



# January 2020 Corporate Compliance & Ethics Report

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## *January 2020 Corporate Compliance & Ethics Report*

The compliance and ethics function continually grows more complex as companies face new regulatory matters, navigate more difficult privacy challenges, and continue to expand their network of third parties. In order to handle these various challenges effectively, chief compliance and ethics executives must have strong compliance training programs, efficient hotlines, and management teams that promote a compliant culture. The corporate compliance and ethics function today works across functions to minimize bribery and corruption, increase data privacy and security measures, and drive employee compliance training, among other responsibilities. In the year ahead, compliance executives will need to leverage the right technology, people, and processes to manage compliance and ethics risks facing their companies most effectively.

### *Survey Structure & Methodology*

Consero's January 2020 Corporate Compliance & Ethics Report was developed in connection with Consero's bi-annual Corporate Compliance & Ethics Forum, which took place in September 2019. The survey was deployed in person, resulting in a total of 55 responses from the senior most compliance executives of Fortune 1000 organizations. The results below provide a brief glimpse into the issues and opportunities facing the compliance community today.

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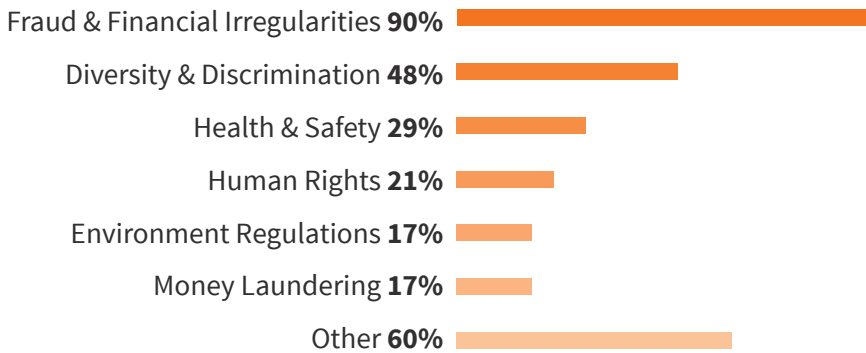
# Identification Of Risks

## *A Significant Number of Compliance Executives Believe Fraud Is The Biggest Risk In 2019*

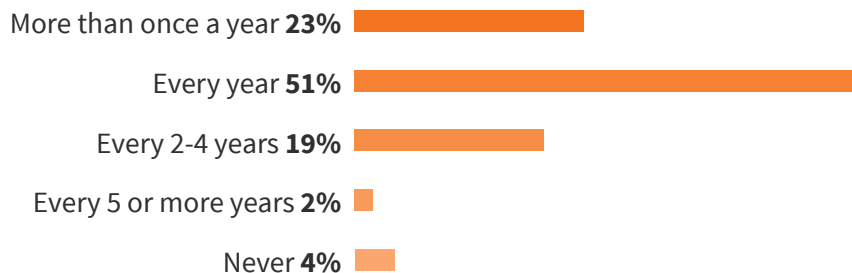
More than one-third of those surveyed believe that fraud and financial irregularities are one of the greatest risks in 2019. Additionally, respondents identified diversity and discrimination (17%) and health and safety issues (10%) as significant risk areas.

Once a company recognizes a risk, it can focus its resources to address the problem at its roots. Fortunately, companies appear serious about doing so, with more than half of compliance departments (51%) conducting risk assessments every year, and 23% more frequently than that. By conducting assessments with regularity, departments can ensure that risks are identified before they manifest into violations. In order to assist the compliance function, departments may create a “whistleblower” hotline, where callers can anonymously report any sources of risk. However, a quarter of executives feel that the automation of their hotline leaves much to be desired, while 18% see a lack of trust in the mechanism itself.

