



# 2019 CCO Survey

**Insights for the future of  
ethics & compliance**

[kpmg.com](https://www.kpmg.com)



# Key insights from the survey

## Ethics and compliance activities to enhance

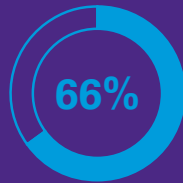


Investigations



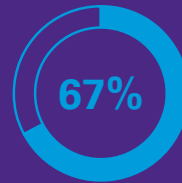
Monitoring and Testing

## Regulatory & compliance obligations to refine



Ethics

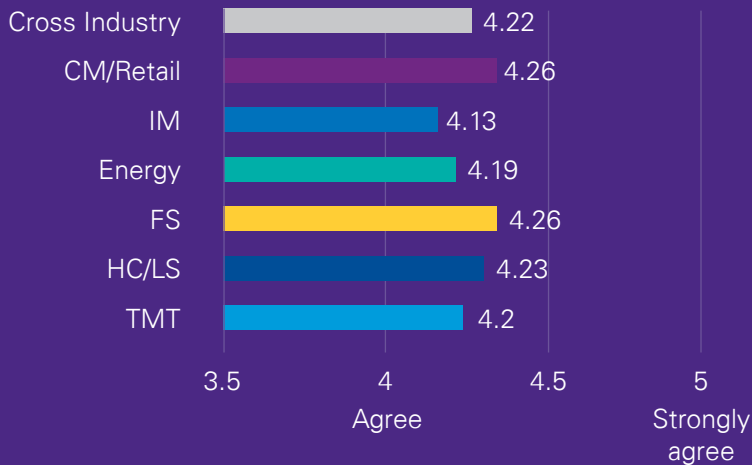
## Focus areas for further integration



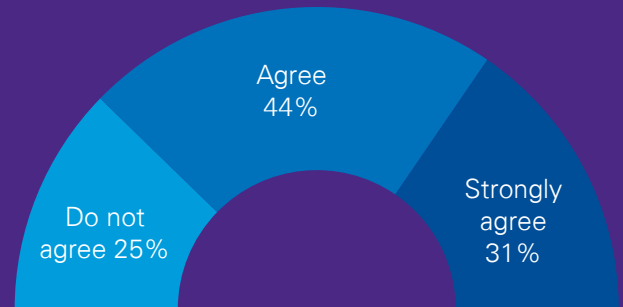
Training

A **consensus across all industries** on key ethics and compliance areas to focus on and enhance, specifically, Investigations, Monitoring and Testing, Ethics, and Training.

## Composite compliance program maturation ratings by industry:



## The compliance function uses data analytics and other technologies for risk management.



**Evolving program maturation** due to heightened public, investor, and board awareness of ethics-related issues, as well as converging business models (e.g., digitization, tech-enabled products).

Slow but **growing adoption** of advances both in **data and behavioral analytics** coupled with innovative technologies that will transform ethics and compliance in the coming years.



24%

Do not agree that their compliance function has a process in place to capture changes in laws, rules, and regulations.



35%

Do not agree that the compliance function maintains current inventories of regulatory obligations.

CCOs indicate there remains **room for improvement** with regard to **capturing changes** to laws, regulations, and rules



**Ford is committed to becoming the world's most trusted company. A strong ethics and compliance program is necessary to achieve that goal.**

— Beth Rose, Chief Compliance, Ethics, and Integrity Officer and Assistant General Counsel | Ford Motor Company



**I am excited about the opportunities that advances in analytics and innovative technologies present for us to continue to transform ethics and compliance to enable Walmart to be the world's most trusted retailer. In particular, using these to be even more proactive in risk spotting will allow us to add value and insights and be a strategic business partner.**

— Daniel Trujillo  
EVP, Global Chief Ethics & Compliance Officer | Walmart Inc

# Introduction

**Across all industries, an intensely heightened awareness of ethical behavior has elevated the need for executive leadership in the areas of ethics and compliance, and it is prompting change.**

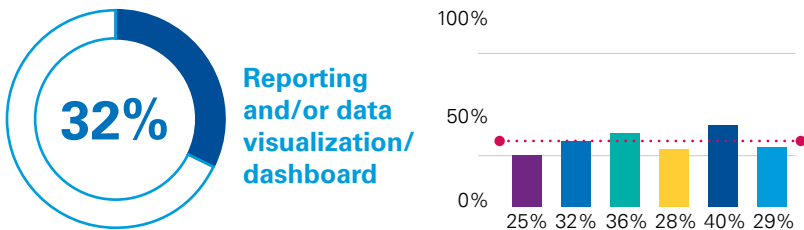
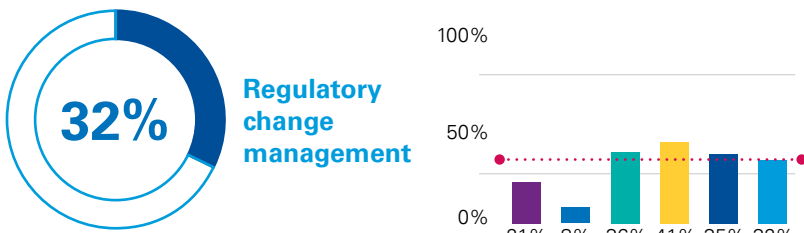
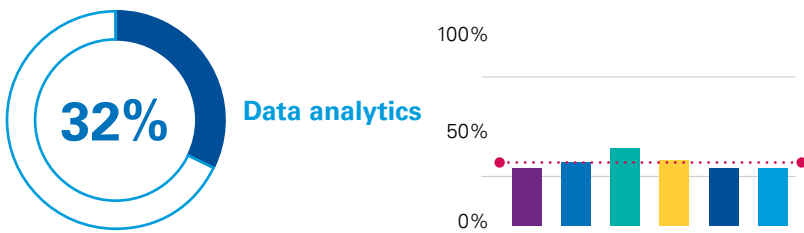
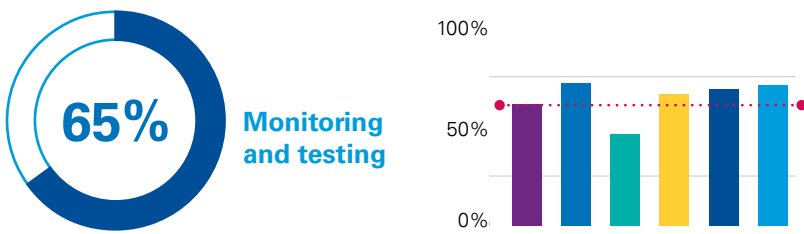
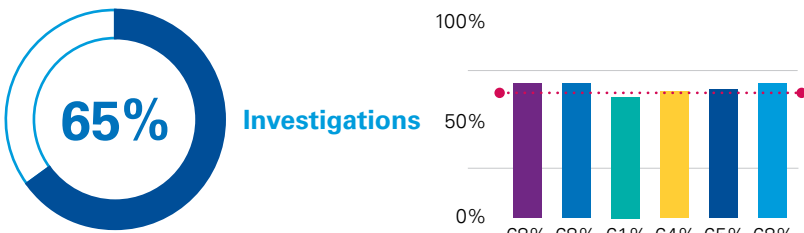
**In January 2019, KPMG surveyed 220 chief ethics and compliance officers (CCOs) representative of the largest organizations across multiple industries.\* The survey asked the CCOs for their view on top areas of ethics and compliance focus and integration, as well as key program maturation areas relative to KPMG's proprietary compliance program framework.**

**The survey findings are presented below along with KPMG's assessment of the main drivers and key actions organizations may consider to strengthen their compliance programs.**

\* The organizations participating in the survey operate in the following industries: consumer markets (CM/Retail—12%); energy and natural resources (13%); financial services, including banking, capital markets and insurance (FS—26%); healthcare and life sciences (HC/LS—25%); industrial manufacturing (IM—11%); and technology, media, and telecommunications (TMT—12%)

# Ethics and compliance activities to enhance

Survey respondents were asked to identify up to five ethics and compliance activities that they will or plan to enhance in 2019. The overall top five activities selected for enhancement include:



## Main drivers

- Need for real-time detection and responsiveness
- Volume of investigations and consistency in triaging, management, resolution and learning
- Innovative technology and automation
- Protection of brand and reputation

