

"For companies that have not taken compliance responsibilities seriously in the past, I guess having a compliance counsel in the DOJ to ask questions is frightening," said another CCO. "But, you know what? Compliance responsibilities have been out there for a long time."

Still, as the survey results demonstrate, the majority of compliance officers are deeply concerned. In certain industries, that concern may be justified even if they believed their houses were in order prior to fall 2015. The most heavily regulated industries, such as financial services, healthcare and chemicals, already face the most scrutiny, and compliance executives in those organizations are more likely to be unnerved by increases in scrutiny. One CCO told us that financial services – which he described as "about as popular as Congress" – stands to feel the most heat.

65% said increased scrutiny would have an impact on their decisions to remain CCOs

Concern about growing personal liability will also enter into career choices for many compliance professionals, according to the survey. Sixty-five percent of respondents said the increased scrutiny would have an impact on their decisions to remain CCOs or to accept new CCO positions.

"If it's a higher-risk company or one with a prosecutorial history, you're going to weigh the risk of whether it could destroy your career and your personal life," said one CCO we spoke to.

Greatest risks, preparedness and training

Not surprisingly, cybersecurity, data privacy and regulatory risk were respondents' greatest compliance concerns, and their compliance spending tracked closely with those concerns. Interestingly, though cybersecurity topped the list, only 50 percent of respondents said they had cybersecurity insurance policies and only 10 percent had ever filed a related claim.

77% said they had business continuity and disaster recovery programs and crisis response teams in place

More than three-quarters (77 percent) said they had business continuity and disaster recovery programs and crisis response teams in place. Seventy-three percent said they had formal, written crisis management protocols.

Respondents said they considered monitoring to be the weakest aspect of their compliance programs and also the aspect (along with training) that took up the most time. Audits were respondents' tools of choice for measuring the effectiveness of compliance programs, along with training data and online assessments. Sixty-five percent said they used online, interactive training – and public companies were more likely to use those methods.

Chain of Command and Board Reporting

Forty-four percent of respondents said the compliance officer at their company reports to the chief legal officer, while 25 percent of respondents said the compliance officer reports to the CEO. When asked about optimal reporting structures, however, respondents were more evenly split between these two reporting lines – 28 percent believed a direct report to the chief legal officer was best while 29 percent preferred a direct line to the CEO. Also interesting, whereas 11 percent of respondents said their compliance officer reports to the board, more than two times as many respondents (29 percent) preferred a direct report to the board.

44% said the compliance officer at their company reports to the CLO

Reporting to the board has the clear advantage of creating a direct line to the ultimate decision makers and would satisfy the oversight requirement in the federal sentencing guidelines. Given the current environment, that advantage may be increasing, particularly for CCOs who foresee increased scrutiny without a corresponding increase in resources. Directors also often bring broader perspectives than senior executives. In addition, regulators expect CCOs to have access to senior decision makers, including the board.

"A lot of our board members sit on other boards," one CCO told us. "They bring that learning to the boardroom, and from that standpoint, the board has helped a lot – getting educated on the outside or through their own reading."

About two-thirds of respondents said they report metrics to their board of directors or an audit committee. Increased exposure to the board and/or audit committee can help CCOs and directors alike. Directors become more informed about the organization's greatest risks while CCOs become more informed about how to best reach and communicate with directors.

"What's happening is corporate America is seeing that the position they once thought might be more of a mid-level is more of a higher level," Roy Snell, CEO of the Society of Corporate Compliance and Ethics, told *The Wall Street Journal* in October.

Amid this shifting compliance landscape, we present the following results. When informative, we've provided a comparison of results by respondents from public and private companies.

WHAT CCOs NEED TO KNOW

As scrutiny from Washington increases, and organizations become more global and complex, compliance officers must protect their companies and themselves. And while that's easier said than done – and while every organization is different, with unique compliance needs – there are certain fundamental steps that nearly every compliance officer should take.

This list should serve as a starting point. As always, execution and persistence are key.

MITIGATING CCO RISK

- **Track effectiveness:** Assess your compliance program and carefully document its development and maintenance to demonstrate that it works.
- **Get covered:** Ensure that your company obtains adequate D&O insurance and provides CCO indemnification rights in employment contracts or corporate bylaws.
- **Wear one hat:** Clarify reporting lines and your roles and responsibilities to avoid taking the fall for actions in a business unit not under your purview.
- **Raise the alarm:** Escalate red flags as soon as they arise and do not suspend regular compliance reviews and activities during a crisis.

TRAINING

- **Train everyone:** From the board room to the supply room, everyone must be informed on key risks and issues, using materials in employees' native languages. Create a training plan to avoid training fatigue.
- **Survey says:** Determine how employees learn effectively to develop and deliver content that will address their needs and increase information retained.
- **Make it relevant, accessible:** Promote training and keep content fresh by periodically reviewing curriculum and incorporating real-life scenarios, including issues from hotline complaints.
- **Mix it up:** Vary formats with a mix of online modules, games, and live, in-person presentations. Develop a short refresher course and deliver it at varying intervals.

CYBER-INSURANCE

- **Cover your bases:** Make sure you meet customer, client, partner or other counterparty requirements, and work with your cybersecurity team and outside counsel to ensure top insurable risks, to an expected extent, are covered.
- **Annual assessment:** Evaluate your cyber-insurance at least once a year (whether to purchase it or whether your program is enough). Keep good records and report them to your board.
- **Outside expertise:** Retain a trusted broker with extensive experience, and perhaps market leverage, in the cyber-insurance market.
- **Don't forget vendors:** Ensure vendor insurance requirements are market-reasonable, that vendors have necessary coverage and that you are covered for losses if your operations are suspended due to a cyber event at a critical vendor.

WHAT CCOs NEED TO KNOW

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CCO REPORTING

- **Proper channels:** Ensure that you have formal access to the CEO and board of directors when there is not a direct reporting relationship.
- **GC access, when appropriate:** If you are responsible for legal-oriented functions, such as investigations, strongly consider regular reporting to the general counsel.
- **Sector specifics:** Take into account regulator expectations and industry-specific considerations (i.e., CCO reporting for medical device companies may be very different than for retailers).

MONITORING

- **First-hand observations:** Site visits are the best way to improve monitoring. By getting out in the field and visiting different business units, you can evaluate controls that are in place along with awareness of compliance programs and the on-site compliance culture.
- **Embedded compliance:** Larger organizations, when resources allow, should consider placing compliance representatives within business units.
- **Ask the right questions:** Companies should consider all avenues when gathering monitoring data. It's especially important to include queries about compliance in employee surveys and exit interviews.

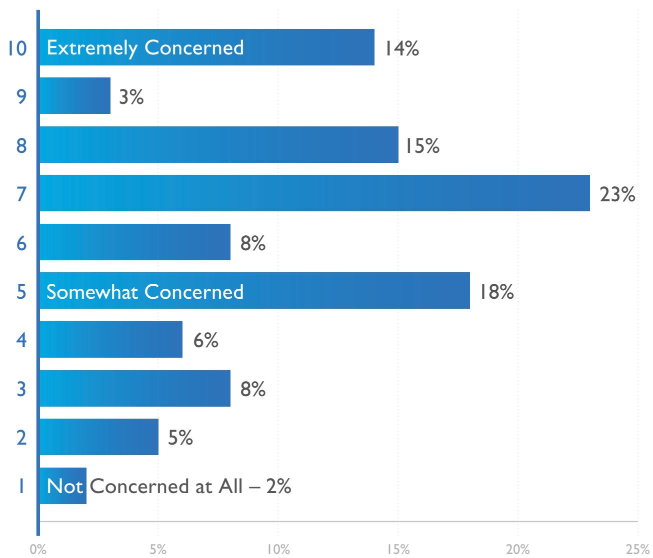
REGULAR RISK ASSESSMENT

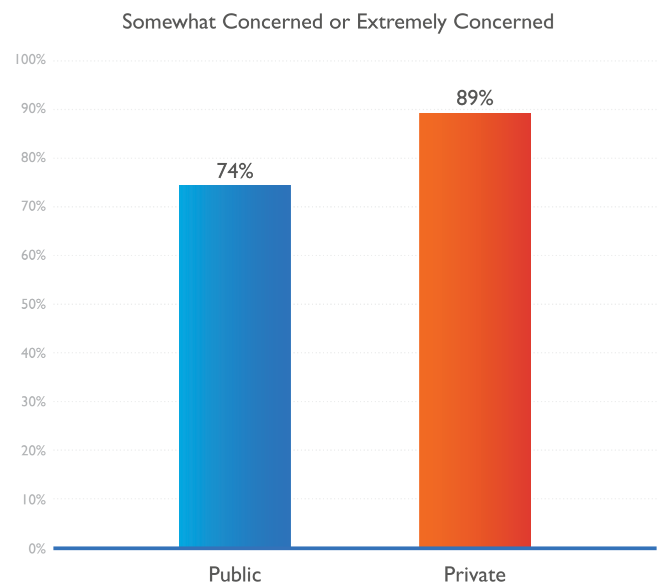
- **Draw the line:** Understand and express in writing your organization's risk tolerance.
- **Stay current:** Conduct risk assessments on a set frequency (e.g., annually) and off-cycle as needed to address significant intervening regulatory changes, organizational changes or the introduction of a new company policy or procedure.
- **Diagnose:** If assessment reveals noncompliance, be sure to identify the root cause as well as the consequences of the noncompliance and their severity.
- **Link it and compare:** Relate identified risks to business operations and compare the level of risk with your organization's stated risk tolerance.