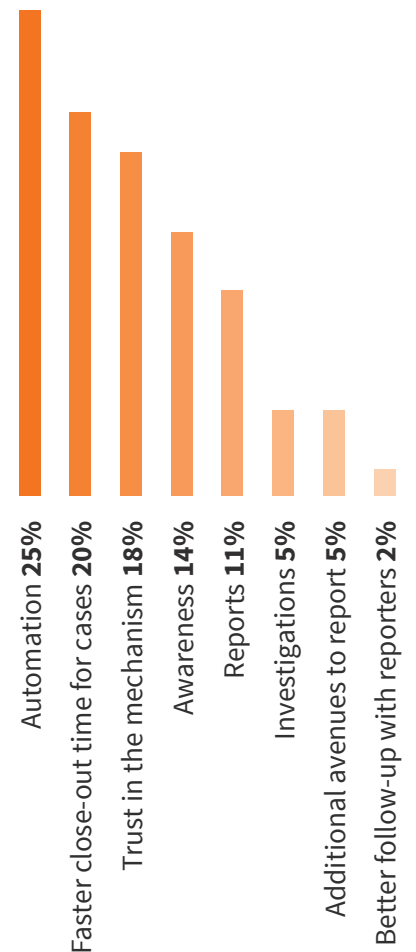
**Figure 1:** On which risks are you most focused in 2019? (Select all that apply)



**Figure 2:** How often does your company conduct enterprise-risk assessments?



**Figure 3:** What element of your hotline or similar mechanism needs most improvement?

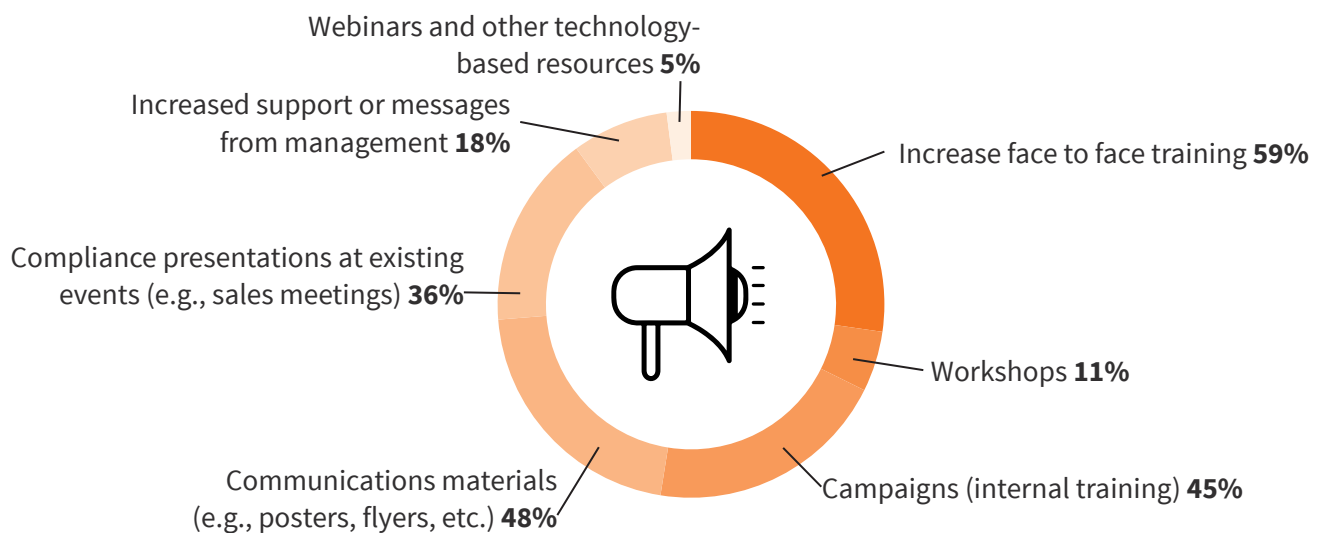


## Compliance Training Needs to Occur Both Internally and Externally

Within an organization, compliance issues can be alleviated skillfully through proper training and awareness of procedures. Twenty-seven percent of officers claimed that they are internally increasing face-to-face training, while 22% of them are distributing communications materials—such as flyers or posters—throughout their company. Additionally, 21% are running campaigns that focus specifically on internal training.

However, a majority of companies (60%) do not provide any sort of compliance training to suppliers or other third parties. Given that companies are outsourcing more to external sources, this group of executives should make sure to provide those sources with the same level of compliance training developed internally.