## Key actions

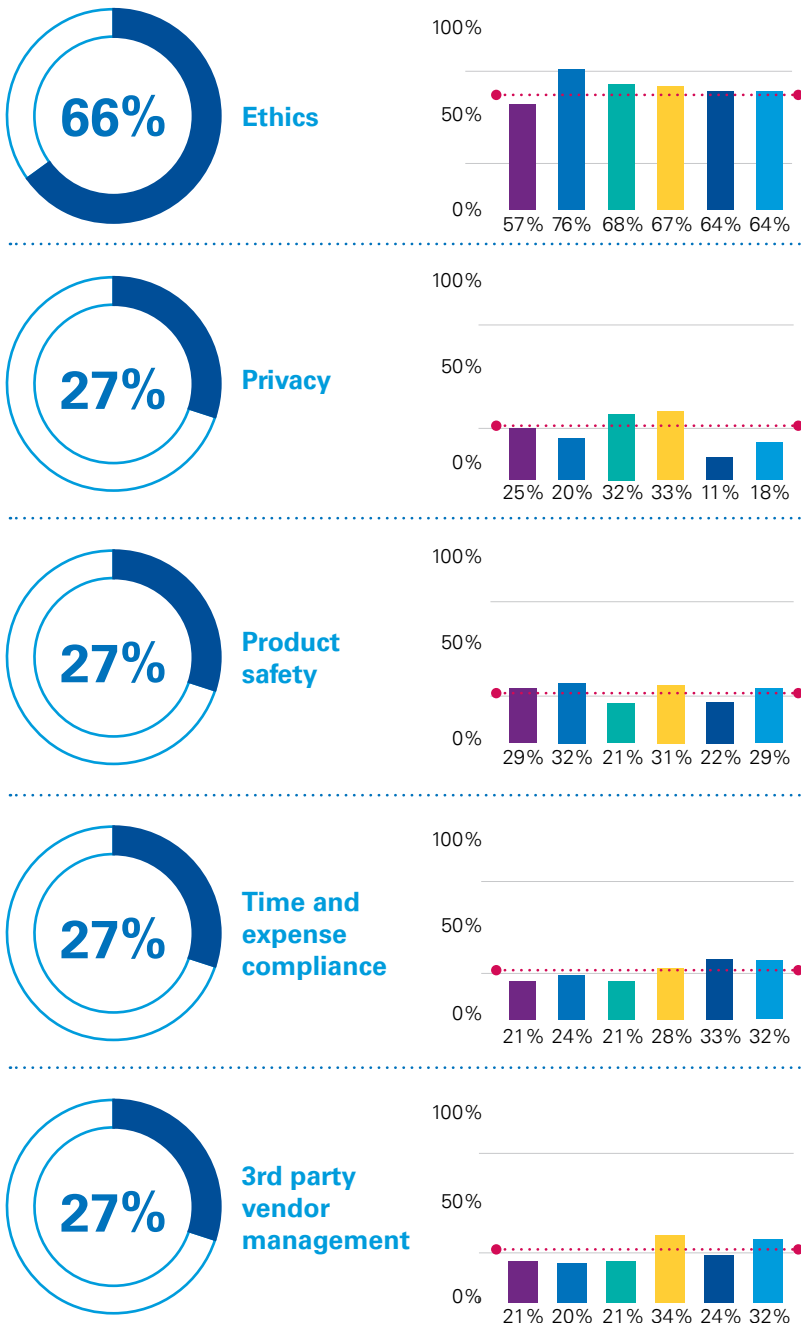
- Revamp investigations processes, controls, case management and reporting/communication
- Drive greater data access, quality, and automation to compliance monitoring, testing and enhanced data analytics
- Continue enhancements to scan and inventory of regulatory changes and dynamically link to associated operational controls
- Enhance integrated reporting to management and Board (including key internal and external signals)

CM/Retail IM Energy FS HC/LS TMT Cross industry average



# Regulatory and compliance obligations to refine

Survey respondents were asked to identify up to five regulatory and compliance obligations for which they intend to refine their compliance efforts in 2019. The overall top five obligation areas identified for refinement include:



## Key main drivers

- Impacts from ethical misconduct
- Board and C-level awareness of the importance of ethics and culture
- Increased demand for data and information protection and consumer data privacy
- “Best interest of customer” and consumer protection principles
- Risks from use of third parties as business enabler

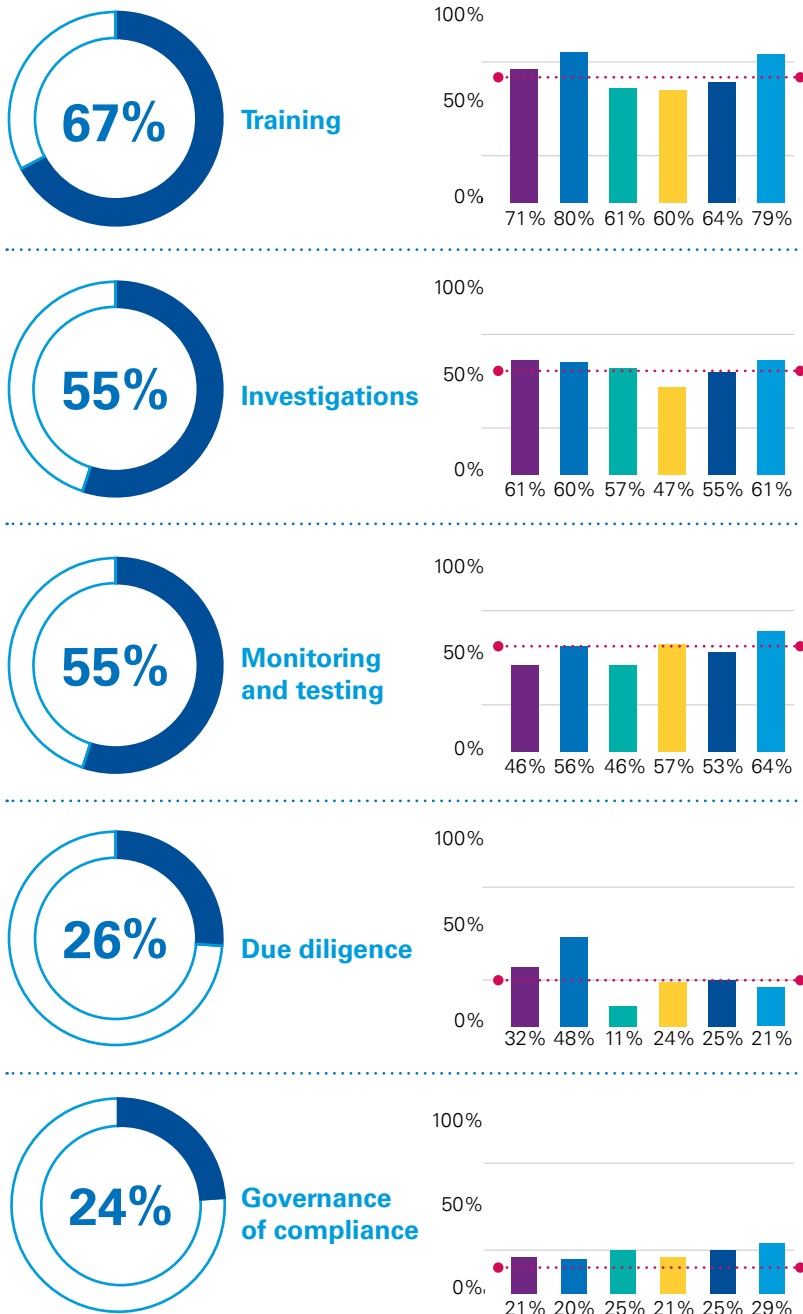
## Key actions

- Elevate and/or redesign ethics and compliance to integrate with business operations
- Enhance the ethical and compliant culture
- Establish “guardrails” and new risk processes for evolving business digitization, data analytics, and automation

CM/Retail IM Energy FS HC/LS TMT Cross industry average

# Focus areas for further integration

Survey respondents identified up to five areas in which their organization is focused on further integrating or converging processes, activities, and controls in support of the overall ethics and compliance environment. The overall top five areas for further organizational integration include:



## Main drivers

- Board and cross-senior management focus on ethics and culture
- Need to reinforce ethical conduct and ownership to all employees
- Changing operational processes/activities with associated compliance risks
- Need for integrated awareness and reporting of issues previously in silos

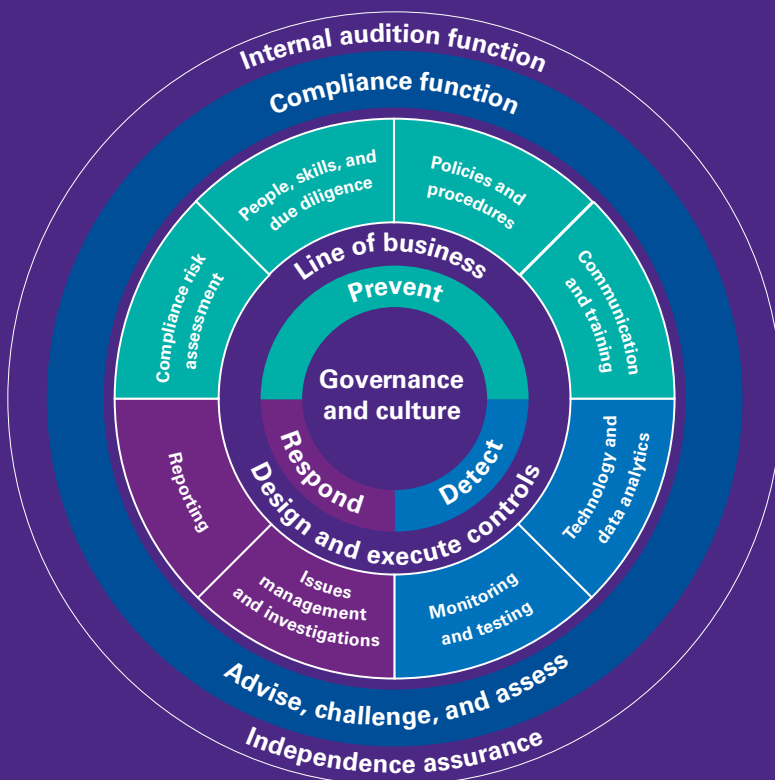
## Key actions

- Expand ethics and compliance training and communication to allow for appropriate process transparency
- Enhance process and drive automation in areas of ethics and compliance investigations, monitoring and testing, and due diligence
- Continue to drive integrated governance and reporting across Ethics & Compliance, Legal, and Human Resources, etc.

