



Developing Compliance KRIs

Using Metrics to Improve Your Compliance Program



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Harper is passionate about moving ethics and compliance programs from evolving to leading practice. In her role as Director, Compliance Insights & Strategy at True Office Learning, she helps clients around the world transform their programs into predictive compliance programs by leveraging behavioral analytics – the untapped human element.

With over 15 years of experience across heavily regulated industries, Harper drives the product strategy and thought leadership functions, bringing the client voice into True Office Learning's solution roadmap.

Our Purpose:

*Driving sustainable growth by **empowering employees and organizations to make better decisions** through adaptive learning and behavioral analytics.*

9.3+ Million

USERS TRAINED 'BY DOING'

25+ Million

HOURS SAVED ON TRAINING

300+

CLIENTS GLOBALLY

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Why What We Do Matters

- Every year, The Great Places to Work Institute partners with *Fortune* to compile the list of “100 Best Companies to Work For,” where **trust makes up two-thirds of the criteria**
- **92%** of Millennials indicate they are **more likely to purchase goods and services from ethical companies**
- **82%** say they are **likely to seek jobs** from companies that have been **publicly recognized for ethics**
- **80%** of consumers believe companies that **stick to their ethical values outperform** companies that don’t. Top 10 most trustworthy public companies have **outperformed the S&P 500 since 2012**
- **70%** say they are **likely to buy stock** in a company that’s well known for **ethical standards**

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Why Measure Effectiveness

“ *Not analyzing your data can be expensive.* ”

– Hui Chen, Former Justice Department Compliance Counsel



<1%

OF COMPLIANCE
VIOLATIONS

have malicious intent.
Over 99% are preventable
and predictable with the
right data.

\$14.8 million

AVG. COST FOR
ORGANIZATIONS

that experience
non-compliance problems.

2.71X

THE COST FOR
NON-COMPLIANCE

compared to maintaining
or meeting compliance.

35%

OF EMPLOYEE
TIME SPENT

in compliance training
(on average) is unnecessary.

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Why It's No Longer Optional

On April 30, 2019 and July 2019 respectively, the DOJ's Criminal and Antitrust Divisions published updated Guidance Documents (the "2019 Guidance") for prosecutors to use in evaluating corporate compliance programs.

The 2019 Guidance clarifies, reorganizes, and supplements the 2017 guidance. Notably, the updated version is organized into three "fundamental questions" a prosecutor should ask at three distinct points in time:

- The time of misconduct;
- The time of a charging decision; and
- The time of resolution

The DOJ's Three Fundamental Questions:

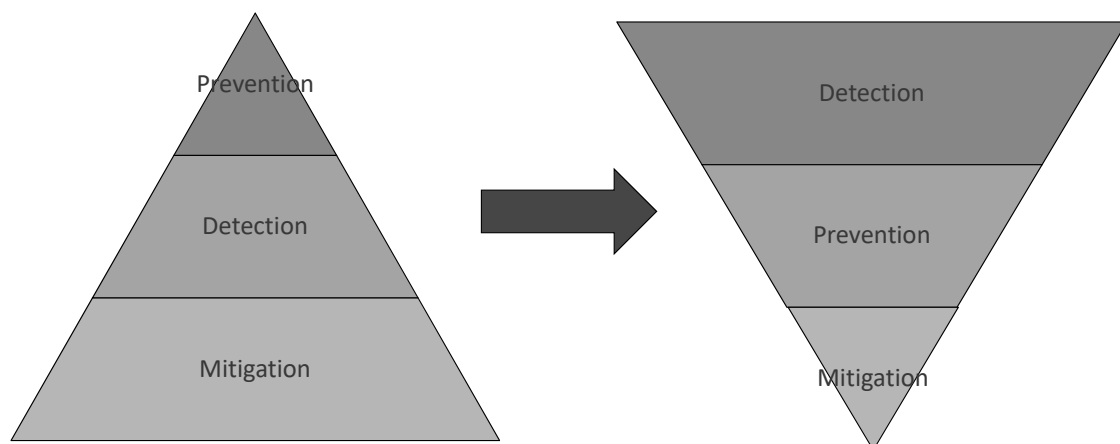
- 1 "Is the corporation's compliance program well designed?"
- 2 "Is the program being applied earnestly and in good faith?" In other words, is the program being implemented effectively?
- 3 "Does the corporation's compliance program work" in practice?