REPORTING TO THE BOARD

- **Analyze this:** CCOs should collect all relevant data, look for evolving trends and provide context and pertinent information and analysis when reporting to boards. Sector-specific information is important, especially if some board members don't have a deep background in a particular industry.
- **Importance of qualitative:** Quantitative stats are important, but from a CCO perspective, they only provide one dimension of the picture. CCOs also should report on initiatives, regulatory developments and emerging risks.
- **Private company considerations:** CCOs for private organizations should remember that their chief goals when reporting are to protect investors, strengthen the company in the eyes of the financial markets, clear hurdles to any potential transaction and make the company less vulnerable to criticism from regulators.

Q1. On a scale of 1 to 10 (with 10 being greatest), how concerned are you about your personal liability as a CCO or the personal liability of your company's CEO?

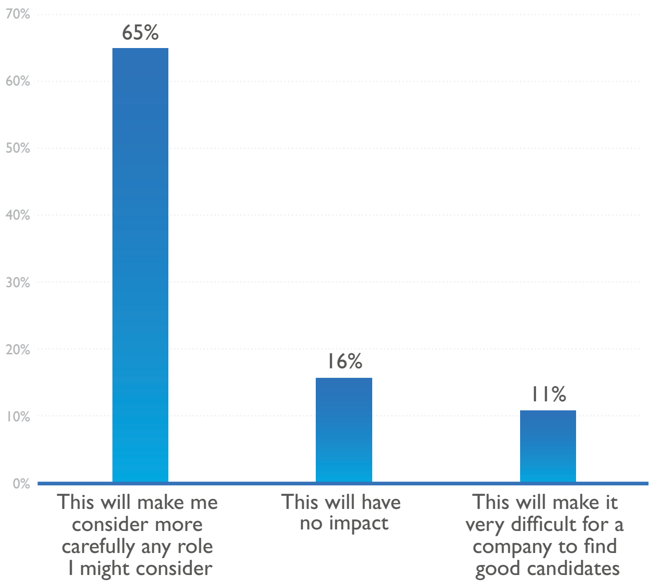


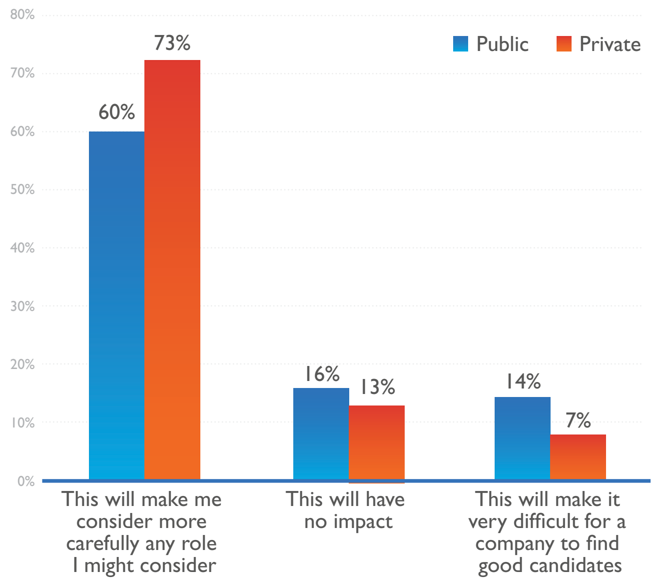


- As noted above, 81 percent of respondents were at least somewhat concerned, with nearly a third (32 percent) rating increased personal liability as extremely concerning.
- Concern was higher (89 percent) among respondents from private companies.
- The concern seems justified given the DOJ's clear intent to prosecute more individuals in corporate malfeasance cases. *The Washington Business Journal* in January 2016 noted that the Yates Memo requires corporations to assist in the prosecution of employees "in essence, requiring 'scalps' before it grants a corporation favorable treatment in plea negotiations," adding, "the goal is more people in prison."[1]
- Heightened concern could have its benefits. Compliance officers may be more likely to get the resources and authority they need if CEOs and boards fear for their personal liability. One compliance expert noted that "the compliance function will move to become much more integrated into and a more important corporate discipline within every organization of significant size going forward into 2016 and beyond."[2]
- Respondents from private companies were much more concerned, with 89 percent saying they were somewhat or extremely concerned, compared with 74 percent for respondents from public companies. This likely reflects the reality that private companies have traditionally faced less all-around scrutiny than their publicly traded counterparts.

1. *Washington Business Journal*, "Viewpoint: DOJ edict muddies roles," January 8, 2016
2. *FCPA Compliance & Ethics blog*, "The Year 2016 in Compliance," January 11, 2016

Q2. What impact will statements from regulators about increased scrutiny on compliance departments and SEC or DOJ actions against CCOs have on your decision to remain or accept a position as a CCO?



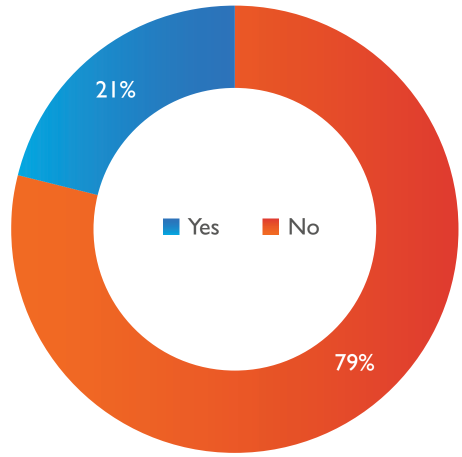


- The implication is that it could become more difficult to find qualified candidates willing to take on compliance roles, or that CCO candidates will require greater compensation, or both.
- A survey released by the Society of Corporate Compliance and Ethics in October 2015 showed average CCO salary was $150,207, up from $139,582 in 2013.[3]
- Again, CCOs from private companies had a stronger reaction than their public-company counterparts. Seventy-three percent of respondents from private companies said they would think more carefully about roles they might consider, compared with 60 percent from public companies.
- Interestingly, 14 percent of respondents from public companies said the moves from Washington will make it more difficult to find good candidates, compared with just 7 percent from private companies.
- The result is that companies may have to be more creative in attracting talent to compliance roles. Offering competitive compensation and benefits was the primary approach companies used before last year. Few had considered innovative ways to attract and retain talent to make programs effective, such as offering D&O insurance coverage and providing indemnification rights.

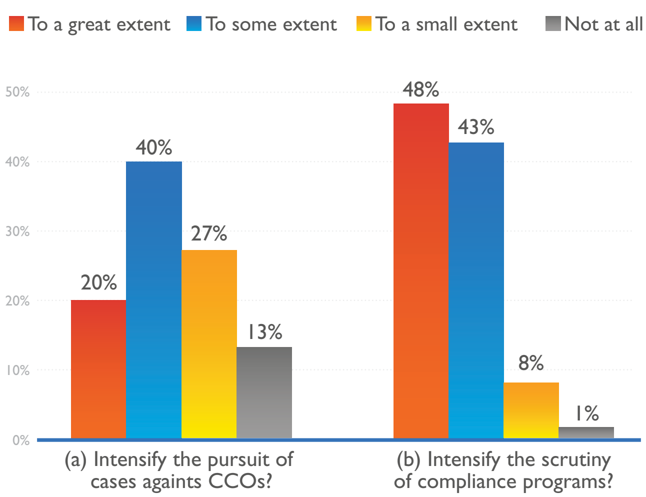
3. *The Wall Street Journal Risk & Compliance Report*, "Compliance Officers Well Paid, New Survey Shows," October 6, 2015

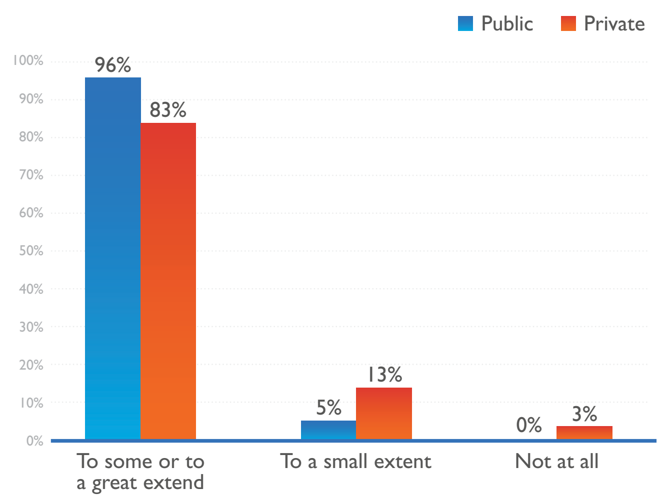
Q3. Have you made changes to your company's compliance program based on recent SEC or DOJ actions or statements?

- This seeming inertia could stem from a lack of adequate resources (see Question 5). But some of the CCOs who answered "no" likely feel their programs were already in good shape when Washington turned up the heat.
- One CCO said he and most of his colleagues in the field already make routine changes to their program. "As a practical matter I think that CCOs are thinking about their program on a daily basis. In terms of program elements, I think about mine all the time."