CM/Retail IM Energy FS HC/LS TMT Cross industry average

# Key areas of program maturation

## KPMG's compliance program framework



### Survey methodology and background

KPMG's 2019 CCO Survey was conducted as a Web-based survey between December 2018 and January 2019. It consisted of thirty questions focused on components in KPMG's proprietary Compliance Program Framework:

- Governance and culture
- Compliance risk assessments
- People, skills, and due diligence
- Policies and procedures
- Communications and training
- Technology and data analytics
- Monitoring and testing
- Issues management and investigation
- Reporting

Survey respondents were asked to evaluate statements regarding key aspects of their compliance programs for each of the components using a 5-point scale where "1" indicated a "strongly do not agree" and "5" indicated "strongly agree." For purposes of presentation, ratings of "1," "2," and "3" have been collectively described as "do not agree."

Survey respondents included chief ethics and chief compliance officers and similar senior compliance executives in major organizations across six industries: consumer markets/retail; energy and natural resources; financial services (including banking, capital markets, and insurance); healthcare and life sciences; industrial manufacturing; and technology, media, and telecommunications.

## Key findings related to governance and culture.

### Most CCOs:



39%

Strongly agree that their Board exercises governance and oversight over ethics and compliance efforts.



52%

Strongly agree that the LOB management takes ownership of the compliance culture and agenda.

### And only:



13%

Do not agree that compliance is viewed as a trusted advisor to the business.



16%

Do not agree that the compliance function has a clearly defined mission statement that establishes direct/indirect Compliance coverage.

## 1. Governance and culture

### Main drivers

- Expanding role and skills of ethics and compliance personnel.
- Embedding ethics and compliance risk management in the front line.
- Board and management expectations for dynamic and enterprise-wide view of risk.
- High profile ethics-related issues (e.g., #MeToo, data breaches, opioid crisis, LIBOR and sales practices).

### Key actions

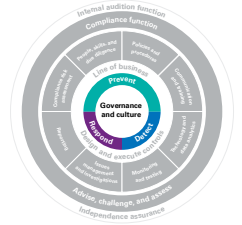
- Enhance accountability and messaging for ethics and compliance across all employees.
- Converge operational and compliance controls.
- Expand communication and escalation channels across the enterprise to engage the ethics and compliance function early on in business initiatives.
- Review and identify changes needed in the ethics and compliance function to streamline compliance efforts.

### Summary of findings

- Board of Director engagement in ethics and compliance oversight and supervision is strong. (39% strongly agree)
- Business line ownership and accountability for ethics and compliance is well established. (52% strongly agree)
- Continued work towards achieving a “trusted advisor” relationship with the front line though some industries are experiencing a higher hurdle. (53% agree but 13% still do not agree)
- The ethics and compliance function continues to struggle with re-defining their mission and scope. (16% do not agree)

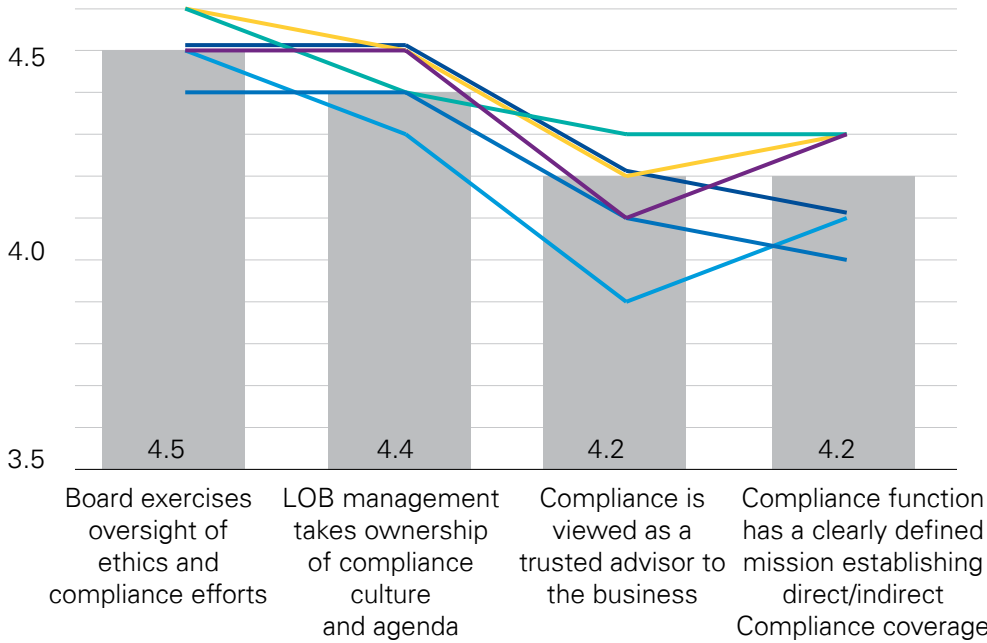
**Industry notes:** Many industries are converging businesses (e.g., digitization, tech-enabled products) and hence the associated survey response correlation. Issues within an industry, such as the opioid crisis or sales practices in FS, impacts the importance and role of Ethics & Compliance. Within FS, little variance was noted between Banking and Insurance across all areas; similarly within HC/LS, there is generally a correlation between the Healthcare and Life Sciences responses.



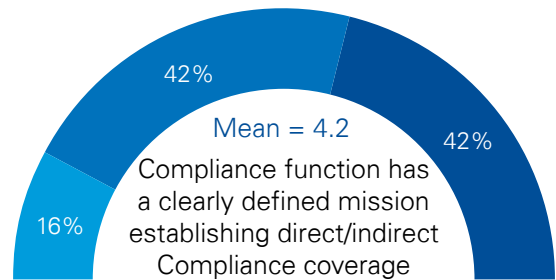
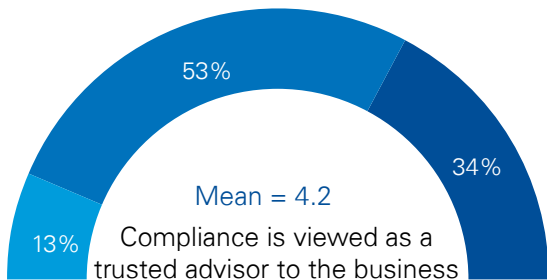
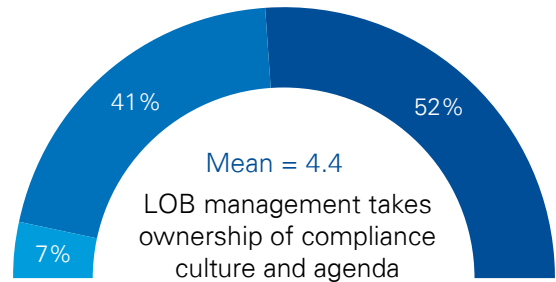
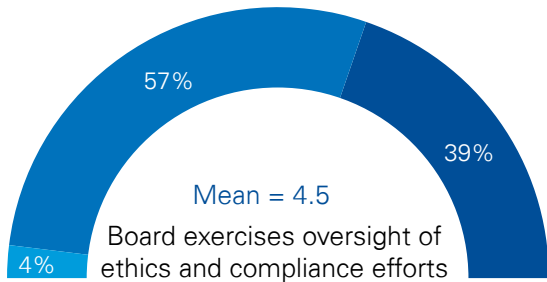


**Composite and industry average responses to survey statements:**

1 Strongly disagree 2 Disagree 3 Neutral 4 Agree 5 Strongly agree



■ Cross industry ■ CM/retail ■ IM ■ Energy ■ FS ■ HC/LS ■ TMT



■ Do not agree ■ Agree ■ Strongly agree

With regard to compliance risk assessments, CCOs generally believe their programs to be fairly mature, as only:



11%

Do not agree that their compliance risk assessment leverages qualitative and quantitative measurements.