Source: U.S. Department of Justice Criminal Division, Evaluation of Corporate Compliance Programs – [Guidance Document](#), Updated April 2019

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What It Changes For You



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Measuring Whether Our Program is Working In Practice

Category	Standards, Policies, and Procedures	Culture, Governance and Compliance Oversight	Education, Training, and Outreach	Monitoring, Auditing, and Program Assessment	Confidential Reporting and Investigations	Enforcement, Incentives, and Discipline	Response and Prevention
What a CCO oversees (directly or indirectly)	<ul style="list-style-type: none"> • Code of Conduct • Policies covering key risk areas • All standards well communicated to all employees 	<ul style="list-style-type: none"> • Board oversight, understanding of business • Tone at the top • CCO • Dedicated Ethics and Compliance team • Compliance Committee 	<ul style="list-style-type: none"> • Function-specific compliance training • Function-specific communications • Tools and resources for engagement 	<ul style="list-style-type: none"> • Audit plan • Risk assessment • Risk area monitoring, assessment and continuous improvement 	<ul style="list-style-type: none"> • Well communicated, anonymous reporting line • Central tracking of reports • Metrics used for program improvements 	<ul style="list-style-type: none"> • Reasonable steps taken to prevent/detect non-compliant conduct • Performance reviews • Consistent enforcement of noncompliant behavior • Documented, fair discipline 	<ul style="list-style-type: none"> • Timely handling of investigations • Timely remediation of identified gaps/risks • Compliance program evolution

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KRIs, KPIs...and What's the Difference?

KRI

Key Risk Indicator

A **metric** that provides an **early signal** of increasing risk **exposure** and its **potential impact** on **strategic initiatives** and/or **objectives**.

Leading/Leading Indicator – Predictive

KPI

Key Performance Indicator

A measurable value that demonstrates **how effectively** an organization is **achieving key strategic objectives**.

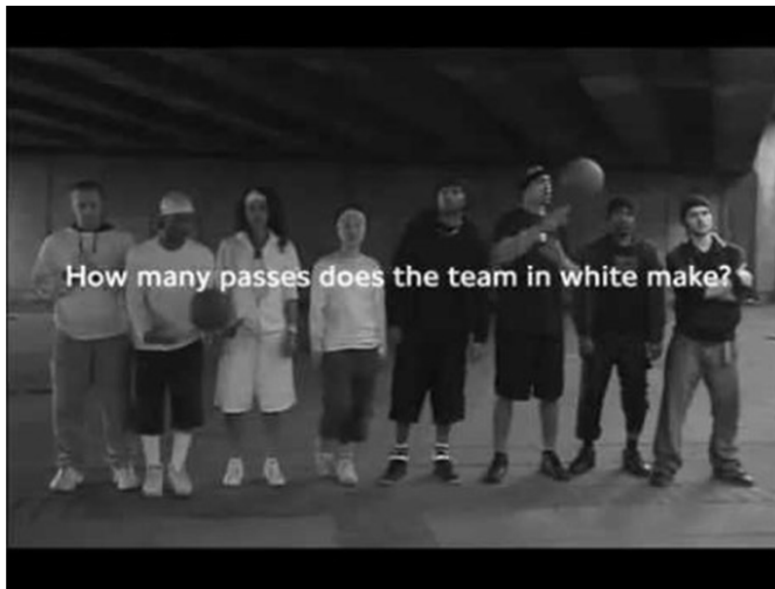
Lagging/Outcome Indicator – Hindsight

Source: <https://quantivate.com/blog/developing-key-indicators-risk-management/>

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Test Your Measurement Skills...



