Retail Ethics and Compliance Survey 2018
Ethics and compliance may promote stability and differentiation in a time of change
September 2018

Dear Compliance, Legal, and Risk Leaders,

The Retail Industry Leaders Association (RILA) and Deloitte¹ are pleased to share with you the results of our Retail Ethics and Compliance Survey 2018. In this first-of-its-kind survey for the retail industry, our goal was to understand how retailers are managing uncertainty and risk through their corporate ethics and compliance programs.

Compliance and legal executives from across RILA’s membership answered almost 50 questions about their ethics and compliance program structure, governance, and maturity as well as about the role and scope of responsibilities of the chief ethics and compliance officer within their organization. Their responses shed light on companies’ investment in ethics and compliance, sources of leverage, notable challenges, and the perceived effectiveness of their ethics and compliance programs.

As you'll see in the executive summary, and the appendix containing detailed survey findings, the results provide a candid look at the current state of ethics and compliance programs within the retail industry. The findings not only provide insights into how retail organizations are managing compliance risk, they also hint at how compliance might promote stability and competitive differentiation in times of change. For additional insights, we interviewed several chief ethics and compliance officers and have provided a few of their observations throughout the executive summary.

We hope the collected insights will give you a sense of how your company’s ethics and compliance program compares to your peers and spark fresh ideas for taking your program to the next level.

Regards,

Kathleen McGuigan
Senior Vice President &
Deputy General Counsel
Retail Industry Leaders Association

Kevin Lane
Principal
Deloitte Risk and Financial Advisory
Deloitte & Touche LLP

¹ As used in this document, “Deloitte” means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.
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Executive summary

About the survey

In early 2018, the Retail Industry Leaders Association (RILA) and Deloitte surveyed RILA members about their companies' ethics and compliance programs (compliance programs). Our survey explored the different ways in which retailers' compliance programs have developed and matured in recent years as they confront forces that are reshaping the retail industry and address increasingly varied risks.

We asked retailers about how their compliance programs are designed, implemented, managed, and governed. We were especially interested to learn where they have leveraged people, process, technology, and analytics to modernize their approach to addressing compliance challenges. We also asked them about performance measures, tools, technologies, and other potential productivity levers that can help enable retailers to manage known and emerging risks in a rapidly evolving landscape.

This executive summary touches on the top-line results of the survey and offers insights on potential implications. The detailed results of the survey can be found within the appendix.

Compliance maturity: A journey with many starting points

All survey respondents indicate that their companies have risk and compliance programs (question 27). This makes sense given the wide variety of statutory and regulatory requirements that apply to the retail industry, including those that are broadly applicable. These include employment, environmental health and safety, and product and food safety, and others that apply to more specialized retail operations, such as consumer finance and retail health and wellness/pharmacy.

Historically, retail has not been viewed as a heavily regulated industry. However, the industry is a multi-regulated one, with regulations touching nearly all areas of operation from pharmacy to distribution centers to products and the workforce. Retail is now subject to a patchwork of applicable laws and regulations developed by international, federal, state, and local authorities. These factors combine to make an organized response to ethics and compliance risks imperative.

Even so, retail compliance programs are at varying states of maturity (question 27). A majority of respondents identify their program as being “foundational”—that is, program meets core requirements and expectations; basic operating model identifies roles and responsibilities and includes methodologies to assess, prioritize, and mitigate compliance risks. Just shy of one-third have a program that is “modernized,” or mature enough to operate in synergy with business units, make use of advanced analytics, and articulate its value through a measurable return on investment (see figure 1). In short, retail compliance programs have considerable room to grow.

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2 All findings described in this paper are noted parenthetically as here, and the corresponding question can be found in the appendix starting on page 14.
Figure 1. Current state of compliance program maturity [Question 27, N=28]

“Pre-foundational” – Program is in early stages of development and still establishing core elements prescribed in official guidance

“Foundational” – Program meets core requirements and expectations; basic operating model identifies roles and responsibilities and includes methodologies to assess, prioritize, and mitigate compliance risks

“Modernized” – Program reflects elevated, strategic view of compliance; demonstrates enhanced synergies with business units, which promote efficiencies, and rationalized oversight and execution processes; use of advanced analytics

“Value-creating” – Program has achieved advanced level of sophistication with optimized oversight and execution processes; close alignment with overall business strategy with program value articulated through measurable return on investment (ROI)
And grow they must, if they are to cope with a fragmented legal and regulatory environment and the associated regulatory risks, especially in light of several recent high-profile corporate compliance failures across business sectors and the resulting regulations and enforcement scrutiny. Those incidents include data security breaches, sexual harassment, bribery and corruption, food safety violations, and frauds perpetrated on customers.