14%

Do not agree that the compliance risk management considers whether controls were designed appropriately and operate effectively.

In contrast, there is still room to strengthen the participation of compliance in governance or risk committees that discuss inherent risks in the organization's new products or geographic footprint:



29%

Strongly agree



23%

Do not agree

## 2a. Risk assessments—Governance and process

### Main drivers

- Regulatory expectations for robust and resilient approach to risk management.
- Digitization and data automation in front line demanding new approaches to compliance risk.
- Need for a more dynamic risk assessment, including emerging risks.

### Key actions

- Enhance risk assessments to incorporate additional ethics/conduct metrics, including risk triggers and thresholds and mitigating controls.
- Complete supplemental testing of the operational effectiveness of controls.
- Leverage automation in the risk assessment process, including pre-population of quantitative data into templates and calculations of residual risk.

### Summary of findings

- Agreement that compliance risk assessments incorporate qualitative information and quantitative statistics. (89% agree while 11% do not agree)
- Design and operational effectiveness of controls assessment reflects overall higher maturation. (only 14% do not agree)
- Nearly one in four (23%) Ethics & Compliance Officers do not participate in a governance or risk committee to discuss inherent risks in new product offerings or changes to the footprint in real time.

**Industry notes:** There is industry disparity in terms of risk assessment and regulatory change management assessment. TMT lags other industries with regard to having compliance participate in a governance or risk committee at a time of evolving data governance and privacy public policy.



CCOs indicate there remains room for improvement with regard to capturing changes to laws, regulations, and rules:



24%

Do not agree that their compliance function has a process in place to capture changes in laws, rules, and regulations.



35%

Do not agree that the compliance function maintains current inventories of regulatory obligations.



19%

In contrast to the 35% that do not agree, only 19% strongly agree that the compliance function maintains current inventories of regulatory obligations.

## 2b. Risk assessments—Regulatory change

### Main drivers

- Divergent regulatory obligations amongst federal, state, and global jurisdictions (e.g. California Privacy law).
- Stringent and broad application of certain high profile regulatory requirements (e.g. trade sanctions, EU's General Data Protection Regulation (GDPR)).
- Streamlining and integration of the control environment.

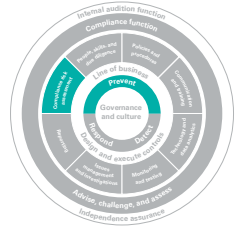
### Key actions

- Evaluate the existing regulatory change management processes.
- Assess whether the mapping of regulatory obligations to specific policies, procedures, processes, and controls comprehensively demonstrates the design and coverage of risks.
- Consider automation pilots (e.g., linking policies with operational triggers, mapping regulatory obligations with controls).

### Summary of findings

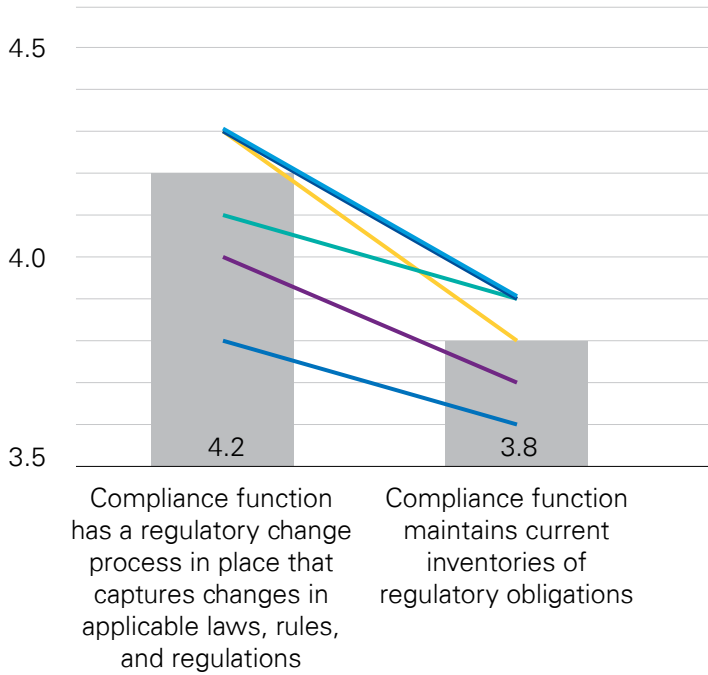
- The defined regulatory change process in place to capture changes to laws, regulations and rules by some respondents could be improved as nearly one in four (24%) did not agree that their organization had such a process.
- More than one in three organizations can invest more in creating and maintaining an inventory of regulatory obligations based upon a defined approach that is consistent with the organization's risk tolerance. Thirty-five percent did not agree they had a current inventory of obligations.

**Industry notes:** Industry disparity appears in the regulatory inventory and regulatory change area, with IM and CM/Retail lagging other industries. Notably, maintaining a current regulatory inventory was the lowest ranked area surveyed. Within HC/LS, Life Sciences ranked the regulatory change process higher than Healthcare.

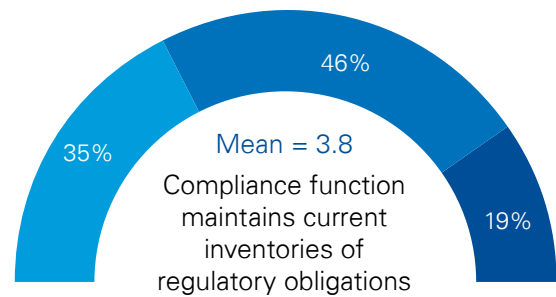
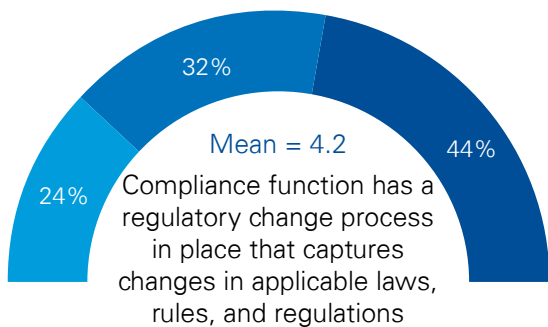


**Composite and industry average responses to survey statements:**

5 Strongly agree 4 Agree 3 Neutral 2 Disagree 1 Strongly disagree



■ Cross industry ■ CM/retail ■ IM ■ Energy ■ FS ■ HC/LS ■ TMT



■ Do not agree ■ Agree ■ Strongly agree

## CCOs indicate their programs related to people and skills are maturing:



53%

Strongly agree that the compliance roles and responsibilities are defined and documented throughout the organization.



44%

Strongly agree that adherence to compliance policies and procedures, code of conduct and ethics/values are a factor in employee performance evaluations.

## Though there is room for refinement:



24%

Do not agree that compliance proficiencies are assessed annually.



23%

Do not agree performs onboarding due diligence in accordance with policies and procedures.

## 3. People, skills, and due diligence

### Main drivers

- Continued focus on the ability to effectively monitor and manage misconduct by employees, third parties, and partners/affiliates.
- Growing need for diversity of skills in Ethics & Compliance, including data analysis and communication skills.
- Increased awareness of reputational, strategic, and fraud risks.

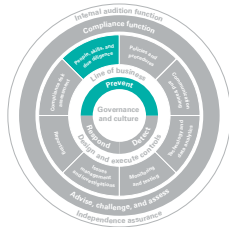
### Key actions

- Supplement skill sets to adapt to changing needs and proactively build capabilities.
- Design and implement risk-based on-boarding due diligence standards for employees and third parties.
- Strengthen recruiting/hiring processes and exit interviews.
- Embed accountability via ethics- and compliance-driven employee metrics.