Q4. To what extent do you believe the DOJ's recent appointment of Hui Chen in the new position of compliance counsel will:

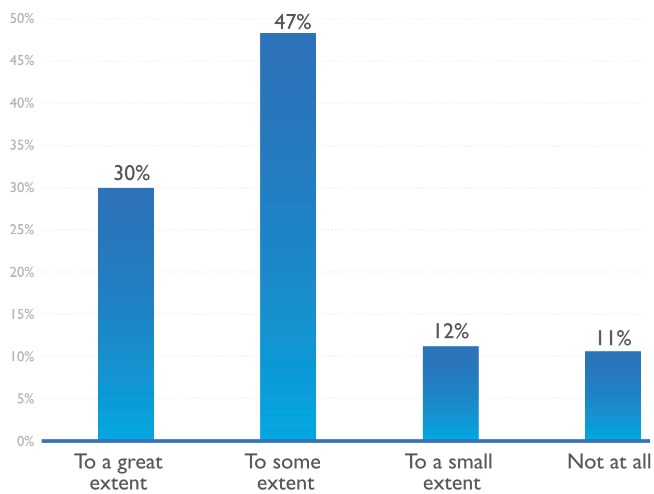


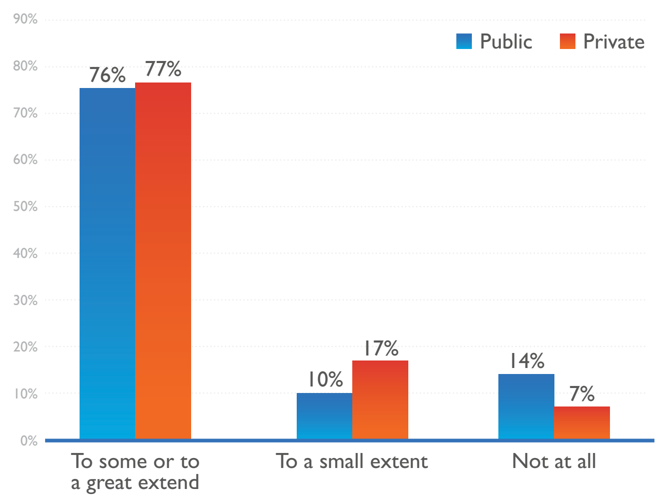


- The inaction reflected in Question 3 is disquieting, given the overwhelming expectation that the DOJ will pursue more CCO prosecutions and increase its scrutiny of corporate compliance. It is possible that companies are still in the process of making changes, given that Chen's appointment and other moves from Washington occurred relatively recently.
- Chen has said she will in particular evaluate compliance programs for companies under Foreign Corrupt Practices Act investigations. She will use "articulated metrics to evaluate the state of a company's compliance program, at the time the incident occurred." This can be problematic: the incident under investigation could have occurred years in the past, when standards were different.[4]
- Respondents from public companies were more concerned here, with 96 percent saying they believed Chen's appointment would increase scrutiny to some or a great extent, compared with 83 percent for respondents from private companies.

4. *FCPA Compliance & Ethics blog*, "The Year in 2016 Compliance," January 11, 2016

Q5. To what extent do you believe you have sufficient resources, clout and board access to support your ability to effectively perform your job?

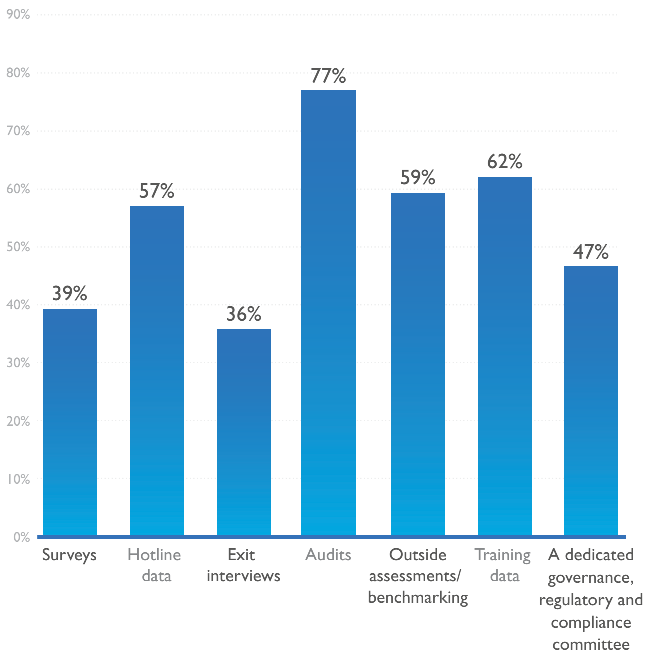


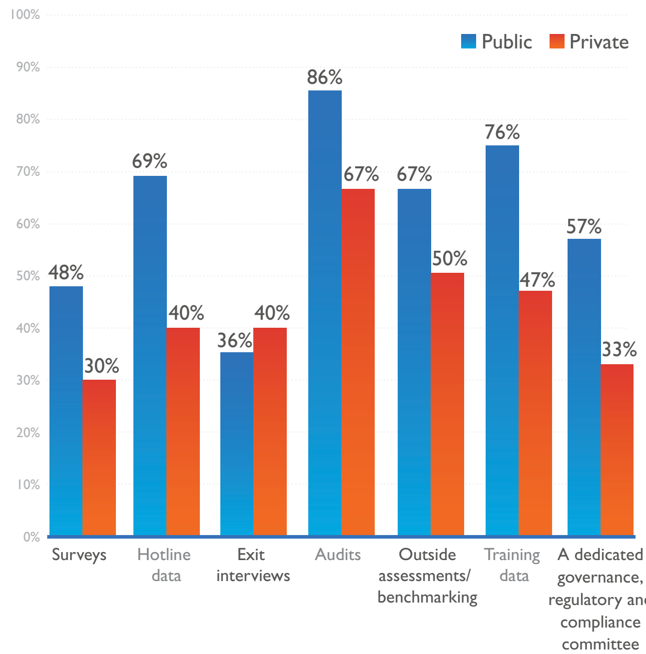


- We'll be monitoring this finding as the ramifications of increased regulatory and prosecutorial scrutiny work their way into compliance budgets, reporting relationships and compliance-officer status.
- One 2015 study found that only a third of compliance departments saw budget increases from the previous year, with about half of respondents (48 percent) saying they had the same budget.[5]
- Interestingly, 14 percent of respondents from public companies said "not at all" when asked whether they had sufficient resources, compared with 7 percent for private companies.
- One CCO who believes he has the necessary resources said it is incumbent on compliance officers to tell their superiors if they feel they don't have what they need. "I would think, if I didn't have the resources, that the board and management would expect me to come to them and say, 'This is what I think I need.' If I didn't do that, shame on me for not raising the point."
- In an interview, one CCO said the most common motivation for increasing the compliance budget is a major scandal. "Companies are like people," he said. "You close the barn door after the horse is racing down the sidewalk."

5. Ethisphere and Convercent, "Compliance Strategy and Performance," https://www.convercent.com/lp/compliance-strategy-report

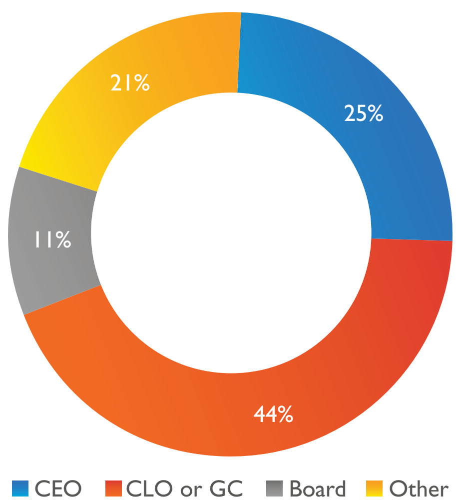
Q6. What tools do you have and use to evaluate the effectiveness of your compliance program? (Check all that apply)

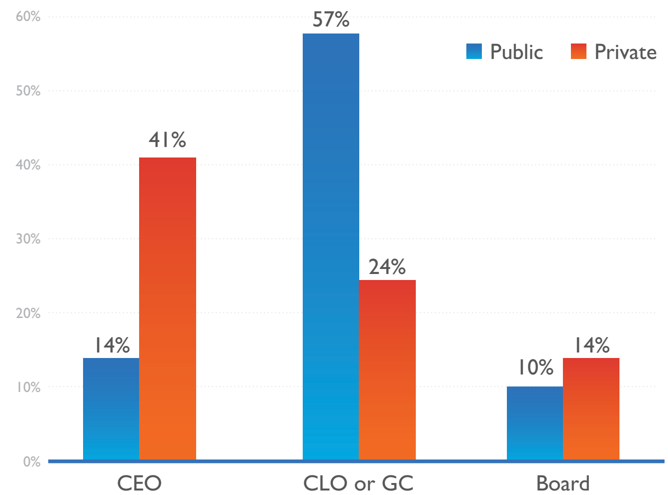




- It's important for companies to leverage training and hotline data, two of the top methods selected by respondents for checking effectiveness.
- One CCO explained measuring effectiveness: "You've got to break down the compliance function, risk assessment, training and education, hotline escalation, communication – then you have to look for objective things you can measure and subjective things you can ask." He also noted that it's important to solicit employee feedback on training – i.e., what they learned from specific activities.
- Public companies use almost all of these tools more than private companies, according to respondents.

Q7. At your company, to whom does the compliance function report?