“Recognizing compliance and giving compliance a seat at the table in the organization and in decision-making processes is becoming increasingly important. Having compliance involved up front can help to save time and money later—helping to demonstrate tangible value to the organization.”

Martha Sarra
Vice President and Chief Ethics and Compliance Officer
The Kroger Co.

Retailers also face challenges because they tend to have multiple operating locations, high employee turnover, and a significant online presence. Perhaps recognizing these factors, nearly four out of ten respondents expect to increase their compliance program budgets in 2018 and beyond (question 25). However, when asked about 2017 total budget for enterprise-wide compliance functions, about a quarter of respondents either did not know what was budgeted for compliance or indicated that there was “no assigned budget” for compliance (question 21). While these retailers may include funding for compliance program-related activities within respective business units’ general operating budgets, a leading practice is transparency in budgeting to determine whether a compliance program is adequately resourced and clearly demonstrates management’s commitment to the compliance program.

On a related point, program staffing is widely distributed (question 13). Two-thirds of respondents indicated that their companies have fewer than 10 people dedicated to the corporate compliance program. When looked at by company size (as defined by annual revenue), at one end of the spectrum a handful of respondents in companies with more than $50 billion in annual review indicate their company has more than 100 people working full-time on the design, implementation, and/or maintenance of their compliance program. Several of those respondents indicate their company has 500 or more. At the other end, a dozen companies across all company sizes (except for $50 billion or more) have fewer than 5 people doing similar work (see figure 2).

Figure 2. What is the total number of full-time people within your company focused specifically on designing, implementing, and/or maintaining the company’s ethics and compliance program? [Question 13 (sorted by company annual revenue for the most recent fiscal year), N=28]
“Retailers are slowly recognizing the need to have CCOs operate at a high level and independently. But I think the way it shows up in a structure or a model will be different for every retailer.”

Todd Hartman
Chief Risk & Compliance Officer
Best Buy Co., Inc.

Program leadership and structure—different needs, many approaches

Less than a quarter of respondents say their company has a stand-alone chief compliance officer (CCO), responsible only for ethics and compliance (question 8). In most respondents’ companies, the job of compliance is added to the existing responsibilities of another company senior executive. Several respondents say the compliance role reports to the company’s legal department or general counsel’s office (question 9).

It is important to note that this type of organizational structure increasingly is being scrutinized in more heavily regulated industries given that it can generate some tension, since an ethics and compliance team must surface risks while the legal team is duty-bound to minimize them. A dedicated CCO might better reinforce the messaging of compliance being a separate and independent function from other areas of the enterprise—an important factor in program effectiveness and elevating the stature of the compliance program. If a CCO reports up through a senior company executive, it is critical that there be clear lines of reporting to company senior executives and the board to ensure the independence of the compliance program.

“I am very happy that we have compliance within legal. Our key objective is to be partners with the business and bring value to them. We do not throw our weight around in the legal department, but it helps to be able to use our weight for the business when it helps them. It could make sense for compliance to sit elsewhere for other organizations. But when you have the variety of issues we’ve scoped in for compliance, legal is the correct fit at our organization.”

Director of Compliance
Fortune 500 Retailer
Nearly half of the respondents say that their company’s compliance program is viewed as a partner to business units company-wide (see figure 3). The majority of respondents with this view are in larger companies, but a few smaller companies are in the mix as well. It is possible that these companies may simply have figured out a way to execute compliance activities as “built-in” practices without overly burdening the business functions, rather than being viewed as a “bolt-on” program.

All but a few respondents say their company uses web-based training for ethics and compliance (question 41). That training is heavily focused on cybersecurity, privacy, labor, employment, and an overall culture of integrity (question 40). However, more than a third of respondents indicate that training is assigned to all employees without specific connection to results of a risk assessment (question 39) instead of training being targeted to specific employee segments based on identified risk areas, which is considered a leading practice in compliance.

“The dilemma with retail is always the turnover at the store level. How do you train associates in a way that things stick when they are resource- and time-crunched? You’re balancing that against the expectations of regulators. We work hard to make training meaningful so that people learn and it sticks. Thinking creatively and helping the business think creatively about delivering their message is far more effective than just training everyone for 25 minutes so we can check the box.”

Director of Compliance
Fortune 500 Retailer

**Figure 3.** Extent that the compliance function is viewed as a partner to the business units [Question 14, N=28]
Program measurement and accountability—room for growth

Almost 60 percent of respondents indicate that their organization makes some attempt to measure compliance program effectiveness (question 42). Nearly 40 percent of respondents are either confident or extremely confident that the metrics provide a true sense of their company's compliance program effectiveness (question 44). They tend to use more traditional effectiveness metrics—analysis of internal audit findings, analysis of self-assessment results, required compliance training completion rates, and so forth—rather than what may be considered as more advanced metrics, such as results of compliance risk assessments (risk rating and control effectiveness), testing and monitoring activities (by the compliance program rather than internal audit), or consideration of the degree to which compliance activities are integrated into business workflows (question 43).