### Summary of findings

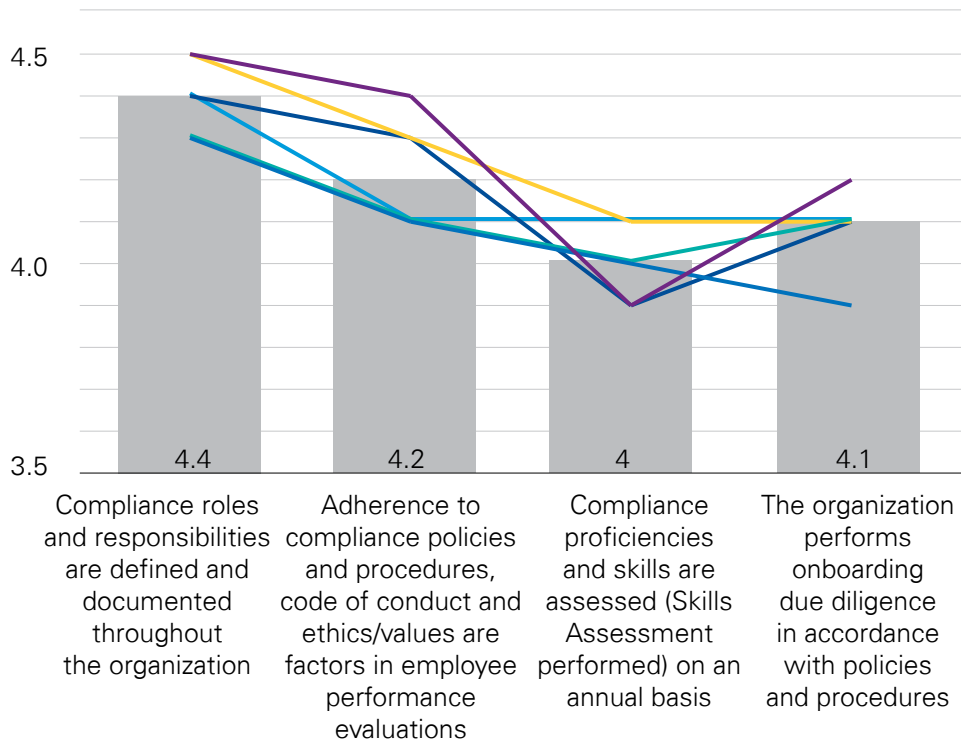
- Nearly all have well defined and documented compliance roles and responsibilities (overall 90% agree, and 53% strongly agree) and many organizations factor adherence to compliance and ethics standards in employee performance evaluations (44% strongly agree).
- Yet, as many as one in four have room to refine their:
  - Assessment of the compliance skills and proficiencies of employees on an annual basis (24% did not agree);
  - Incorporation of compliance metrics into employee performance evaluations (15% did not agree); and
  - Completion of on-boarding due diligence, including background checks (23% did not agree).

**Industry notes:** Across all industries, the increasing use of advanced technologies, including AI, may inadvertently introduce potential bias into recruiting/hiring processes. As programs mature and transform, skills such as data analytics and critical problem solving become highly valued.

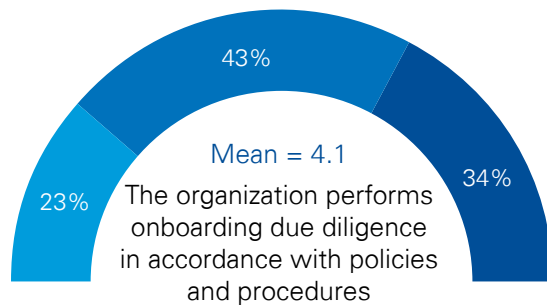
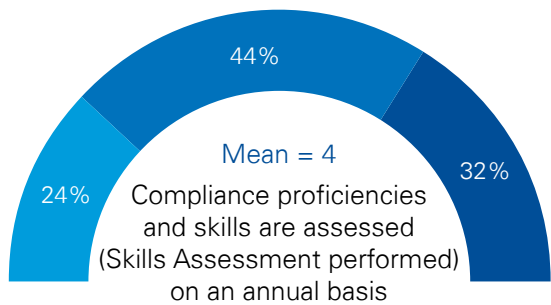
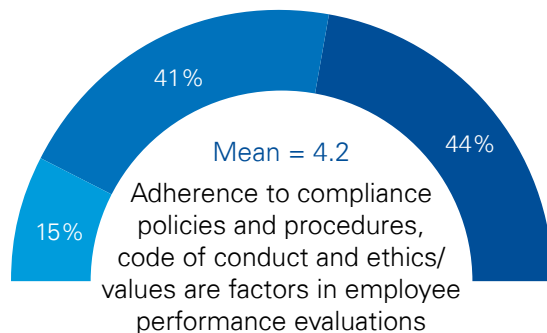
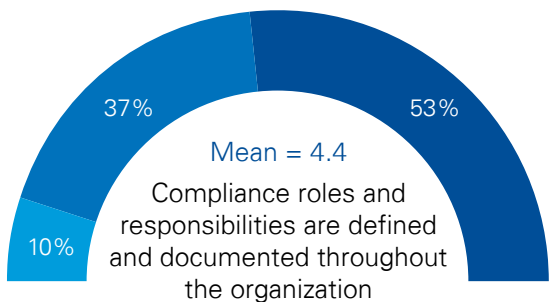


## Composite and industry average responses to survey statements:

5 Strongly agree 4 Agree 3 Neutral 2 Disagree 1 Strongly disagree



■ Cross industry ■ CM/retail ■ IM ■ Energy ■ FS ■ HC/LS ■ TMT



■ Do not agree ■ Agree ■ Strongly agree

## Communications and training programs are thought to be generally strong:



37%

Strongly agree that their organization has established and clear lines of communication to share compliance issues.



37%

Strongly agree that third-party contractors are required to participate in their organization's training during onboarding and annually thereafter.

## 4. Communication and training

### Main drivers

- Continued messaging on the commitment and integrity of corporate ethics and culture.
- New technologies, skillsets, and compliance risks requiring training.
- Protection of brand and reputation through internal/external trainings and communications to manage risks.

### Key actions

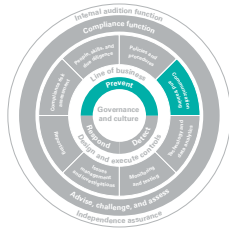
- Determine changes needed for ethics and compliance messaging (e.g., case studies, investigation processes).
- Identify and address cultural and ethics communication silos and anomalies that may promulgate risks.
- Ensure vendor and third party communications and/or training are consistent, regular, and robust.
- Establish incident response communication plans for evolving compliance and ethics risks.

### Summary of findings

- Clear lines of communication exist, facilitating the sharing of compliance issues, lessons learned, and leading practices across the enterprise (business units, management, and functional areas). (overall 90% agree, and 37% strongly agree)
- Third parties are mostly required to participate in compliance trainings when on-boarded as a vendor and annually thereafter. (overall 85% although 37% strongly agree)

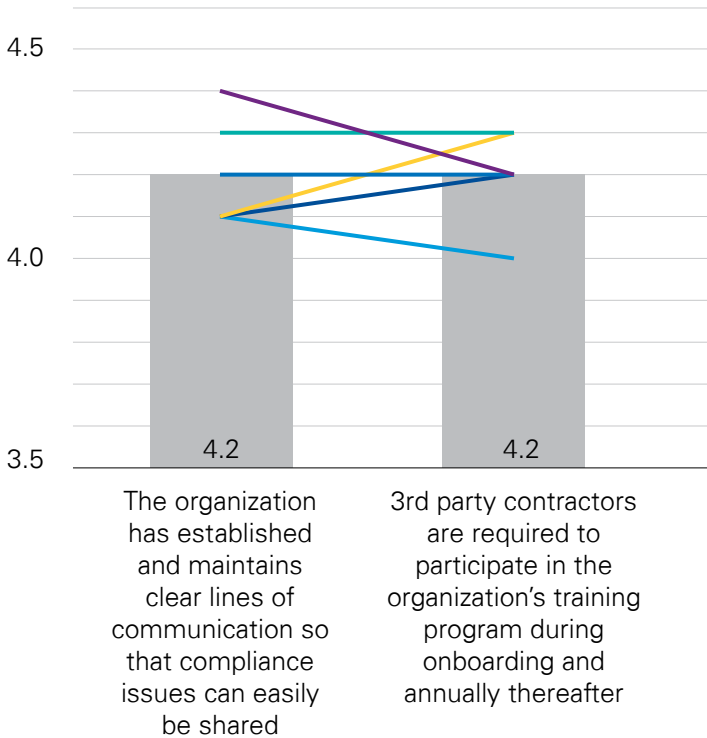
**Industry notes:** Energy lags other industries in “strongly agreeing” regarding training program requirements during onboarding and annually thereafter for its vendors. Notably, 67% of respondents prioritized training as an area for refinement.



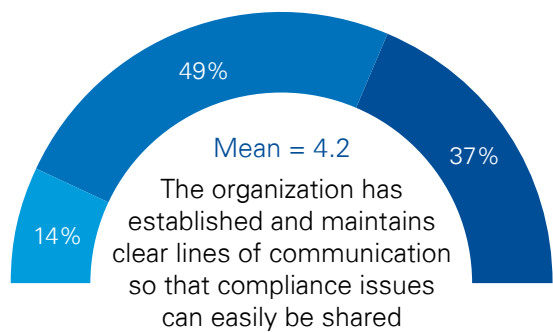


**Composite and industry average responses to survey statements:**

5 Strongly agree 4 Agree 3 Neutral 2 Disagree 1 Strongly disagree



█ Cross industry █ CM/retail █ IM █ Energy █ FS █ HC/LS █ TMT



█ Do not agree █ Agree █ Strongly agree

CCOs are working to incorporate technology and data analytics into their compliance and risk management processes.