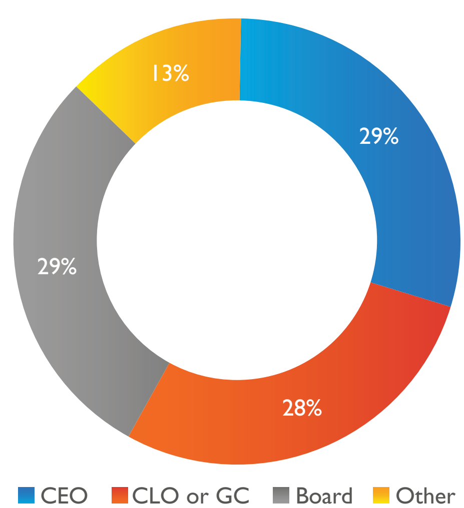




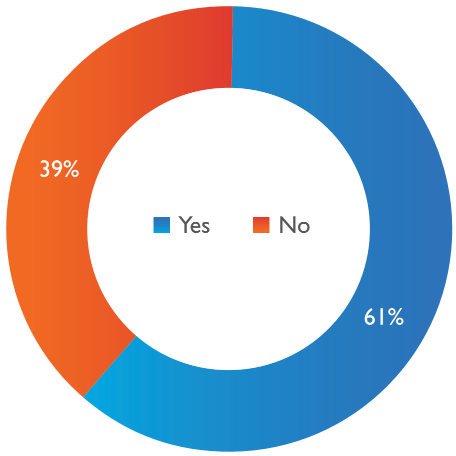
- While reporting to the senior legal officer is the most common management structure, there is clearly no consensus on this question. In our experience, any of these arrangements has its benefits and can be effective so long as the compliance function has what is needed to do the job.
- One CCO who reports to the general counsel told us the relationship works, but it's important that he feels free to speak to the board of directors – with the GC's support and permission – when necessary.
- In an interesting split, public company CCOs were far more likely to report to CLOs and GCs, while private company CCOs usually report directly to the CEO. Both types report to boards at about the same rate.
- CCO reporting can be driven by regulator guidance in particular sectors

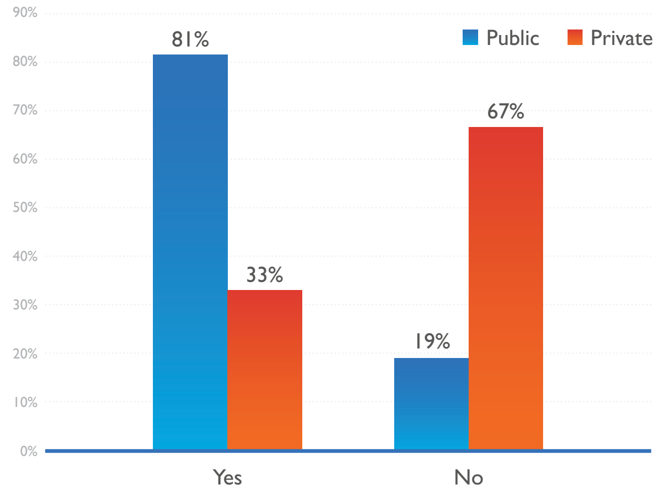
Q8. Where do you believe the compliance function should report?

- Many of the compliance officers who report to legal functions (44 percent of respondents) believe they ought to be reporting to the CEO or the board – only 28 percent say the legal function is the proper boss.
- In an interview, one CCO said reporting to the board might have its benefits, but it leaves the CCO without a manager to provide career guidance and performance feedback.



Q9. Do you report metrics to your company's board of directors and/or audit committee?

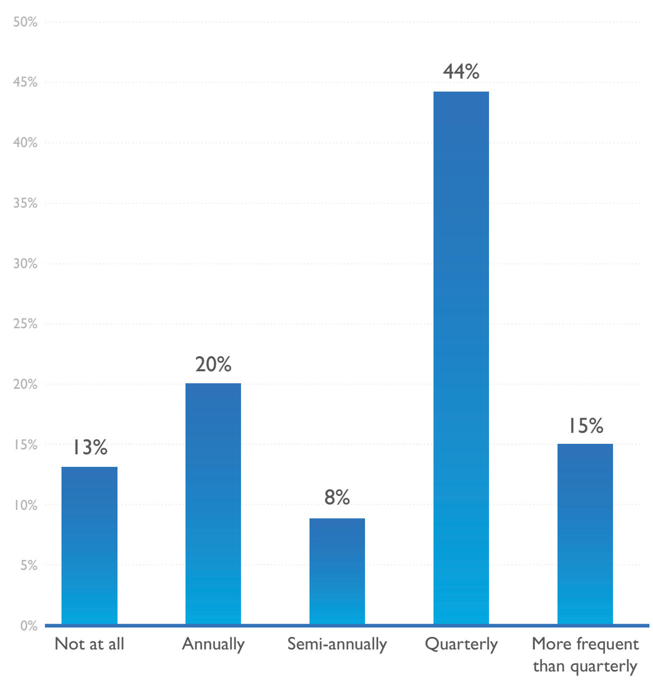




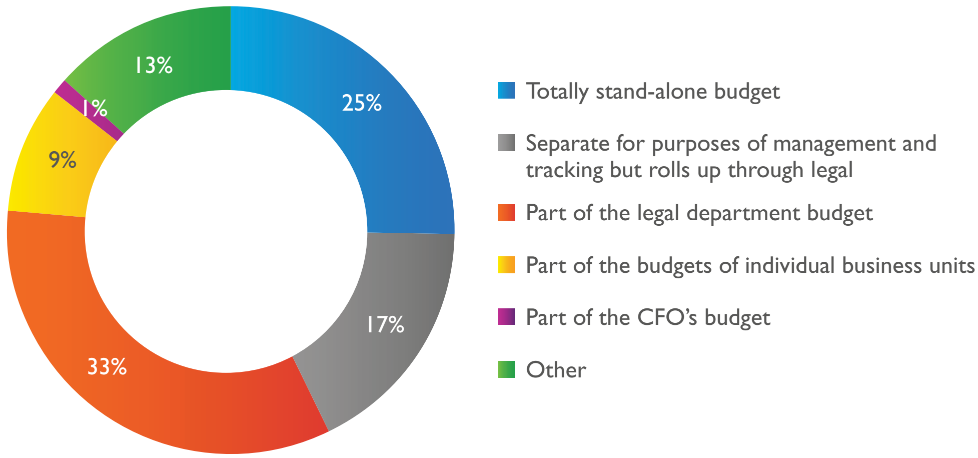
- Notably, 81 percent of respondents from public companies report metrics to the board.
- Respondents said hotline data, training completion rates and reporting statistics were commonly reported to boards.
- Respondents from public companies were far more likely to report to boards and/or audit committees than compliance officials at privately held businesses.

Q10. What frequency of reporting is expected from the compliance group?

- Training data, helpline information and investigation updates were commonly reported to boards, according to respondents. But data points aren't enough, said one respondent. "I also report on key matters. More importantly, I report on developments in the program. The word 'metrics' has become all important, but I think that leadership and the board need more than simple numbers to understand the effectiveness of the program."
- Here again, increased scrutiny from Washington could change the shape of things. As one CCO put it, the DOJ and SEC want to see that compliance officers have access to the board. "Our GRC (Governance, Risk Management and Compliance) presents to the board governance committee every quarter," he said. "We also prepare a compliance deck twice a year. And there's an opportunity for 15-minute private sessions every quarter, if I need it."

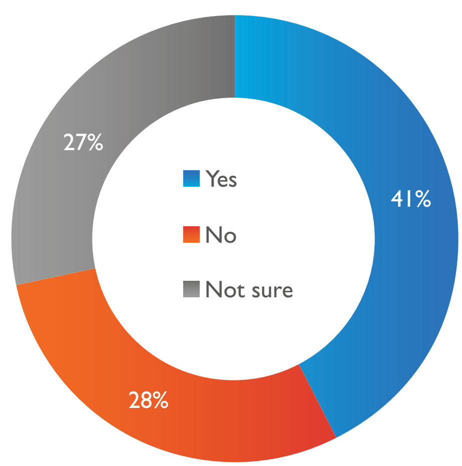


Q11. Does the compliance function have its own budget or is it part of another department?



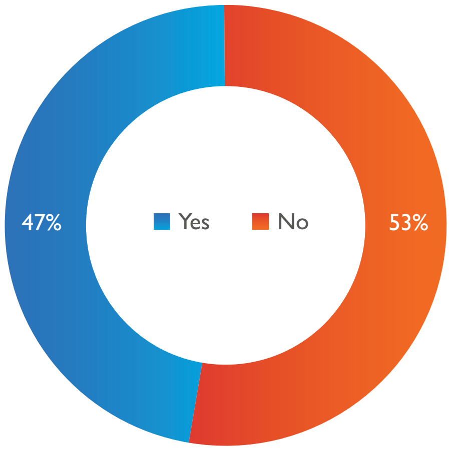
Q12. In your opinion, is your budget sufficient to accomplish the goals you believe are needed for an adequate compliance program at your company?

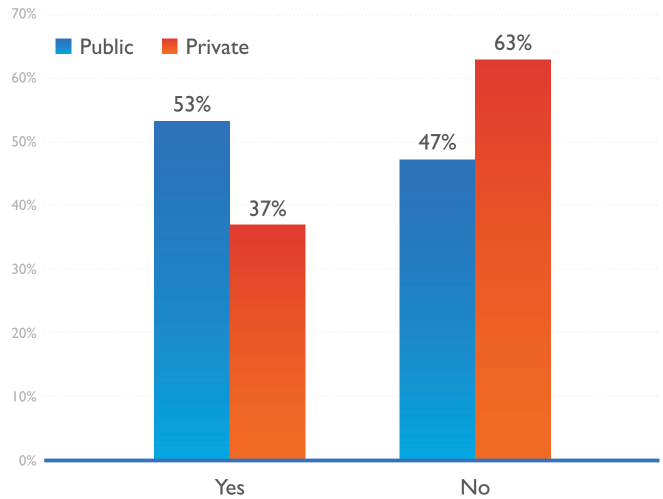
- Even more troublesome than the fact that more than a quarter of respondents (28 percent) think they don't have a sufficient budget is the finding that 27 percent (more than one in four) don't know whether they do or not.
- One former CCO said it was "always a fight" to get necessary resources at his former employer – with some justification. CEOs' primary duties are to maximize shareholder returns, and compliance is a cost center. "That doesn't make them unethical," he says. "But they view it as, 'I want to have the minimum amount of resources I can allocate to keep us on the level and keep me out of jail.'"
- Of course, keeping them out of jail might require dedicating more resources under the new requirements from Washington. "[O]ne of the specific metrics is resources, so any corporate claim that 'we spent all we could' will be very closely scrutinized," according to compliance expert Fox.[6]



6. Ibid.

Q13. Do you encounter resistance from the C-suite, the board or the audit committee when requesting annual budget increases?