The effectiveness of a compliance program can only be measured when the underlying compliance risk profile is considered and understood. Nearly two-thirds of respondents say their company performs an enterprise-wide compliance risk assessment (question 31). Three-quarters of those whose company performs such risk assessments indicate that they are done at least once a year (question 32), with widespread participation among stakeholders (question 34). In most cases, this is done in conjunction with another assessment process, such as an internal audit risk assessment or a broader enterprise risk assessment (question 33).

“Compliance teams have not always been seen as friendly and approachable. If you can get out of that model and be seen as a business partner who understands the business, really great things can happen. It can facilitate a whole level of interaction and insight that helps you do your job as a compliance officer and helps the company. Also, each year, I try to show my ROI. Because we did X, there was Y benefit to the company. All of that adds up.”

Director of Compliance
Fortune 500 Retailer

Most respondents say their company's board consistently holds senior leadership accountable for tone at the top (question 19). Yet, when asked whether compliance-related metrics are included in senior management's performance evaluation, 82 percent said no (question 16).
These two findings raise a question about how companies can be holding their senior executives accountable without compliance-related metrics in their performance evaluations—an interesting dynamic that could be explored further in future surveys. It is an important point, because accountability is a critical factor in avoiding complacency and demonstrating the ongoing improvement of a company’s compliance program. Increasingly, government regulators, investors, customers, and other stakeholders are pushing companies to regularly assess the effectiveness of corporate compliance programs and hold executives specifically accountable for ethical and compliant behavior.

Every company in the survey sets the bar for ethics and compliance with a code of conduct (question 18). With regard to third-party risk management, a significant number of respondents indicate that their company always or sometimes either provides third parties with the company’s code of conduct or requests a copy of the third party’s own code of conduct. This is a cornerstone of managing third-party relationships (see figure 4). But is it enough?

**Figure 4. Methods used to identify and manage compliance risks related to third-party relationships [Question 37, N=28]**

- **Audit compliance with regulations and/or agreements**: 16 respondents chose “Never,” 4 chose “Always,” 3 chose “Sometimes,” and 4 chose “Rarely.”
- **Perform extensive background check**: 0 respondents chose “Always,” 10 chose “Sometimes,” 6 chose “Rarely,” and 11 chose “Never.”
- **Require contract language revisions**: 13 respondents chose “Always,” 11 chose “Sometimes,” and 3 chose “Rarely.”
- **Require trainings and certifications**: 14 respondents chose “Always,” 6 chose “Sometimes,” and 3 chose “Rarely.”
- **Screening against Politically Exposed Person (PEP) lists, sanctions lists, etc.**: 12 respondents chose “Always,” 9 chose “Sometimes,” and 3 chose “Rarely.”
- **Provide third party with Company Code of Conduct and/or request copy of third party’s Code of Conduct**: 15 respondents chose “Always,” 11 chose “Sometimes,” and 1 chose “Rarely.”
Many respondents are reassessing their company’s joint ventures, suppliers, distributors, and agents based on the applicable underlying risk and degree of oversight needed (question 36). Most companies are also using some kind of technology or automated tool to manage third-party compliance risk (question 47). This is consistent with the roughly 50 percent of respondents who indicate that their company’s third-party relationships are a significant compliance concern (question 29).

“The biggest challenge in retail is it’s a tough business and it’s a thin-margin business. We don’t have the luxury of gold-plating programs the way other industries do... If you understand your company’s culture and you integrate the values that you know will guide the right ethical behavior into that culture, then you can make a huge impact.”

Todd Hartman
Chief Risk & Compliance Officer
Best Buy Co., Inc.

Program improvement—technology and outsourcing play important roles

Technology has become increasingly instrumental in the effectiveness of compliance programs. Here, as in other areas of the survey, findings related to the incorporation of technology into compliance programs varied widely depending on the specific issue area and maturity of a company’s compliance program.

For example, nearly all respondents indicate that their company monitors for regulatory changes via a manual process that relies on a balance of information from internal and external sources (question 47). Various technology solutions exist, including regular data feeds, which can increasingly help retailers to stay abreast of the laws and regulations that apply to them, particularly given the myriad of international, federal, state, and local laws and regulations that apply to many companies within the retail industry.

“There is technology out there that’s not extremely out of range cost-wise that can help the people in the store understand what compliance activities need to be done and to automate as much as possible. Anything we can do within the compliance team to automate those tasks is greatly appreciated by the business.”