45%

Strongly agree that they have analyzed their technology infrastructure for alignment to compliance requirements and addressed any significant gaps.



35%

Strongly agree that compliance KRIs/KPIs have been incorporated into GRC efforts at the organization/enterprise level.

Yet:



25%

Do not agree that their compliance function leverages data analytics and other technology processes to conduct root cause and trending analysis for compliance risk management purposes.

## 5. Technology and data analytics

### Main drivers

- Rapid technological changes, including innovative technologies that offer significant competitive advantages (e.g., Artificial Intelligence (AI), Natural Language Processing (NLP), blockchain) in call centers, claims processing, anti-money laundering (AML)/Sanctions.
- Proactive protection of the brand and reputation through predictive capabilities.
- Need to manage the proliferation of ethics and compliance risks, often in real time.

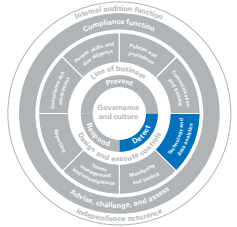
### Key actions

- Invest in technology and/or tools to enhance ethics and compliance risks management (e.g. due diligence, surveillance, monitoring, and reporting).
- Evaluate available data and the integrity of that data for use in predictive analytics enterprise-wide.
- Identify analytics with high return and impact.
- Determine how to further integrate and collaborate with GRC (governance, risk, and compliance) efforts for consistent risk management approach.

### Summary of findings

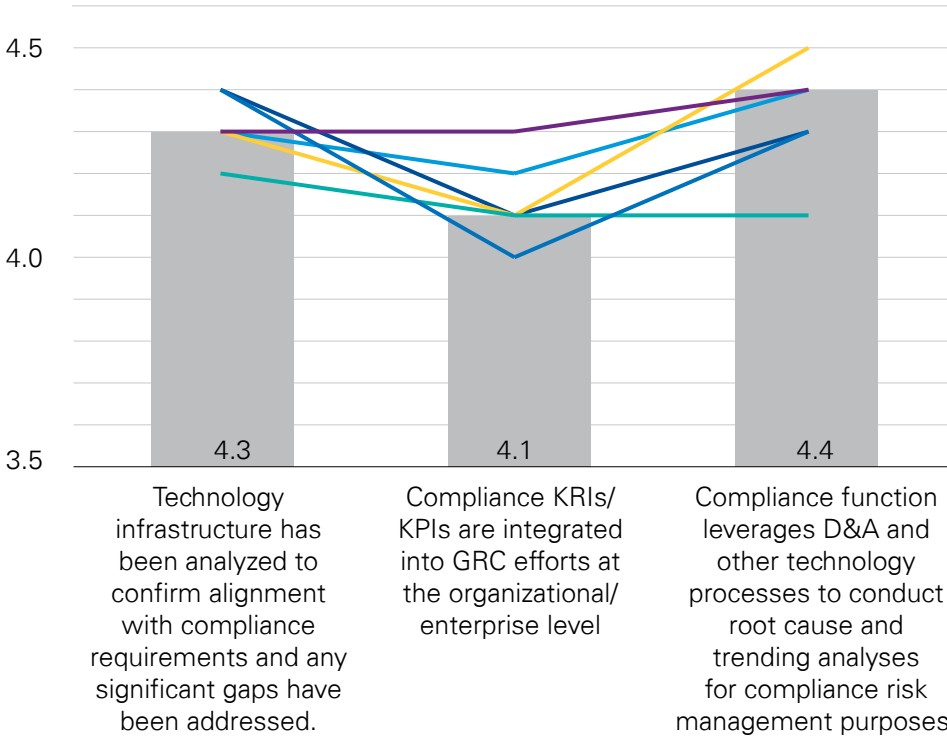
- Generally, most (88%) have analyzed their technology infrastructure for alignment to compliance requirements and addressed any significant gaps.
- Yet, approximately one in four (25%) do not leverage data analytics and technology processes for root cause and trending analysis.
- And, although 35% of organization strongly agree that compliance Key Risk Indicators (KRIs) and Key Performance Indicators (KPIs) are integrated with enterprise-wide efforts for governance, risks, and compliance, nearly one in five (19%) do not agree.

**Industry notes:** Energy generally lags other industries in terms of agreement across technology responses. Notably TMT and CM/Retail rank highest in terms of agreement with compliance KRIs/KPIs being integrated with GRC.

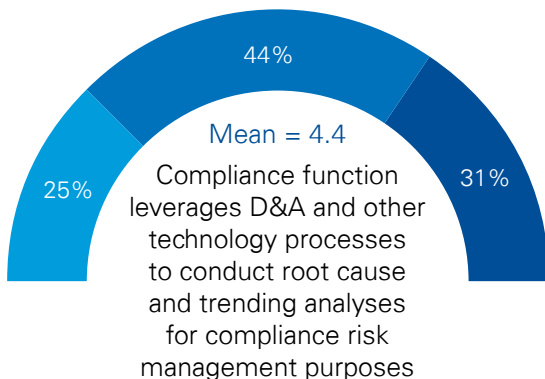
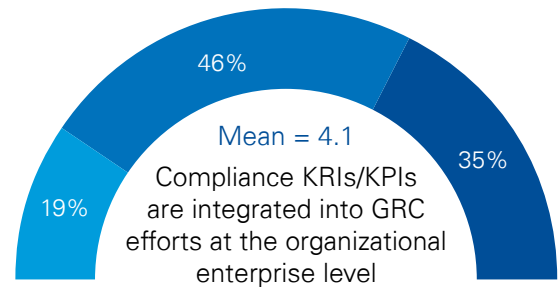
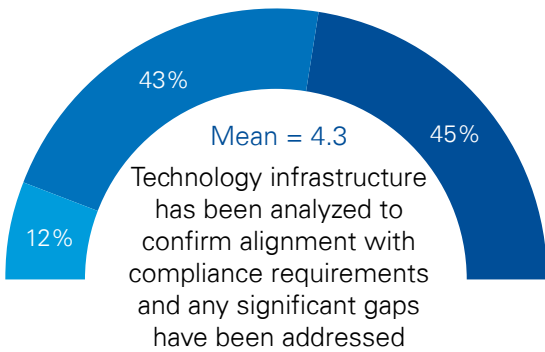


**Composite and industry average responses to survey statements:**

5 Strongly agree 4 Agree 3 Neutral 2 Disagree 1 Strongly disagree



Legend: Cross industry (grey), CM/retail (purple), IM (dark blue), Energy (teal), FS (yellow), HC/LS (medium blue), TMT (light blue)



Legend: Do not agree (light blue), Agree (medium blue), Strongly agree (dark blue)

## Key findings related to monitoring and testing:



48%

Strongly agree that their organization has a compliance testing program and plan to assess the organization's adherence to compliance requirements.



32%

Strongly agree that third-party risk is managed through an enterprise-wide tool capable of providing KRIs/KPIs and tracking of issues/concerns.

## 6. Monitoring and testing

### Main drivers

- Proliferation of vendors/fintechs in automated monitoring solutions and predictive analytics.
- Technology advances (e.g., bots, NLP) to automate previously manual testing processes.
- Changing nature of business processes necessitating compliance testing redesign.
- Move from sampling or anomaly/outlier testing to full population data analysis.

### Key actions

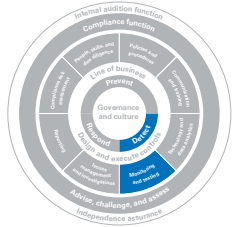
- Enhance ethic and culture metrics and trigger-based monitoring.
- Evaluate and plan desired data and analysis for ongoing, “real-time” proactive monitoring.
- Identify monitoring and testing processes that can be automated in the near and longer terms.
- Assess third party monitoring for expansion of monitoring (including negative news and social media).

### Summary of findings

- Nearly all (89%) conduct process and control testing as part of their compliance monitoring.
- Most (83%) monitor third party risks through enterprise-wide tools that provide tracking mechanisms and reporting of KRIs/KPIs.