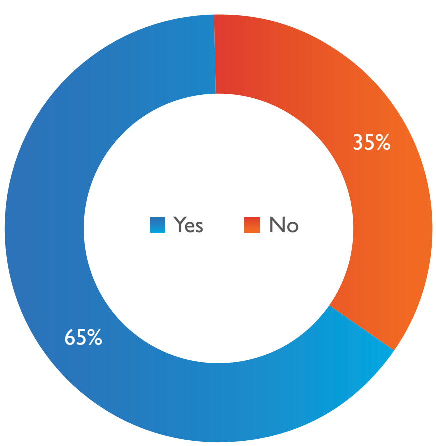


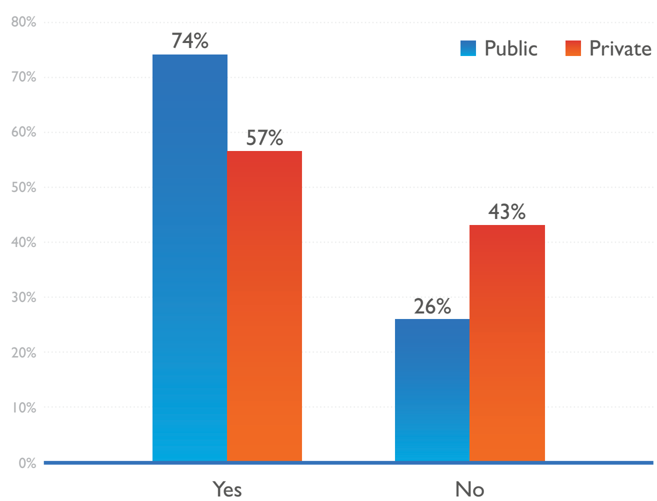


- Respondents from private companies are far less likely to encounter resistance, with just 37 percent saying the C-suite fought them on budget increases compared with 53 percent at public companies.
- There wasn't a pattern as to what respondents said worked in overcoming the resistance. One said hard numbers worked best: "Showing the cost of even one violation, compared to the cost of preventative measures."
- The SEC's Ceresney, in a November speech, said his agency's actions should serve to bolster the CCO's role by demonstrating the need for, among other things, more compliance resources.[7]

7. *Pensions & Investments*, "Chief Compliance Officers Prepare for Closer SEC Scrutiny," January 11, 2016

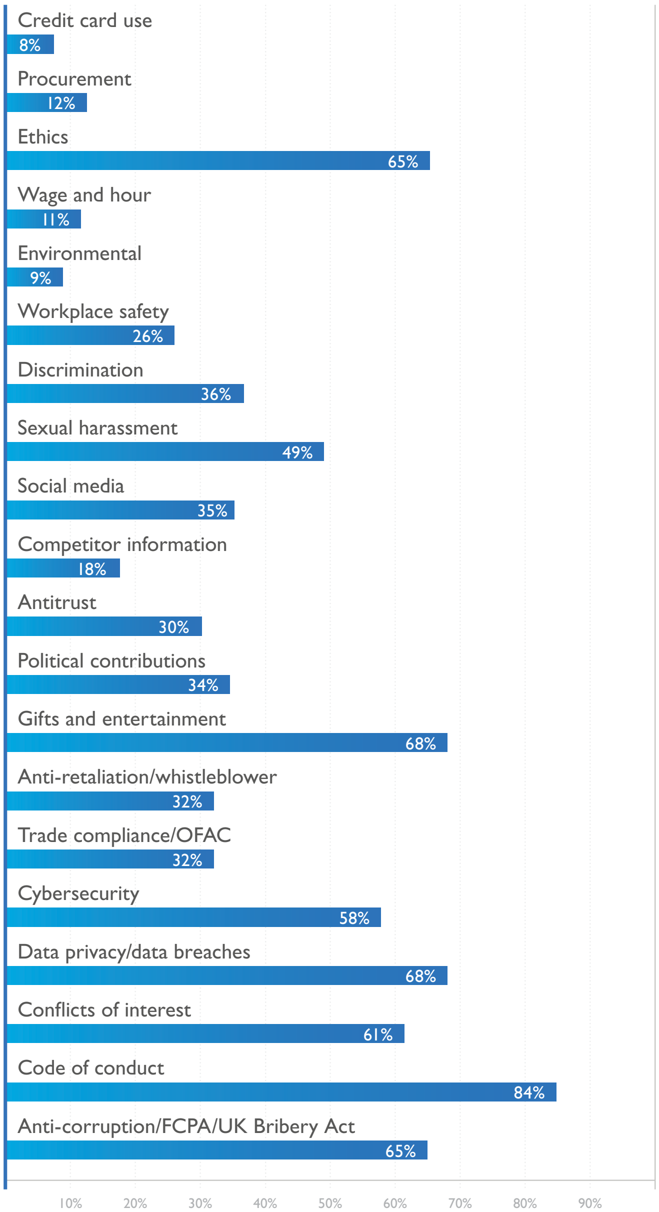
Q14. Have you used online interactive training techniques or programs to engage employees and other stakeholders (e.g., gamification)?

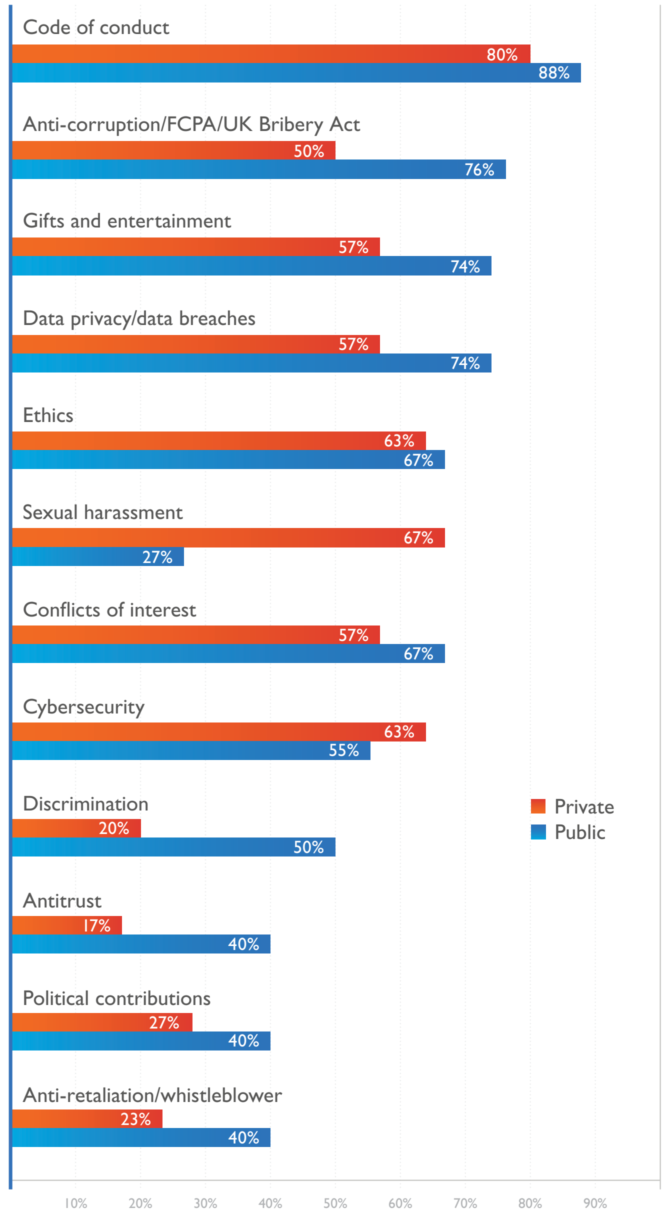




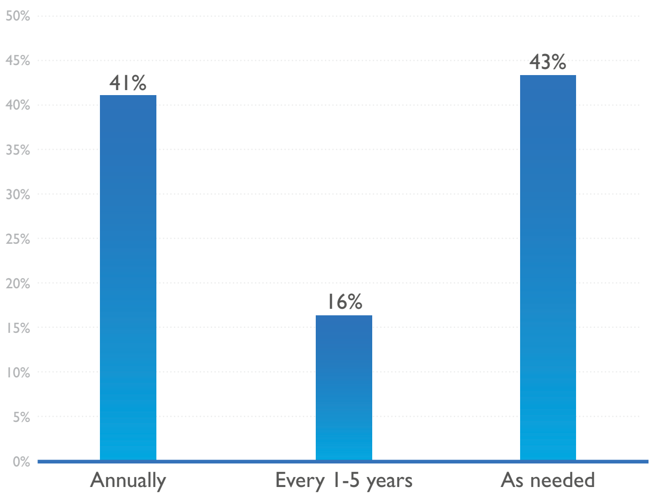
- Public companies were far more likely to use these techniques, at 74 percent, compared with 57 percent for private companies.
- Many respondents said they were adopting interactive techniques. One said, "We created an interactive board game-style training on travel expense management."