Martha Sarra
Vice President and Chief Ethics and Compliance Officer
The Kroger Co.
Even though most survey respondents say data analytics and reporting are among the top challenges in managing their company’s compliance risks (see figure 5), a large majority of respondents say their company’s compliance program has only basic technology and data management capabilities (question 45). This may explain why many express no confidence (21 percent) or only some confidence (36 percent) in the ability of their company’s technology platforms and applications to fulfill company compliance responsibilities and reporting requirements (question 46). This also clearly indicates that incorporating more technology is an area of opportunity for retail companies to enhance their compliance programs.

**Figure 5.** Top challenges in managing the company’s compliance risk [Question 29, N=28]
A subset of retailers are doing that by slowly starting to adopt more innovative predictive analytical tools and robotics process automation (RPA) or other advanced technology tools for select compliance program components, such as with case/incident management; compliance monitoring, testing, and reporting; employee surveys; tracking legislation and regulations; and third-party risk management (question 47).

“An area that is creating real impact is using analytics measurement and monitoring to determine how we are performing against our ethical culture and compliance expectations. You have to have that capability in the current environment because focusing on culture and compliance is great, but it can also lead to lip service if you aren’t measuring and monitoring how your cultural and compliance efforts are showing up.”

Todd Hartman
Chief Risk & Compliance Officer
Best Buy Co., Inc.

Outsourcing compliance activities is another way for retailers to accelerate the development or improve the efficiency of their compliance programs (questions 30 and 47). For instance, roughly three-quarters of survey respondents say their company outsources or co-sources their employee and ethics helpline. A significant proportion seek outside help for compliance training as well. And, outside vendors provide much of the regulatory change management monitoring that retailers seek.

Looking to the future
Retail companies are at widely varying points in their compliance journeys, spanning the spectrum in terms of compliance program maturity. Retailers’ journeys toward continued maturity of their compliance programs recognize that today’s increasingly global and digitally driven retail environment demands that compliance programs are more than a check-the-box function and a cost of doing business—they are a strategic imperative. Retail companies that have faced compliance challenges in recent years have taken the opportunity to lead through adversity by increasing their scope, visibility, and investment in compliance. They now exhibit many of the attributes associated with more advanced compliance practices and programs across industries.

Beyond their importance in protecting enterprise value, effective programs may even contribute to value creation, a capability that can be a point of differentiation in the marketplace. A structured, programmatic approach to ethics and compliance can help reinforce and activate the imperative throughout the company to help the business collaborate more effectively, make better decisions, and take smarter risks. In this sense, spending wisely on ethics and compliance can represent more than prudent risk management; it can be an investment in building a cohesive, high-performing, and innovative organization that distinguishes itself, and is trusted, in the marketplace.

“Advice for other compliance officers: Keep up the good work. Changes are coming. It’s an exciting time to be a chief compliance officer in a retail organization. If you want to be proactive and not reactive, watch the health care and financial services industries, learn from them, and implement programs that are form-fit for retail.”

Martha Sarra
Vice President and Chief Ethics and Compliance Officer
The Kroger Co.
Appendix

**Question 2.** What is your title? N=28

- Chief compliance officer or chief ethics and compliance officer: 4
- General counsel: 6
- VP or director of legal: 3
- VP or director of compliance: 5
- Compliance manager or equivalent: 4
- Other: 6

**Question 3.** How long have you been in your current role? N=28

- 3–5 years: 47%
- 1–2 years: 28%
- 6–10 years: 25%
Question 4. Please indicate your most significant functional experience prior to your current compliance role. N=28

- General counsel/legal: 20
- Finance: 1
- Operations: 1
- Internal audit: 1
- Started my career in compliance: 1
- Other: 4

Question 5. In what retail sub-sector does your business operate? (Select all that apply.) N=28

- Grocery: 7
- E-commerce (digital retailer, direct-to-consumer): 10
- Drug/pharmacy: 7
- Convenience: 5
- Hardline goods (home improvement/hardware, electronics, automotive, sporting goods): 12
- Softline goods (clothing, footwear, accessories): 11
- Specialty retailer: 10
- Other: 4
Question 6. In what geographic region(s) does your company do business? N=28*

*Respondents could choose multiple regions and, as such, the total is greater than the number of respondents.