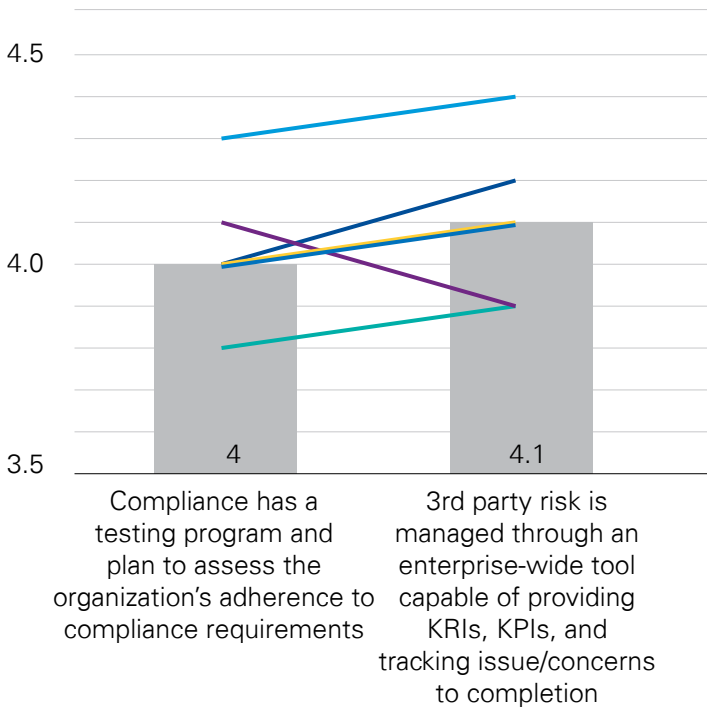
**Industry notes:** Energy generally lags all industries in terms of agreement across monitoring and testing. CM/Retail and Energy similarly rank below other industries on monitoring third-party risk through an enterprise-wide tool. TMT ranks above all industries in the monitoring and testing area.

With the current heightened awareness of ethics and compliance incidents, more than half of respondents prioritized monitoring and testing as an area for improvement (65%) and further integration (55%).

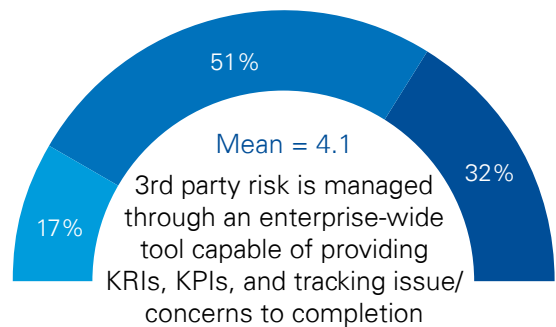
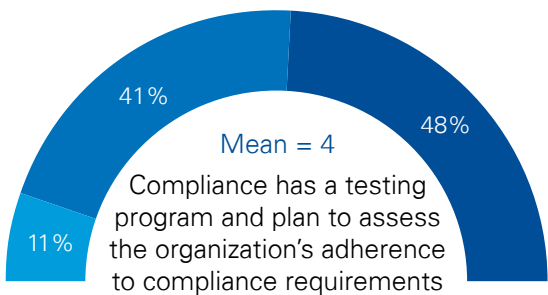


**Composite and industry average responses to survey statements:**

5 Strongly agree 4 Agree 3 Neutral 2 Disagree 1 Strongly disagree



█ Cross industry █ CM/retail █ IM █ Energy █ FS █ HC/LS █ TMT



█ Do not agree █ Agree █ Strongly agree

Although most organizations have issues management and investigations processes in place, they have identified investigations as the top compliance area to enhance as well as among the top three compliance areas to further integrate.



42%

Strongly agree that their organization has a process to assess the impacts of issues and create enterprise-wide solutions.



52%

Strongly agree they have a centralized investigative unit and structured coordination with other groups (i.e., HR, Internal Audit) occurs based on documented protocols.



35%

Strongly agree that identified issues are tracked for mitigation purposes and compliance provides consistent "credible challenge."

## 7. Issues management and investigations

### Main drivers

- Heightened public/investor awareness of ethics-related issues (e.g., #MeToo, data breaches).
- Heightened regulatory focus on ethics and conduct; High-profile enforcement actions and high-dollar civil money penalties (e.g., sales practices abuses).
- High volumes of investigations driving process efficiencies and changes to staffing models (surge resources).
- Market pressures for greater agility and real-time responsiveness to identified wrongdoing and misconduct.

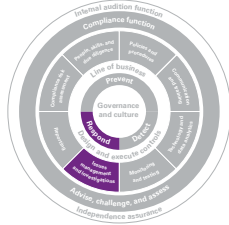
### Key actions

- Evaluate the current aggregation of investigations data and trends for risk management.
- Integrate investigations into the control environment to better evaluate trends and enhance predictive abilities; identify needed/informative data analytics.
- Enhance investigations processes to include complaint management, case documentation, and root cause analysis.

### Summary of findings

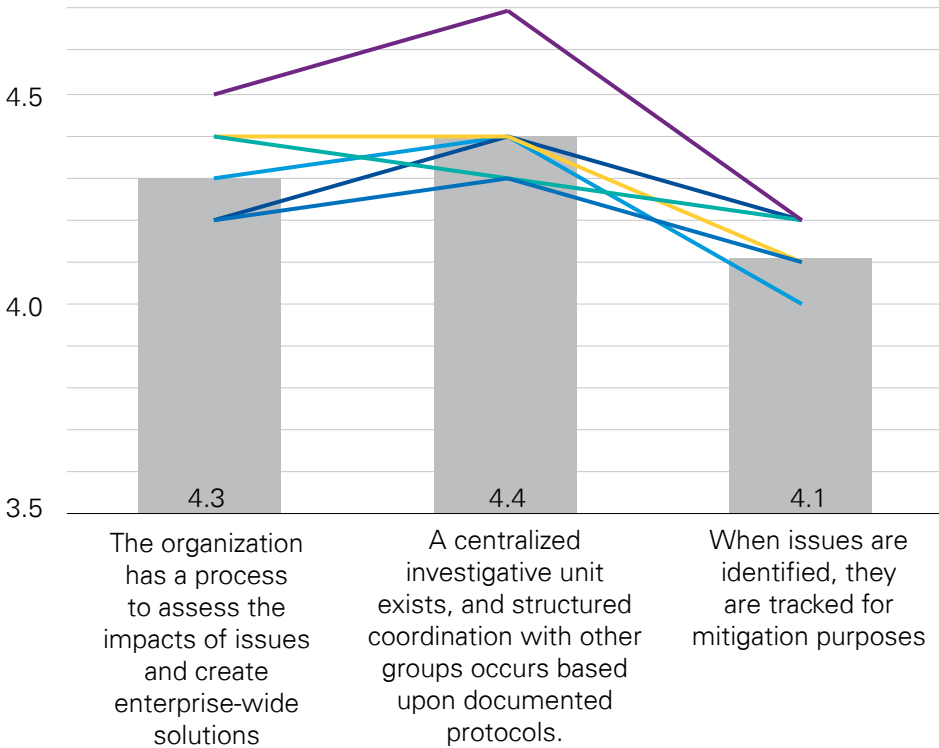
- Most organizations have established processes to formally assess the impact of issues and create enterprise-wide solutions. (90% and 42% strongly agree)
- Most also have a centralized investigative unit that collaborates and coordinates across the control environment (e.g., HR, General Counsel, Internal Audit) and links with other functions in the broader ethics and compliance risks management structure. (overall 91% agree though 52% strongly agree)
- Improvements could be made in tracking identified issues for mitigation purposes, as fewer organizations agree that these processes are in place (only 35% strongly agree) and 17% do not agree.

**Industry notes:** Increased awareness and communication on "raise your hand" has driven forward volumes across all industries, with a majority of respondents (65%) across all industries prioritizing Investigations as an area for current improvement.

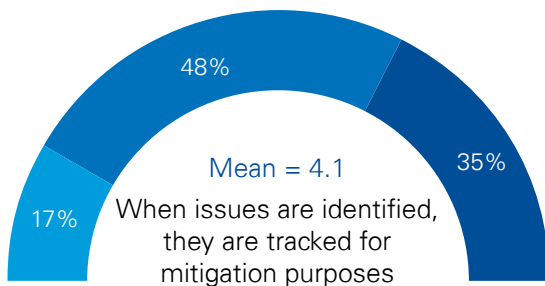
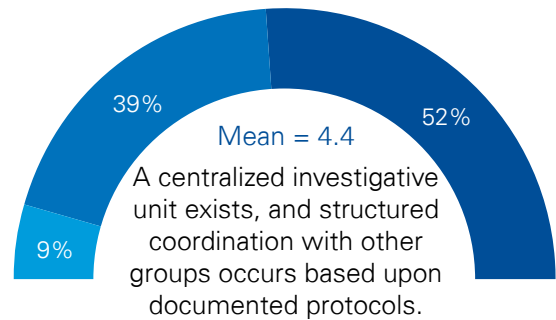
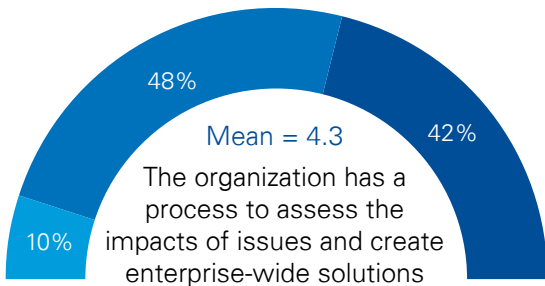


**Composite and industry average responses to survey statements:**

5 Strongly agree 4 Agree 3 Neutral 2 Disagree 1 Strongly disagree



■ Cross industry ■ CM/retail ■ IM ■ Energy ■ FS ■ HC/LS ■ TMT



■ Do not agree ■ Agree ■ Strongly agree

With the heightened public and regulatory focus on ethics, senior management and the board are expected to be aware of ethics- and compliance-related issues, trends, and remediation efforts within their organizations.