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KRI's You Can Measure: Some Examples

Standards, Policies, Procedures

KRI: Number of regulatory updates per year versus how many policies were updated

- Indicator of changing risk landscape

Common KPIs that are often tracked:

- Policy access rates
- Level of adherence



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KRI's You Can Measure: Some Examples

Training, Awareness, Education

KRI: Behavioral intelligence

- Transactional: How often are you requiring policy exceptions, how is it trending
- Non-Transactional: What's the level of effective decision making in simulation

Common KPIs that are often tracked:

- Completion and time spent in training for high risk areas
- Frequency of guidance/awareness activities



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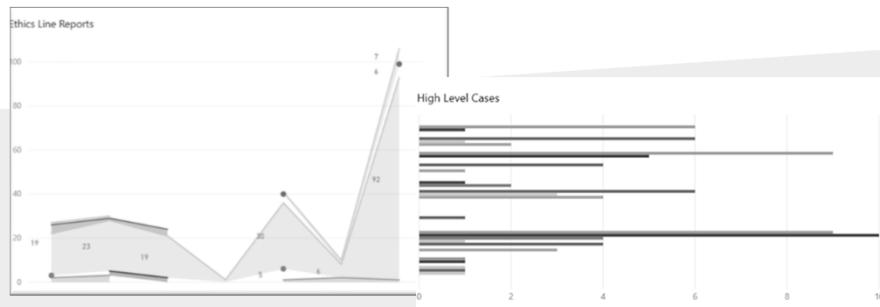
KRI's You Can Measure: Some Examples

Employee Reporting

KRI: Anonymization trends, generally, by geography, by risk area

Common KPIs that are often tracked:

- Number of calls per risk area
- Levels of substantiation



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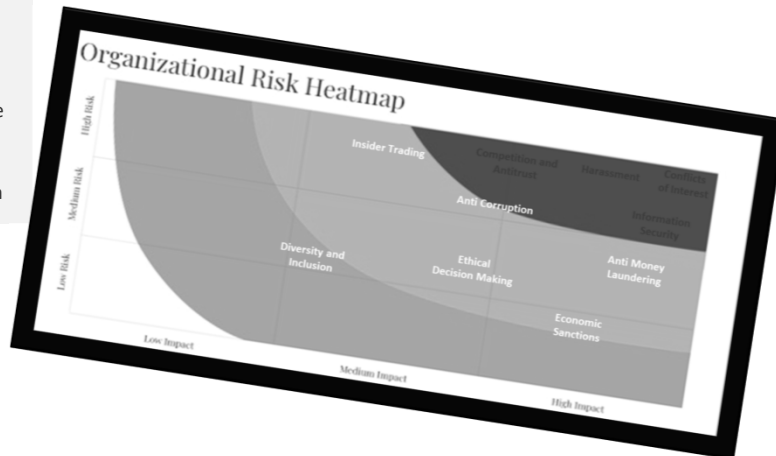
KRI's You Can Measure: Some Examples

Monitoring, Auditing

- **KRI:** Risk Assessment Ratings

Common KPIs that track with this:

- Number of reports by root cause analysis of reported incidents
- Level of adherence to monitoring/risk assessment plan



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Developing a KRI Scorecard: Start Simple

The scorecard is titled 'Organizational Risk Scorecard' and is held by two hands. The table below represents the data on the scorecard:

Risk Area	Risk Rating	Impact Rating	YoY Trend	Behavior Performance	YoY Trend	Reports	YoY Trend	Verified Incidents	YoY Trend
Anti Corruption	High	High	—	80%	—	7	▼	5	▼
Harassment	High	High	▲	74%	▼	2	▲	2	—
Conflicts of Interest	High	High	—	79%	▼	4	▲	2	—
Information Security	High	High	▼	92%	▲	9	▼	8	▲
Data Privacy	High	High	▲	89%	▼	1	▼	1	—
Ethical Decision Making	Medium	Medium	—	95%	▼	0	▲	2	▼
Diversity and Inclusion	Medium	Medium	—	99%	▲	1	▼	1	▲
Competition and Antitrust	High	High	▲	84%	—	0	—	0	▲
Insider Trading	High	High	▲	90%	—	2	▼	2	▲
Anti Money Laundering	High	High	▼	88%	—	2	—	2	▼
Economic Sanctions	High	High	▼	93%	▼	0	—	0	—

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What You Need to Get Started

- ① Identify stakeholders who own the data
- ② Gain Buy-In
- ③ Start small, but keep expanding

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