Question 7. What is your company’s annual revenue for the most recent fiscal year? N=28

- 25% Less than $5 billion
- 18% $5 billion – $10 billion
- 21% $10 billion – $20 billion
- 7% $20 billion – $50 billion
- 29% $50 billion or more
**Question 8.** At your business, the designated chief compliance officer (CCO): N=28

- 7: We do not have a designated chief compliance officer
- 7: Is a stand-alone position, independent from any other function
- 1: Is also the chief audit executive
- 1: Is also the chief risk officer
- 5: Other

**Question 9.** To whom does the designated chief compliance officer directly report? N=28

- 8: General counsel
- 9: Chief executive officer
- 3: Board or a board committee
- 1: Corporate secretary
- 1: Both general counsel and audit committee
- 6: Not applicable
Question 10. Does the company have designated compliance officers in its subsidiaries/business units/geographies? N=28

- Yes: 39%
- No: 54%
- Not applicable: 7%

Question 11. To whom do these compliance officers report directly? N=11

- Business unit executive leadership: 5
- Enterprise CCO: 2
- Legal and leader of ethics and compliance program: 1
- General counsel or CCO: 1
- Legal: 1
- Business and CECO: 1
Question 12. What type of oversight does the enterprise CCO provide to the subsidiary/business unit compliance officers? (Select all that apply.) N=7

- Periodic meetings with our professional development: 6
- Input on goal setting: 6
- Input on performance: 5
- Input on the selection of individuals serving in those roles: 4
- Primary responsibility for the selection of individuals serving in those roles: 2
- A common compliance management system and risk assessment: 1

Question 13. What is the total number of full-time people within your company focused specifically on designing, implementing, and/or maintaining the company’s ethics and compliance program? N=28

- Fewer than 5: 13
- 6–10: 6
- 11–20: 3
- 21–50: 1
- 101–250: 2
- Greater than 500: 3
**Question 14.** To what extent do you perceive that the compliance function is viewed across the company as a partner to the business units? N=28

- **46%** Across the entire company
- **43%** In certain areas
- **7%** Don’t know
- **4%** Not applicable

**Question 15.** Does the CCO hold a seat on the executive management committee? N=28

- **43%** Yes
- **36%** No
- **21%** Not applicable
- **43%** Not applicable
Question 16. Are compliance-related metrics included in the evaluation of senior management's performance? N=28

- **82%** No
- **7%** Yes (With no impact on discretionary compensation)
- **7%** Yes (With impact on discretionary compensation)
- **4%** Do not know

Question 17. What type(s) of compliance program reporting does your CCO provide to the board and/or executive management? N=28

- Compliance issue resolution tracking status: 16
- Compliance performance metrics: 12
- Compliance violations: 18
- Employee disciplinary actions: 8
- General reports on ethics and culture within the company: 19
- Information on emerging compliance risks: 20
- Information on new laws and regulations: 13
- Regulatory fines and penalties: 11
- Results of regulatory compliance auditing or examinations: 16
- Structure and performance of the compliance program: 19
- Other: 5
- Not applicable: 2
Question 18. Which of the following activities does your company undertake to promote a commitment to ethical conduct and compliance with the law? N=28

- Code of conduct/ethics: 28
- Annual or other periodic training/education: 26
- Promote awareness of employee speak-up helpline(s): 23
- Newsletter and email messages: 22
- Company culture surveys: 20
- Internal postings (e.g., in break rooms): 19
- Town hall meetings: 13
- Media screens in company buildings: 12
- Messaging promoted when logging in to company systems or applications: 10
- Cross-functional compliance network: 1
**Question 19.** Which of the following compliance-related activities and/or behaviors does your board (or relevant board committee) engage in consistently? (Select all that apply.) N=28

- Benchmark compliance oversight practices with other boards 4
- Demonstrate knowledge and understanding of compliance and ethics issues facing the business 15
- Hold executive leadership accountable for tone at the top 18
- Meet with compliance leadership outside of regularly scheduled board meetings 6
- Meet with the CCO in executive session 8
- Regularly ask questions concerning the content and operation of the compliance program 15
- Require information and/or metrics pertaining to compliance program effectiveness 9
- Seek opportunities to enhance compliance oversight capabilities 5
- Not applicable 1
- Do not know 3

**Question 20.** Does the board (or relevant board committee) receive continuing education opportunities related to ethics and compliance? N=28

- Yes (For all board members, on an ad hoc basis) 4
- Yes (For all board members, on a routine basis) 2
- Yes (As a new board member) 6
- No 9
- They will be starting this year 1
- Do not know 6
Question 21. What is the 2017 total budget for enterprise-wide compliance function(s) (e.g., processes, salaries, technology)? N=28
Question 22. How has your company's budget for compliance activities changed over the past 12 months? N=28

- No change: 9
- Increased by 0%–10%: 8
- Increased by 10%–20%: 2
- Decreased by 0%–10%: 3
- Decreased by 10%–20%: 1
- Do not know: 4
- Not applicable: 1
Question 23. Please select the primary factors that influenced the budget increase. (Select all that apply.)