**Figure 4:** What steps are you taking to raise awareness about compliance within your company?



**Figure 5:** Do you provide compliance training to your suppliers or other third parties?

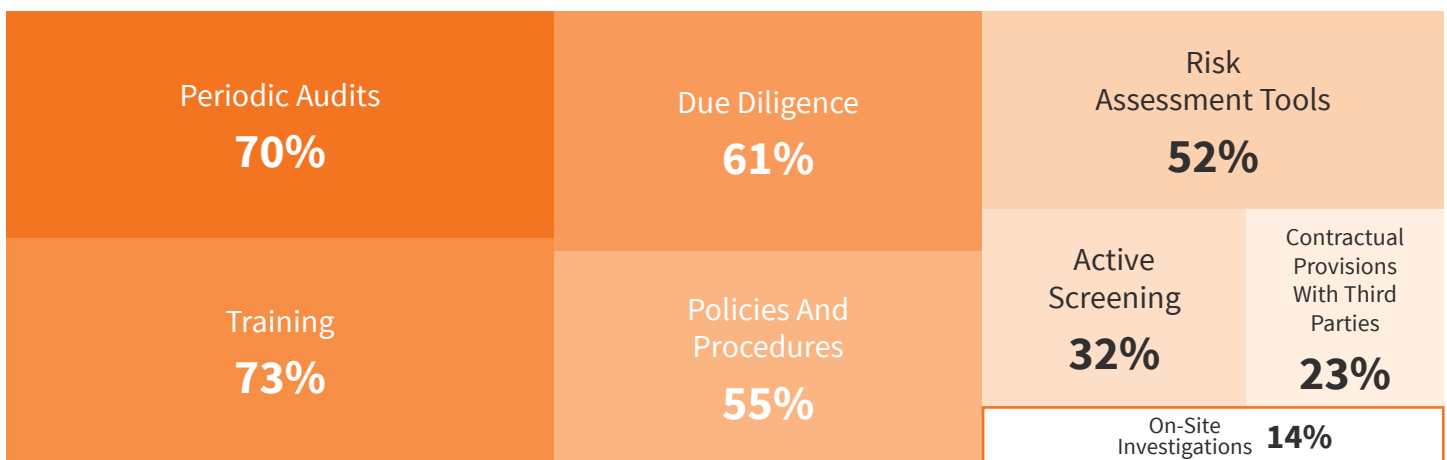


## Compliance Executives Vastly Diversify Their Risk Managing Strategies

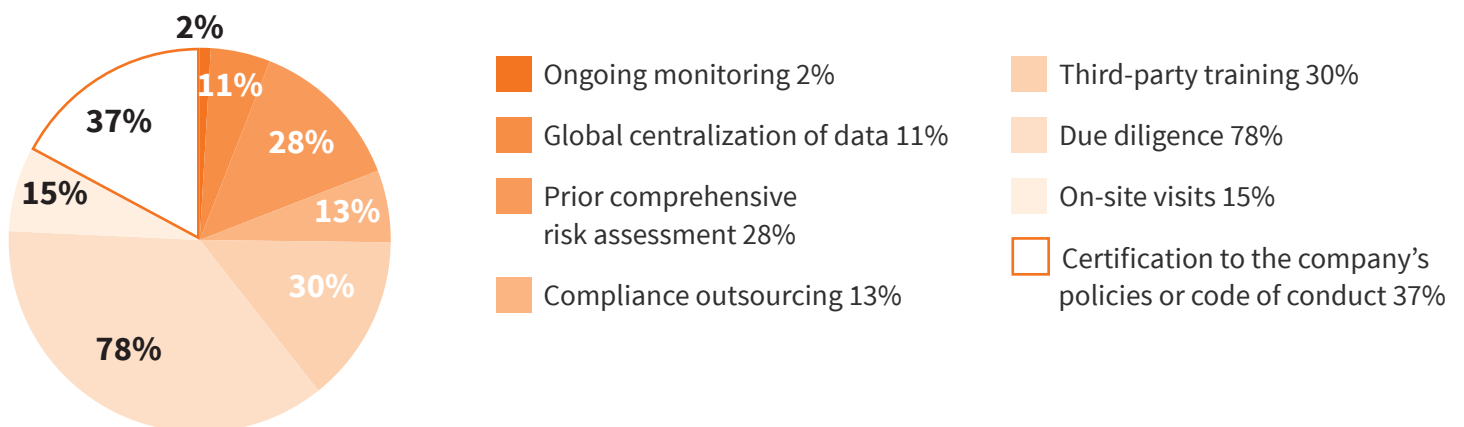
Various actions can help companies proactively mitigate compliance-related risks. Compliance officers turn to employ training (19%), periodic audits (19%), and exercising due diligence (16%) in order to minimize these internal compliance-related risks.