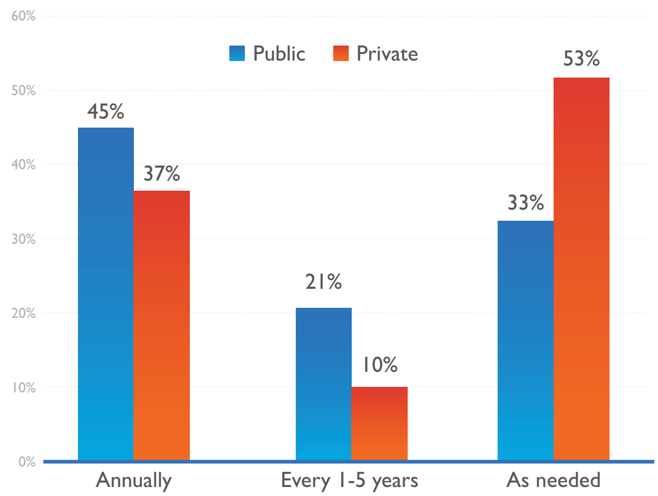
Q15. In terms of subject matter, what training programs in the last 12 months has your compliance program focused on? (Select all that apply)





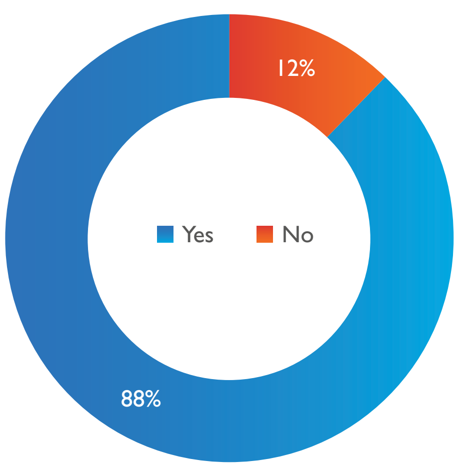
Q16. How frequently do you update or change your training programs?





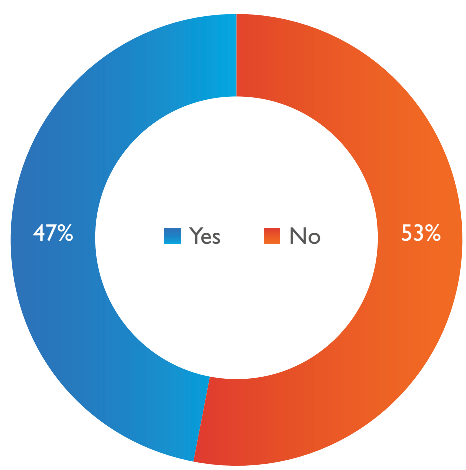
- Private companies were far more likely to make changes only as needed.

Q17. Are employees required to certify completion of, and adherence to, any policies at the completion of training, such as Code of Conduct training?

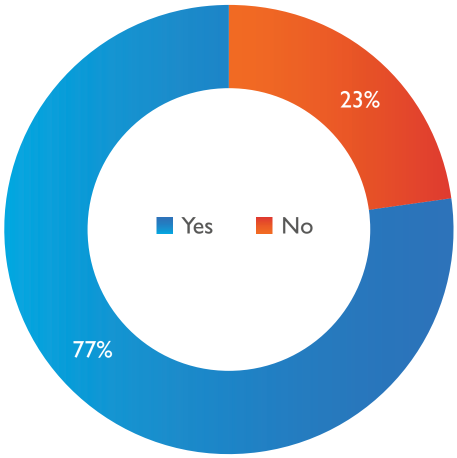


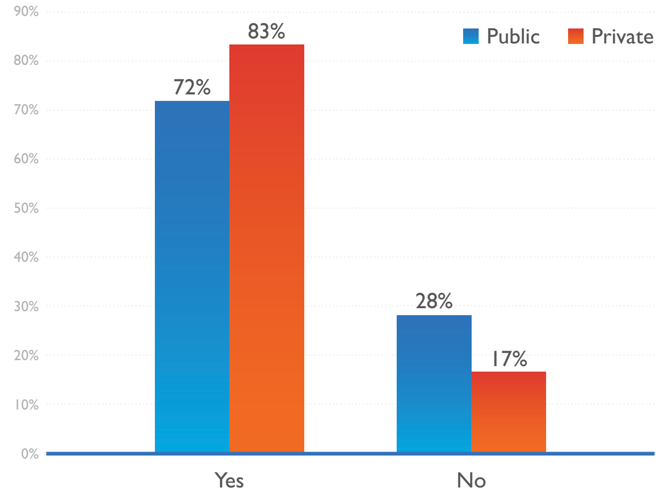
Q18. Are employees penalized for failure to complete training or certifications to policies?

- The gap between the overwhelming majority who require employees to complete trainings or certifications and the minority who enforce those requirements is striking – and likely to close as law enforcement looks more closely at compliance programs.



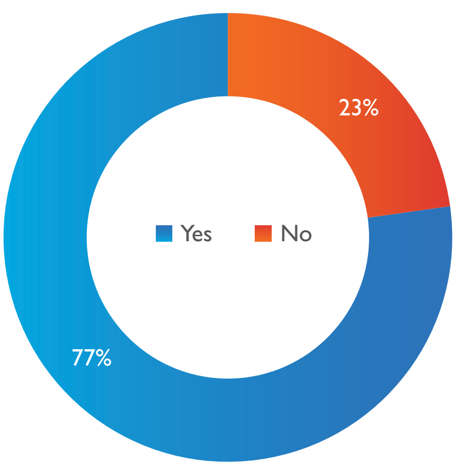
Q19. Do you have business continuity and disaster recovery programs in place as part of your compliance programs?



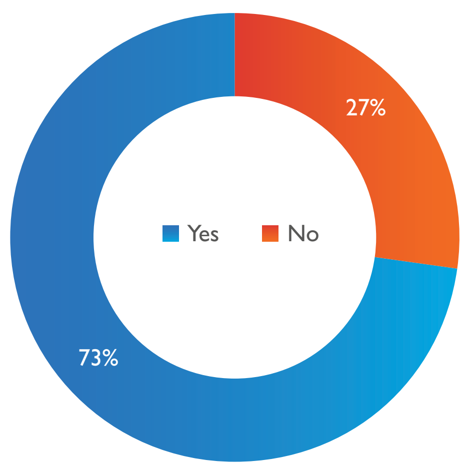


- Interestingly, 83 percent of respondents from private companies said they had BCDR programs, compared with 72 percent from public companies.

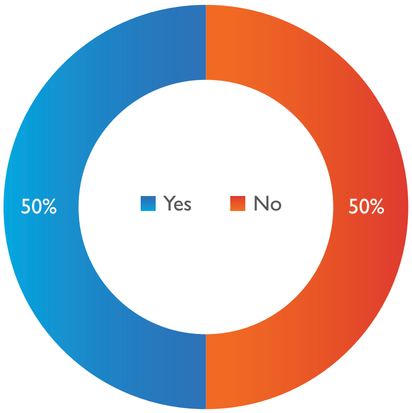
Q20. Do you have a Crisis Response Team identified in the event of a crisis?



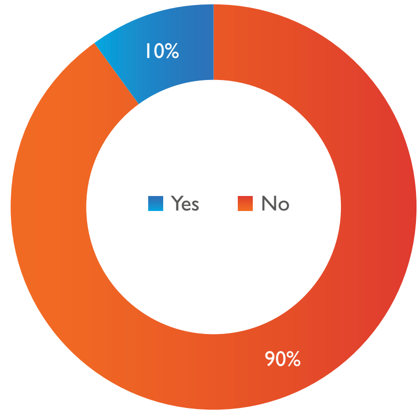
Q21. Have you established a formal, written crisis management protocol to guide you in the event of a crisis?



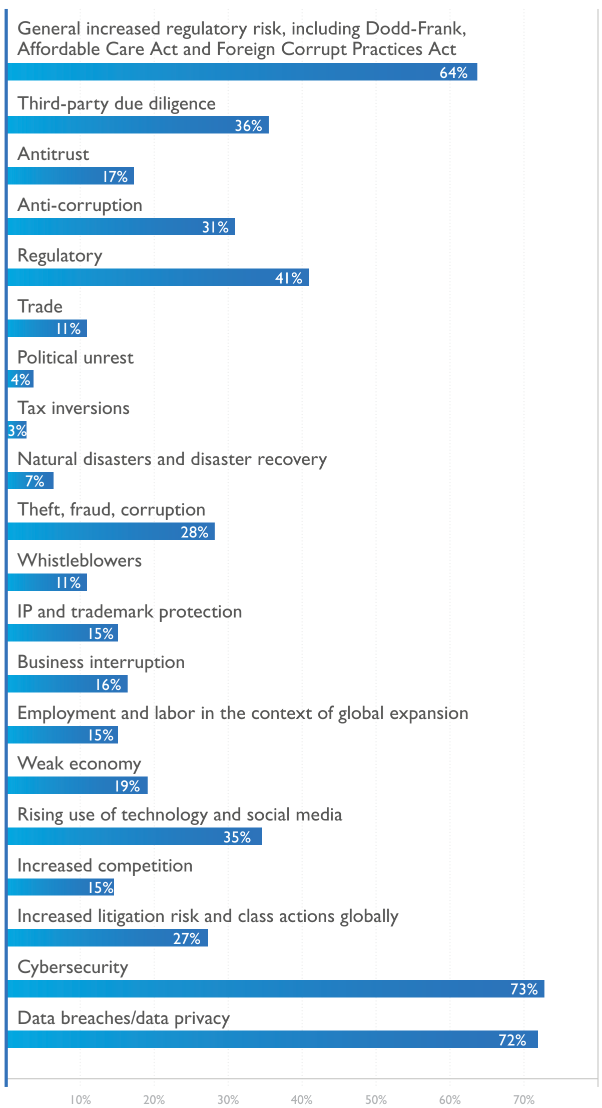
Q22. Do you have cybersecurity insurance?