N=10

- Acquisition and implementation of compliance tools and technologies: 6
- Acquisition of new facilities/assets: 2
- Changes in regulatory requirements: 3
- Compliance penalties: 2
- Employee hiring: 4
- Investigations: 1
- Investment in overall compliance program maturity or effectiveness: 3
- Regular salary increases due to annual raises or promotions: 6
- Third-party fees (e.g., professional services, audits/assessments, etc.): 4

Question 24. Please select the primary factors that influenced the budget decrease. (Select all that apply.)

N=4

- Employee terminations: 33%
- Corporate downsizing: 17%
- Budget pressure: 50%
**Question 25.** In 2018 and beyond, do you expect the total budget to: N=28  
(Due to rounding, total exceeds 100%)

- **11%** Do not know
- **4%** Not applicable
- **46%** Stay about the same
- **36%** Increase

**Question 26.** Which of the following departments or functions serve on the management-level compliance committee? (Select all that apply.) N=28

- Finance: 12
- Human resources: 14
- Internal audit: 12
- Information technology: 10
- Legal: 15
- Operations/business unit leadership: 13
- Risk management: 12
- Other: 4
- Not applicable – we don’t have a compliance committee: 12
Question 27. Which of the following most accurately describes the current state of maturity of your compliance program? N=28

“Pre-foundational” – Program is in early stages of development and still establishing core elements prescribed in official guidance

“Foundational” – Program meets core requirements and expectations; basic operating model identifies roles and responsibilities and includes methodologies to assess, prioritize, and mitigate compliance risks

“Modernized” – Program reflects elevated, strategic view of compliance; demonstrates enhanced synergies with business units, which promote efficiencies, and rationalized oversight and execution processes; use of advanced analytics

“Value-creating” – Program has achieved advanced level of sophistication with optimized oversight and execution processes; close alignment with overall business strategy with program value articulated through measurable return on investment (ROI)
Question 28. For which of the following is the compliance function responsible? (Select all that apply.) N=28

Advice on emerging regulatory issues 24
Anti-bribery/anti-corruption/anti-fraud programs 20
Anti-money laundering programs 26
Code of conduct 12
Communications 23
Complaints and employee speak-up helplines 23
Compliance strategy processes 26
Compliance training 18
Conflicts of interest 18
Culture assessment 18
Enterprise-wide compliance risk assessment process 22
Establishing and monitoring standards for business conduct 13
Ethics program 13
Independent compliance monitoring and testing 13
Issue escalation and reporting 13
Monitoring resolution of audit and regulatory findings 13
Policy management 13
Privacy programs 13
Records and information management 13
Regulatory and internal compliance investigations 13
Regulatory filings and reports 13
Regulatory relationship management 13
Third-party compliance management/mitigation 13
Other 13
Question 29. Which of the following present significant challenges in managing your company's compliance risks? (Please select your top three in order of priority.) N=28

<table>
<thead>
<tr>
<th>Category</th>
<th>1st priority</th>
<th>2nd priority</th>
<th>3rd priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance budget or resources</td>
<td>9</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Compliance training</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducting internal compliance audits/reviews</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Data analytics and reporting</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Developing compliance risk assessment methodology</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Executing compliance risk assessment process</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Management of internal investigations</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>Monitoring compliance with policies</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Oversight of or collaboration with business-level compliance teams</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Policy/procedure management</td>
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<td></td>
<td></td>
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<tr>
<td>Regulatory relationship management</td>
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<td>1</td>
<td></td>
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<tr>
<td>Talent management and retention</td>
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<tr>
<td>Third-party compliance risk management</td>
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<tr>
<td>Other</td>
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<td>2</td>
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</table>
Question 30. Which of the following compliance activities do you outsource or co-source? (Select all that apply.) N=28

<table>
<thead>
<tr>
<th>Compliance Activity</th>
<th>Count</th>
</tr>
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<tbody>
<tr>
<td>Social compliance audits</td>
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</tr>
<tr>
<td>Certain audits</td>
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</tr>
<tr>
<td>Do not outsource any aspects of our compliance program</td>
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</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>Training</td>
<td>7</td>
</tr>
<tr>
<td>Third-party compliance risk management</td>
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</tr>
<tr>
<td>Regulatory compliance testing/review/audits</td>
<td>5</td>
</tr>
<tr>
<td>Policy management</td>
<td>2</td>
</tr>
<tr>
<td>Employee and ethics helpline</td>
<td>21</td>
</tr>
<tr>
<td>Compliance technology implementation</td>
<td>1</td>
</tr>
<tr>
<td>Complaint investigations</td>
<td>3</td>
</tr>
<tr>
<td>Anti-money laundering/sanctions</td>
<td>4</td>
</tr>
<tr>
<td>Compliance technology system recommendations</td>
<td>1</td>
</tr>
<tr>
<td>Regulatory reporting</td>
<td>1</td>
</tr>
</tbody>
</table>