Third-party risk is often among the most difficult risks to deal with. As such, officers turn to many active methods to reduce third-party risk, the most notable being due diligence (27%), ongoing monitoring (26%), and certification to the company’s policies or code of conduct (17%). However, once a high-risk third party has been identified, 19% of officers exercise due diligence, which can include review of litigation or procedures, and 36% turn to either audits or suspension/termination of the relationship. Given the variety of threats, it is important that companies adjust their strategies accordingly, making sure to include both active and passive methods.

**Figure 6:** What methods does the company use to mitigate compliance-related risks? (Select all that apply)

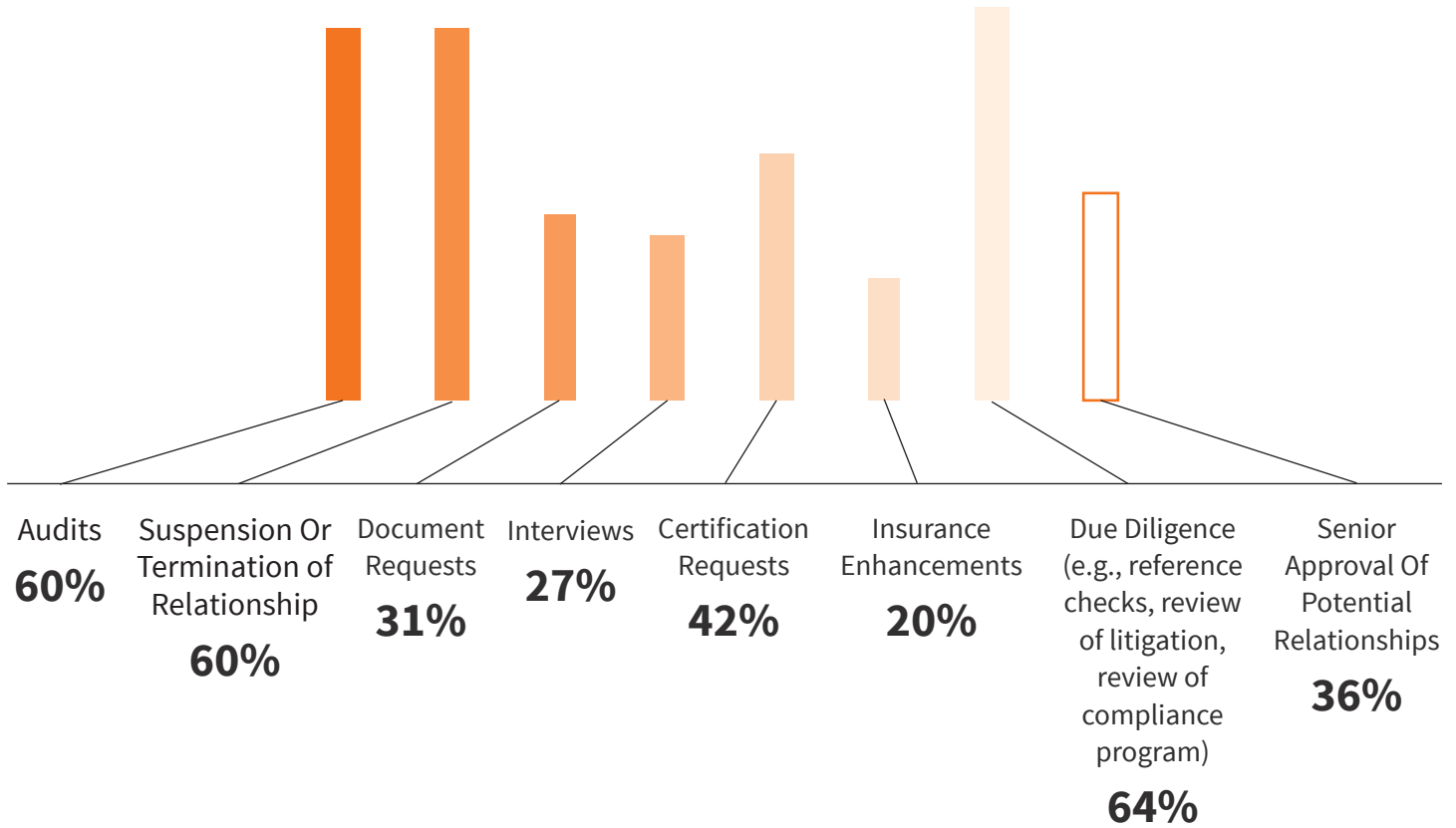


**Figure 7:** What are your most effective methods to reduce third-party risk? (Select all that apply)



# Risk Mitigation

**Figure 8:** What actions can the company take once a high-risk third party is identified? (Select all that apply)



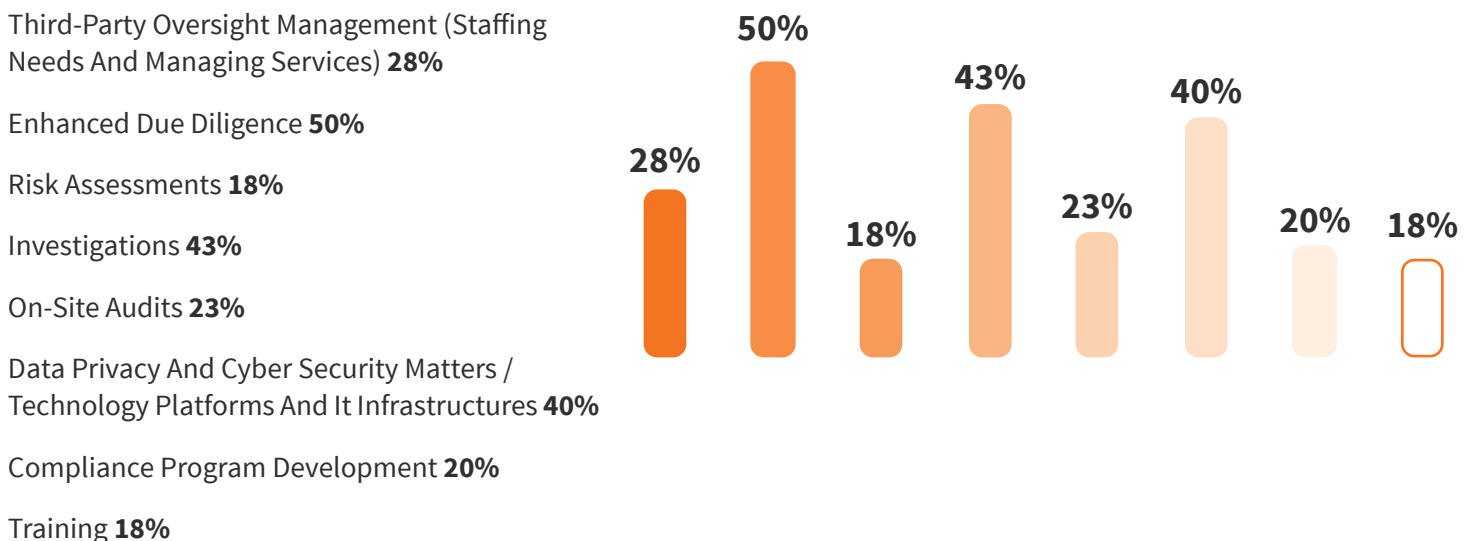
## The Majority of Compliance Executives Enlist The Help of Outside Providers

In 2019, the majority of compliance executives (82%) used the help of outside providers. This high level of adoption does not come as a surprise given the dramatic benefits outsourcing provides, including vast knowledge networks, ease of scalability, and great value relative to spend. Moreover, compliance executives desired the services of a third party to provide enhanced due diligence (21%), followed by investigations (18%) and data privacy/cybersecurity matters (17%). Only 7% reported the need for an external provider to conduct risk assessments.

**Figure 9:** Does your company use an outside vendor to outsource any compliance-related tasks?



**Figure 10:** In which areas might you need to use the services of an external provider this year? (Select all that apply)



# Conclusion

## *Lessons For The Industry*

In the coming year, compliance offers will encounter many challenges, including achieving diversity in the workplace, addressing discrimination, and eliminating any sources of fraud or financial irregularities. The first step for this group of executives should be to increase internal and third-party compliance training, which can help eliminate compliance issues at their core. Furthermore, they should conduct risk assessments more regularly, in order to ensure accounting for all violations when they occur. Through a focused approach, compliance and ethics executives will be able to provide their organizations with proper protections against enterprise risk.



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### UPCOMING EVENT

## Corporate Compliance & Ethics Forum

March 15–17, 2020  
Four Seasons Hotel  
Westlake Village, CA