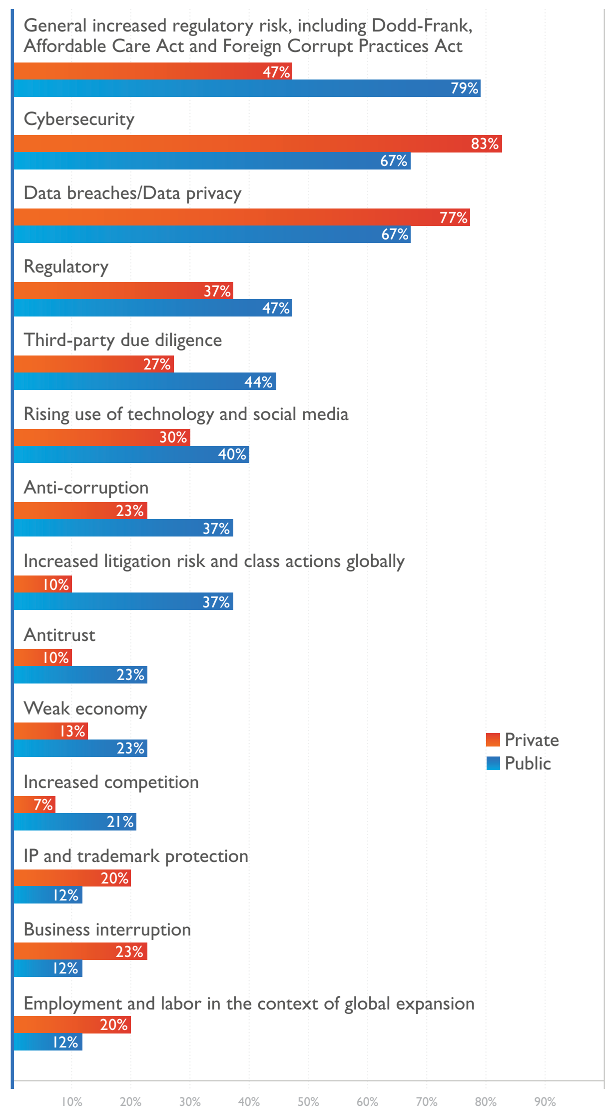


Q23. (If YES above) Has your company ever filed a claim against that policy?

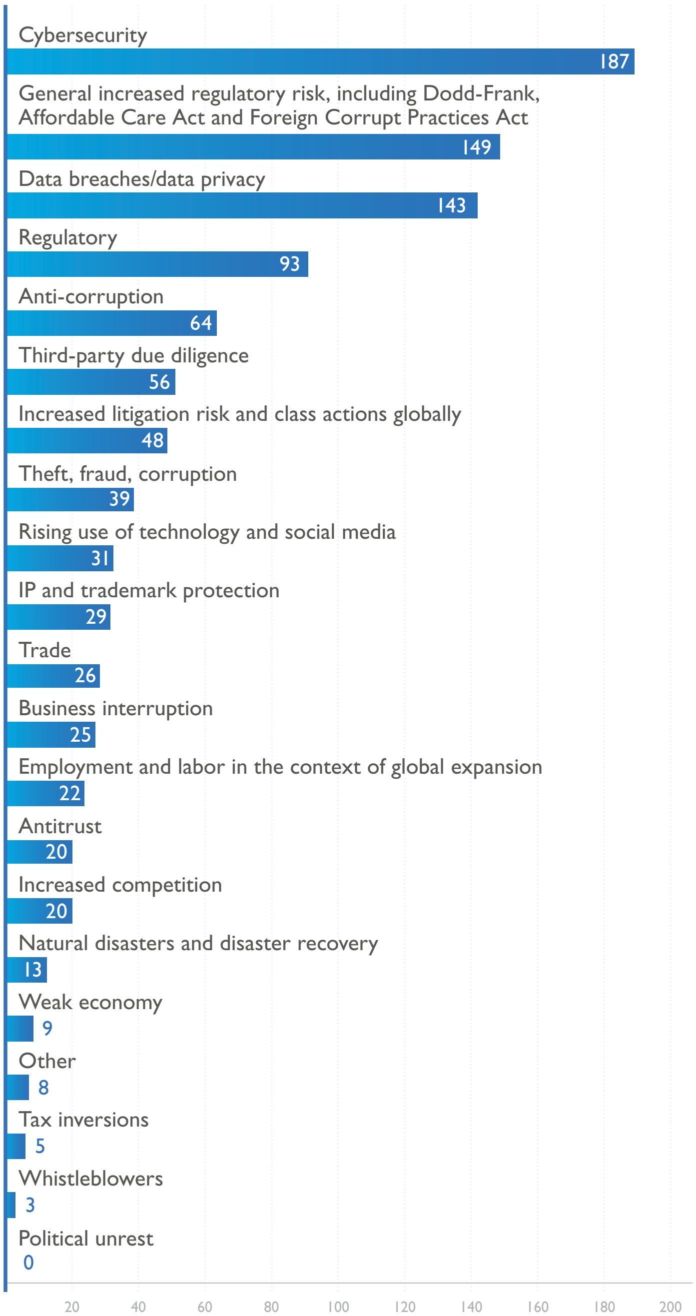


Q24. What are the biggest compliance risks that your company faces today? (Check all that apply)



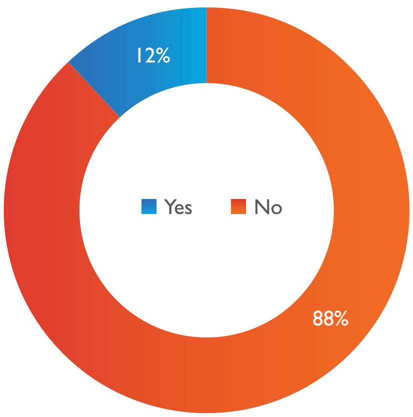


Q25. On which of these compliance risks is your company spending the most resources? (Rank the top 5, with 1 being the greatest amount of resources)

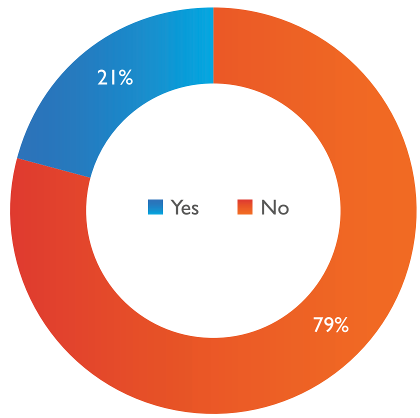


- Not surprisingly, and perhaps reassuringly, the top three compliance risks also are the top three areas in which the respondents' companies are allocating their resources.
- Some respondents specifically noted new data rules from the European Union. "The recent decision on data privacy out of the EU has caused us to look hard at how we deal with data privacy and data transfers."
- One CCO said this kind of information is useful to share with board members in order to help identify new threats. He also said third-party risk seemingly pops up in the news every day.
- A survey by *Compliance Week* found that third-party compliance risk management was the most challenging aspect of respondents' risk management programs.
- Respondents from private companies were more concerned than their public company counterparts when it came to cybersecurity and data breaches/data privacy. Otherwise, concern was greater for almost all risks among respondents from public companies.
- Interestingly, while half of respondents' companies possess cyber-insurance, only about one in 10 has ever filed a claim.

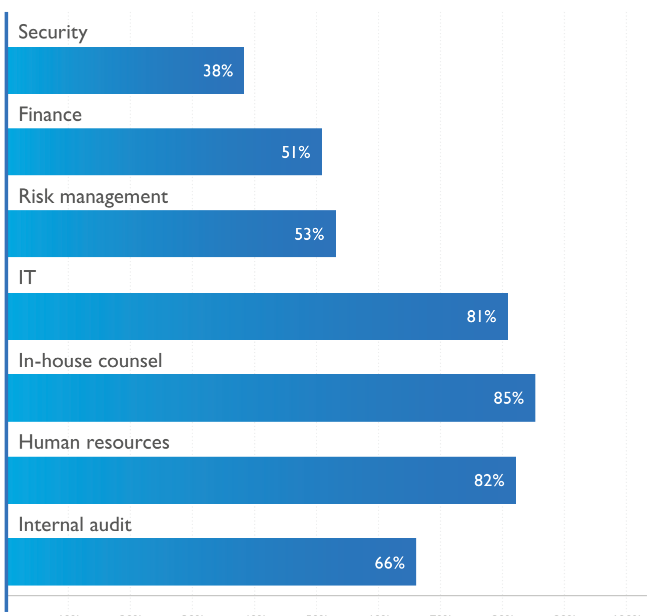
Q26. Have you modified your export management and compliance program in response to recent changes to the Cuban Assets Control Regulations and the Export Administration Regulations involving Cuba?