- **36%** No
- **64%** Yes

Question 32. How often do you perform an enterprise-wide compliance risk assessment? N=18

- **5%** Once every two years
- **17%** Quarterly
- **5%** Semiannually
- **11%** Every other year
- **6%** Do not know
- **56%** Annually
**Question 33.** Please select the statement that best reflects the company’s approach to performing enterprise-wide compliance risk assessments: N=18

1. It is stand-alone but aligned to enterprise risk assessment process and risk hierarchy
2. It is combined with the internal audit risk assessment process
3. It is combined with the enterprise risk assessment process
4. It is a stand-alone process

**Question 34.** Which of the following best describes company participation in the enterprise-wide compliance risk assessment? N=18

- **45%** Widespread participation by stakeholders in all business units
- **33%** Limited participation by business unit stakeholders
- **22%** Widespread participation by stakeholders in selected business units
Question 35. Please select the statement that best reflects the company’s approach to regulatory change management: N=28

- 71%: Regulatory changes are monitored and addressed by a manual process, managed by a centralized team.
- 4%: Regulatory changes are monitored and addressed by a manual process, managed on a decentralized basis across the company (including business units, geographies, etc.).
- 25%: Regulatory changes are monitored and addressed by an automated process, with regular data feeds from outside vendors.

Question 36. How much is the changing regulatory landscape driving you to reassess your third-party relationships, including joint ventures, suppliers, distributors, agents, or other business relationships? (Select all that apply.) N=28

- 16: We are increasing ongoing oversight (e.g., auditing, monitoring) on a prospective basis and strengthening our front-end diligence for new relationships.
- 12: We are reassessing some or all of our existing business partners based on our determination of underlying risk.
- 2: We are bringing business activities under more direct control and generally reducing our third-party relationships.
- 2: Do not know.
Question 37. Which of the methods do you use to identify and manage compliance risks related to third-party relationships? N=28

- **Audit compliance with regulations and/or agreements**
  - Never: 1
  - Rarely: 4
  - Sometimes: 3
  - Always: 16
  - Do not know: 0

- **Perform extensive background check**
  - Never: 1
  - Rarely: 0
  - Sometimes: 6
  - Always: 10
  - Do not know: 11

- **Require contract language revisions**
  - Never: 1
  - Rarely: 0
  - Sometimes: 3
  - Always: 13
  - Do not know: 0

- **Require trainings and certifications**
  - Never: 1
  - Rarely: 3
  - Sometimes: 4
  - Always: 14
  - Do not know: 6

- **Screening against Politically Exposed Person (PEP) lists, sanctions lists, etc.**
  - Never: 1
  - Rarely: 3
  - Sometimes: 3
  - Always: 9
  - Do not know: 12

- **Provide third party with Company Code of Conduct and/or request copy of third party's Code of Conduct**
  - Never: 1
  - Rarely: 1
  - Sometimes: 1
  - Always: 11
  - Do not know: 15
Question 38. What risk factors do you use to risk-rank third parties? (Select all that apply.) N=28

- **18** Dollar value of goods or services
- **24** Geographic locations (using Transparency International's Corruption Perceptions Index or other tools)
- **18** Third-party interaction with government officials on behalf of the company
- **21** Type of service or product provided
- **1** Privacy and data information access, technology, identity of third party
- **2** Do not know
- **2** Not applicable
- **1** Any personally identifiable information (PII) given to the third party
Question 39. On what basis do you assign compliance training to employees? N=28

- All employees receive periodic training on selected topics without specific connection to compliance risk assessment: 10
- Employees in certain roles receive periodic training on selected topics without specific connection to compliance risk assessment: 8
- Training is specifically targeted to employees according to role type, based on most recent risk assessment findings: 3
- Training is specifically targeted to employees according to the actual activities and interactions necessitated by their work, based on most recent risk assessment findings: 2
- Code of Ethics training applies to most employees annually; other training depends on law and ad hoc determinations made in a decentralized manner, often unrelated to the risk assessment: 1
- All employees receive annual compliance training; some employees receive training according to role; topics rotated based on risk evaluation or needs to refresh on a topic: 1
- Training yearly for exempt associates as well as select non-exempt associates: 1
- Training is specifically targeted to employees according to the actual activities and interactions necessitated by their work: 2

Question 40. What topics are included as part of your training curriculum? (Select all that apply.) N=28