56%

Strongly agree that their organization has an enterprise-wide reporting systems that is integrated across the organization.

Yet:



20%

Do not agree that they report investigation metrics to the board of directors to help the board assess risks.

## 8. Reporting

### Main drivers

- Mandate by boards for enhanced ethics and compliance reporting, inclusive of issues, trends and remediation
- Need for reporting to better identify root cause
- Enhanced investor and Board pressure Environmental, Social and Governance issues and reporting
- Expectation for self-identification of issues and proactive self-disclosure and reporting

### Key actions

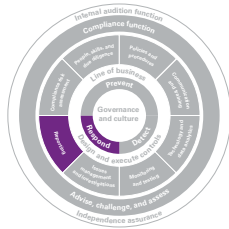
- Enhance reporting on key risks as well as trending and emerging risks.
- Refine metrics and data analytics in terms of issues management, root cause analysis and trends
- Monitor business-level operational metrics tied to ethics and compliance risks and report on anomalies and actions

### Summary of findings

- Nearly all have an enterprise-wide reporting system that is integrated across the organization. (95%)
- Yet, significantly fewer agree (only 80% overall and only 38% strongly agree) they have such mechanisms for reporting on their investigative metrics to help the Board assess risks (i.e., one in five surveyed did not agree and may look to enhance their investigative metrics for the Board).

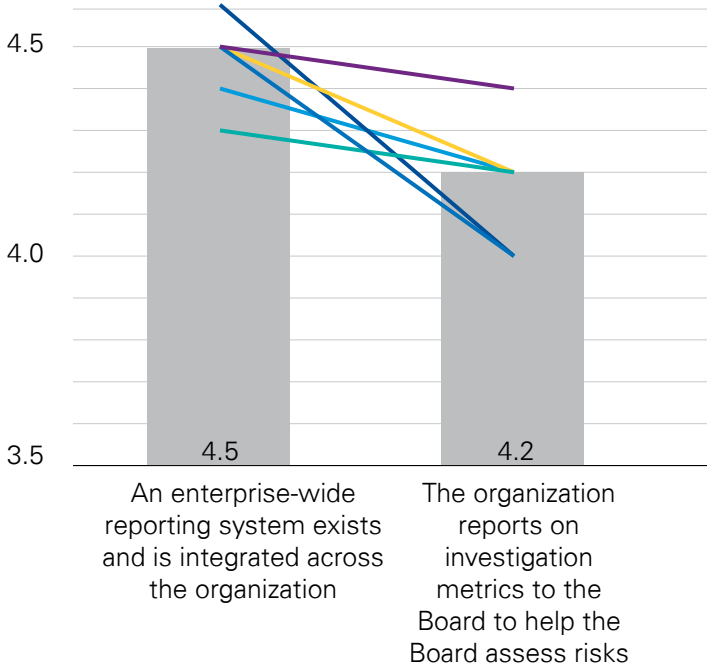
**Industry notes:** Investors and Boards are placing increased pressures on ESG reporting. Energy and TMT generally lag behind other industries in terms of agreement with an enterprise-wide and integrated reporting system.



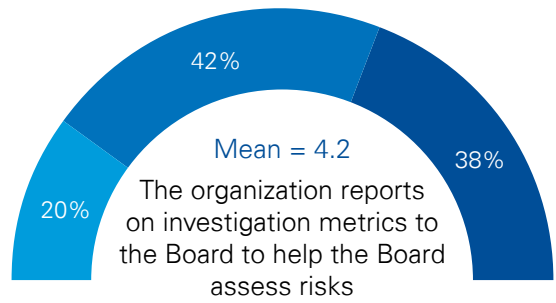
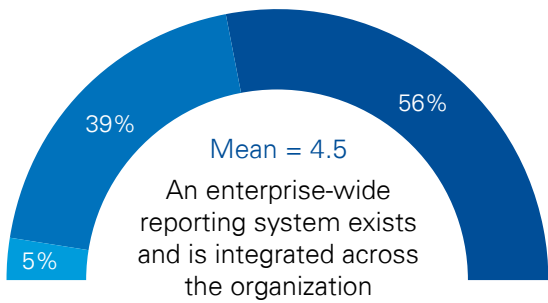


**Composite and industry average responses to survey statements:**

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■ Do not agree ■ Agree ■ Strongly agree

# Bringing it all together

Change is coming quickly. Ethics and compliance roles, responsibilities and expectations have evolved and progressive organizations will continue to look for opportunities to integrate ethics and compliance throughout their organization and use automation to facilitate an ethical and compliant organizational culture.

## The ethics and compliance path

### Today, ethics and compliance is...

### In the future, ethics and compliance will be...



#### Culture

A defined and communicated compliance culture, including expected behaviors and values.

More formalized, integrated, and reinforced. Cultural expectations will be further embedded enterprise-wide in activities, addressing expectations for behavior, actions, and emphasis on “moment that matter”/ethical dilemmas.



#### Governance

A defined structure, either centralized, decentralized or a hybrid, with oversight from the Board.

Integrated through additional governance and/or communication channels, with the Board and additional functions—HR, finance, IT, and more—firmly engaged in ethics and compliance initiatives.



#### Process

Standardized processes to facilitate compliance and ethical behaviors, and which increasingly leverage data analytics (dependent upon data integrity).

More fully automated processes across enterprise-wide operational activities, and increased focus on integration with GRC technology, data availability and accuracy, and tools that support advanced predictive analytics. Further integration of the 1<sup>st</sup> and 2<sup>nd</sup> lines of defense through process convergence and real time monitoring/testing.



#### Risk assessments

Standard, consistent and frequent compliance risk assessment efforts, based upon defined methodologies, tools and templates

More formalized and automated risk assessment process, aggregating data enterprise-wide in a consistent standards and terminologies, capable of aggregation into a GRC/ERM assessment. Data and analytics are leveraged to enhance effectiveness and proactively identify control environment weaknesses.



#### Policies, procedures and code of conduct

Policies and procedures that align with implemented processes and are subject to policy management protocols; regulatory changes are integrated; and the code of conduct is regularly refreshed.

Further integrated through policy management controls, testing and monitoring and automation of version control efforts; proactive identification and communication when violation occur as well as when updates are needed based on a robust regulatory inventor approach.



#### Training and communications

Organization-wide compliance trainings and communications, tailored to staff roles/responsibilities; reinforce culture, values and behavior.

More dynamic and pushed out to employees based upon real-time trigger events that spark need for training to reinforce ethics and compliance concepts.



#### Monitoring and testing

Dedicated resources and clear procedures for testing control design and operating effectiveness.

Leveraging automation to achieve greater monitoring and testing risk coverage, and supplementing work completed by the 1<sup>st</sup> line, in consideration of the organization’s annual risk-based plan (with detailed control testing linked to regulatory risks).



#### Investigations

Channels to raise concerns related to issues and investigations, which are then triaged based upon the content of the allegation for resolution; metrics may be based upon silo’ed data.

Marked by greater investigative insights that are aggregated across the enterprise for a more reflective vision of risks, supported by KRIs/KPIs and data analytics that enable the organization to proactively address risks through more predictive assessments.



#### Reporting

Frequent and consistent reporting based upon robust organization-wide policies and procedures.

Able to achieve more integrated reporting based upon further automation and a technology infrastructure that has greater connectivity and aggregation potential.



**There is a growing consensus, across all industries, on the key areas organizations need to focus and enhance, not only in ethics and investigations, but also in terms of the maturity of ethics and compliance programs. This is likely driven not only by a commonality of risks but also converging business models.**

**Increased public awareness and regulatory focus – along with market pressures for greater agility and real-time responsiveness to identify misconduct – are driving organizations to improve their investigations function. Integrating investigation activities more closely with ethics and compliance risk management by enhancing investigation reporting and investing in new technology, such as AI, can help to consistently identify and analyze root causes and trends and improve the production of investigation resolutions.**

— Amy Matsuo, Principal, Regulatory and Compliance Transformation Solution, Global and National Leader



KPMG is very appreciative of the respondents' support for the 2019 CCO Survey: Insights for the future of ethics and compliance

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