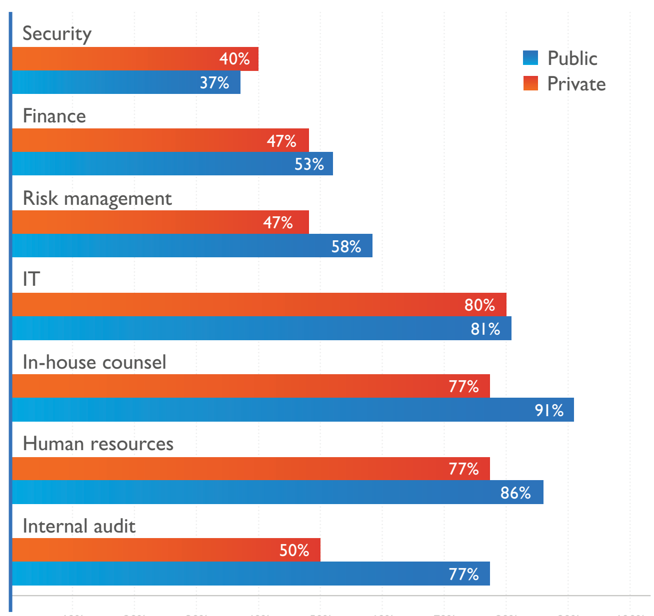


Q27. Have you received an increase in requests to do business as a result of the recent Joint Comprehensive Plan of Action with Iran, or the changes to the Cuban Assets Control Regulations and the Export Administration Regulations involving Cuba?



Q28. What internal resources do you currently leverage as part of your compliance program? (Check all that apply)

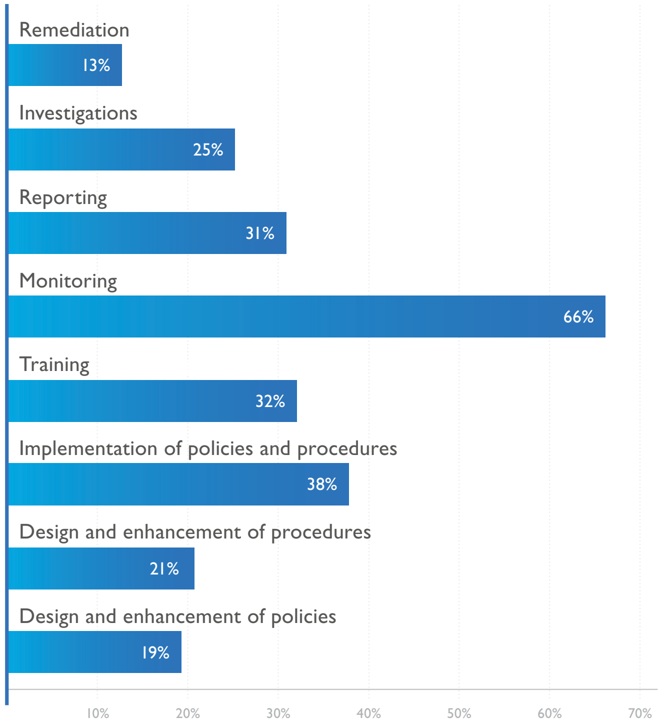




- In-house counsel was even further in front at public companies (91 percent).

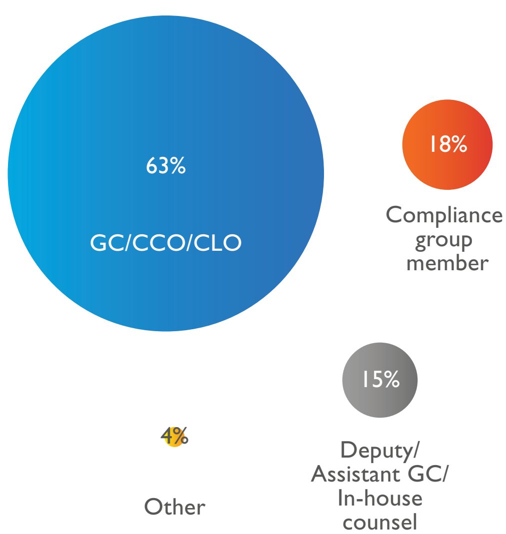
- Internal audits were far more common for public companies, with 77 percent of respondents from that subcategory saying they leverage them, compared with only 50 percent of respondents from private companies.

Q29. In which of these areas do you feel your compliance program is weakest? (Check all that apply)

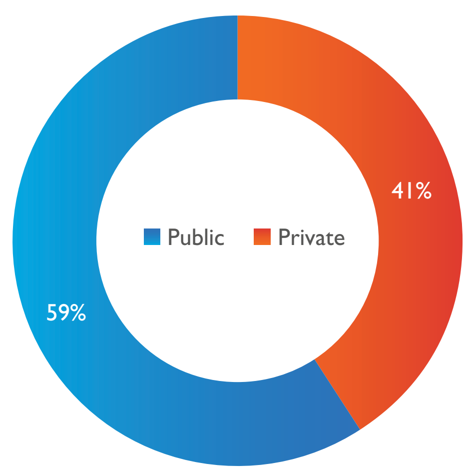


- Monitoring was considered the weakest area by far among both public and private companies.
- Experts note that being able to monitor (in real time) and audit compliance programs is crucial – and that companies should consider building it into quarterly or annual audits of plans. "You've got to do something to figure out if the program is working – and if not, where it needs to be tweaked," one CCO said.

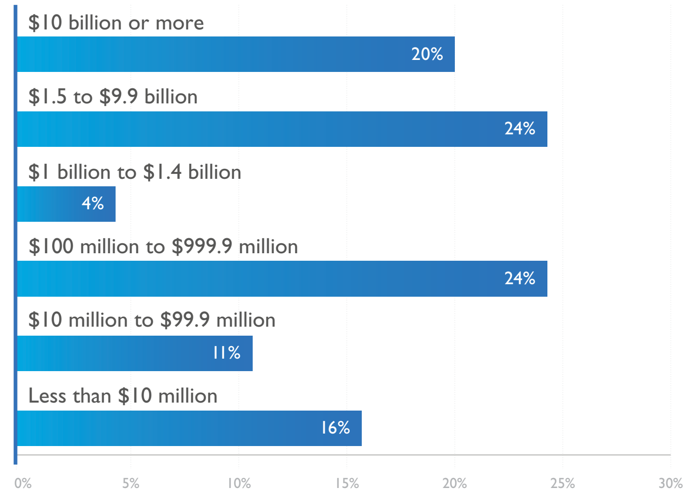
Q30. What is your job title?



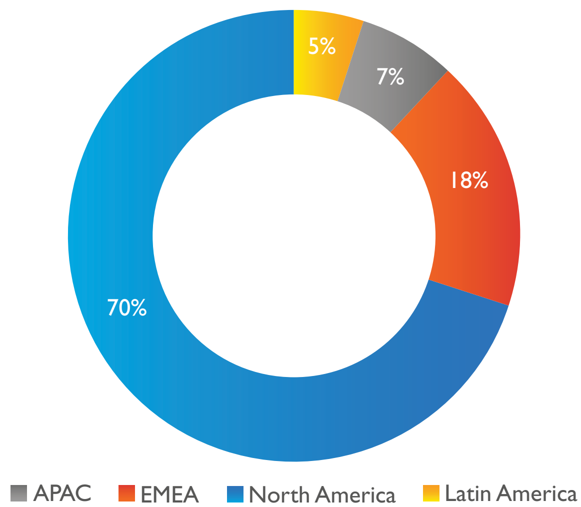
Q31. Is your company publicly or privately held?



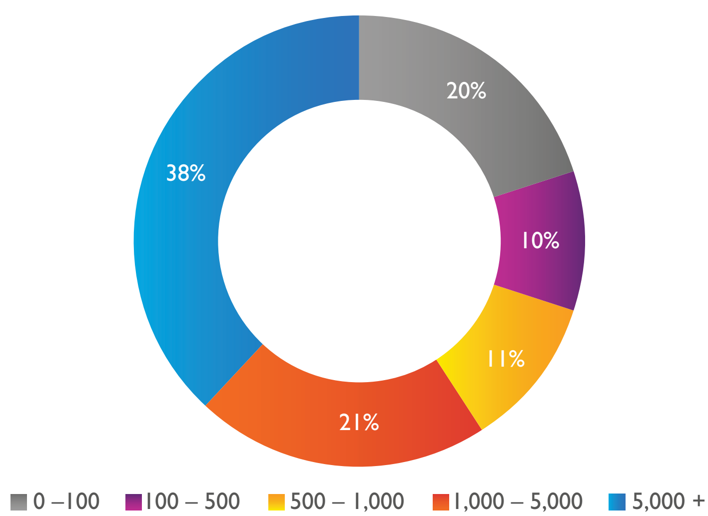
Q32. What were the FY 2014 revenues of your company?



Q33. Please indicate the percentage of your company's business from these regions:



Q34. How many people does your company employ?



METHODOLOGY

During the fourth quarter of 2015, DLA Piper distributed surveys to corporate in-house counsel and compliance professionals at companies large and small, public and private, to better understand how they function, what risks they face and how they are positioning themselves and their organizations to succeed in an era of heightened focus on corporate conduct. The results were tabulated, analyzed and released in April 2016.

In-house counsel respondents identified themselves as GCs/Chief Legal Officers, Deputy/Assistant GCs, In-House Counsel and related titles. Compliance officers identified themselves as Chief Compliance Officers or compliance group members and related titles.

Seventy-eight individuals completed the survey, and subsequent qualitative interviews were conducted to add commentary and insights to the analysis of the results. We thank all participants for their responses.

Eighty-one percent of respondents held the title of Chief Compliance Officer or GC/CLO and about half came from companies with more than US$1 billion in revenue. Seventy percent of respondents' revenue came from North America, followed by 18 percent from Europe, the Middle East and Asia. Fifty-nine percent of companies represented are public and employ more than 1,000 people.

Percentages in certain questions exceed 100 percent because respondents were asked to check all answers that apply. Due to rounding, percentages used in some questions may not add up to 100 percent.

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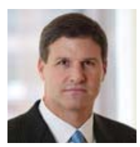

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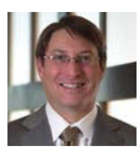

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