- Labor and employment (including harassment and discrimination): 26
- Culture of integrity: 25
- Product safety: 10
- Health and safety: 16
- Cybersecurity and privacy: 27
- Other: 6
Question 41. What formats are used for training and delivery? (Select all that apply.) N=28

- **22** Live, in-person training led by compliance staff
- **9** Live, in-person training led by business managers
- **4** Live, in-person training led by a third party
- **4** Live training held via webinar
- **24** Web-based training
- **5** Interactive/gamification
- **4** App-based training
- **1** Skype

Question 42. Do you measure the effectiveness of your compliance program? N=28

- **61%** Yes
- **35%** No
- **4%** Do not know
Question 43. How do you measure compliance effectiveness? (Select all that apply.) N=17

- Amount of civil damages: 4
- Analysis of internal audit findings: 12
- Analysis of regulatory reviews: 8
- Analysis of self-assessment results: 12
- Comparisons to competitors or similar companies: 8
- Completion rates for required compliance training: 11
- Degree of compliance activity integration into business workflows: 4
- Disposition of internal investigations: 8
- Ease with which business units are able to meet compliance requirements: 1
- Exception rates in compliance testing activities: 6
- Feedback from employee ethics surveys (especially in relation to culture, level of comfort in speaking up, fear of retaliation, etc.): 10
- Helpline call analysis: 8
- Independent evaluations by outside counsel and/or consultants: 7
- Size of regulatory fines or penalties: 4
- Employee clicks/engagement with compliance communications and intranet materials: 1
- Risk rating, control effectiveness, monitoring and testing results, adherence to compliance management system: 1
- Lawsuits filed including class actions and regulatory assessments or investigations: 1
Question 44: How confident are you that these metrics give you a true sense of how well the program is working? N=17

- 53% Somewhat confident
- 29% Confident
- 6% Not confident
- 6% Do not know
- 6% Extremely confident

Question 45. In what ways is your compliance program utilizing technology to help fulfill compliance responsibilities and reporting requirements? N=28

1. Basic technology and data management capabilities in place
2. Defined end-to-end technology architecture for sourcing, aggregation, and analysis of compliance data, enabling more proactive compliance management
3. We are working to implement the technology needed to do this
4. Initial work underway to improve or employ basic data management, but rollouts not complete globally, data quality concerns remain
5. Not applicable
6. Do not know
**Question 46.** How confident are you in the ability of your technology platforms and applications to fulfill your compliance responsibilities and reporting requirements? N=28

- **21%** Not confident
- **36%** Somewhat confident
- **29%** Confident
- **14%** Do not know
**Question 47.** What categories of tools and technologies, if any, are used to support the following key components of your compliance program? (Select all that apply.) N=28

<table>
<thead>
<tr>
<th>Category</th>
<th>No technology or tool is used</th>
<th>Desktop tools (word processing, spreadsheets, etc.)</th>
<th>Internally developed tools</th>
<th>ERP technologies and tools</th>
<th>Other third-party technologies and tools</th>
<th>Use of predictive analytical tools</th>
<th>Use of robotic process automation or other advanced technology tools</th>
<th>Do not know</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case/incident management</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>23</td>
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<tr>
<td>Compliance monitoring, testing, and reporting</td>
<td>4</td>
<td>14</td>
<td>7</td>
<td>5</td>
<td>9</td>
<td>1</td>
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<tr>
<td>Conflicts of interest</td>
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<td>10</td>
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<tr>
<td>Document management (e.g., policies, procedures, templates)</td>
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<td>12</td>
<td>9</td>
<td>4</td>
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<tr>
<td>In-store compliance audits and reviews</td>
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<td>7</td>
<td>9</td>
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<td>12</td>
<td>13</td>
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<td>Regulatory examination issue tracking</td>
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<tr>
<td>Training (e.g., delivery, testing, and tracking)</td>
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<td>7</td>
<td>12</td>
<td>4</td>
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</table>
Question 48. Do you believe senior management at your company appreciates and embraces strong compliance, or merely accepts it as a fact of corporate life to be endured as efficiently as possible? N=17*

41% Yes, senior management at the company fully appreciates and embraces strong compliance
29% Senior management generally appreciates the importance of having a strong compliance program, and a few embrace it
24% Senior management merely accepts it as a fact of corporate life to be endured as efficiently as possible
6% No, senior management at the company does not appreciate and embrace strong compliance

Question 49. What do you foresee as your biggest compliance challenge currently? In the future? N=18*

Consistency in compliance of federal, state, local, and foreign regulations across the growing enterprise 5
Environment 1
Resources and budgeting 6
Third-party risk 3
Lack of support for compliance function 3

* Question was identified in the survey as optional and allowed respondents to provide an open-ended response. Responses provided were analyzed and organized accordingly.
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