

NYSE Governance Services



# Board of Director's Compliance and Ethics Survey



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## **METHODOLOGY**

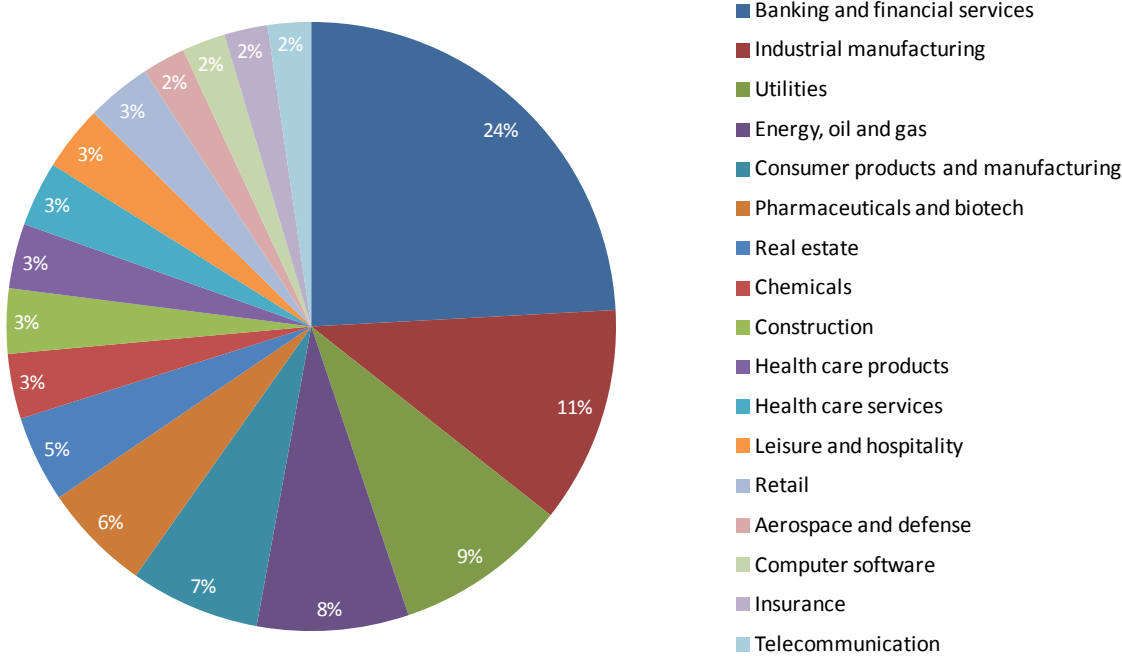
NYSE Governance Services administered the *2015 Board of Director's Compliance and Ethics Survey* (BDCE) in April of 2015. The survey was designed to be completed by members of Boards of Directors.

The survey was conducted online, and respondents were required to answer all applicable questions. All response data is kept confidential and respondents will remain anonymous. While respondents provided identifying information so data could be reviewed to ensure the integrity of the data, the results within this report are presented in the aggregate.

The survey was distributed to NYSE Governance Services' contacts, and participation in the survey was optional. In total, there are 228 complete and usable surveys presented in the analysis of the results.

# RESPONDENT DEMOGRAPHICS

## Industries Most Represented



## KEY FINDINGS

The frequency of meetings of the Chief Compliance and Ethics Officer and the board, including board committees, was found to be robust with 39 percent of respondents indicating that there are four regularly scheduled meetings, followed closely behind by five or more meetings as reported by 38 percent of those who took the survey. The overwhelming majority of respondents (94 percent) felt that the frequency of such meetings was “about right,” while an additional six percent felt that their frequency was “not enough.”

In line with expectations, the majority (90 percent) of those who completed the survey indicated that the Chief Compliance and Ethics Officer (“CCEO”) provides full and complete data and information on the operation to the board to allow the board to make informed decisions.

Four out of five respondents (80 percent) indicated that the person responsible for the day-to-day operation of the compliance program personally attends meetings with the board. Of the remaining 20 percent of respondents, 18 percent reported that the compliance offices does not attend and two percent were unsure.

On a positive note, nearly nine out of ten (87 percent) of those who took the survey reportedly feel that the current level of focus and time the board of directors devotes to ethics and compliance is “about right.”

When respondents were asked to rate the level of the quality of interaction of the board with the CCEO, more than two-thirds (69 percent) reported that the quality of interaction was “very positive,” followed by “somewhat positive” (18 percent), and “neutral” (12 percent).

Not surprisingly, the majority of respondents (93 percent) reported that the CCEO at their organization is responsible for escalating very serious allegations and/or investigations of noncompliance to the attention of the board. Only three percent reported that the CCEO did not do so, while an additional four percent were unsure.

When asked to rate the importance of eight traits held by a CCEO, the most important trait was found to be “independence” as reported by 71 percent of respondents. This is an especially interesting result as CCEO’s often still struggle with autonomy, access, and independence from other departments, particularly legal. It appears that the board is on the side of independence.

Other highly important traits were found to be “confidence” (53 percent), “assertiveness/decisiveness” (44 percent), “leadership skill” (34 percent), and “business acumen” (33 percent).

When respondents were asked to assess how well they understand organizational compliance risks, slightly more than half (52 percent) indicated that they do so “sufficiently,” followed by “very well” (38 percent), and “somewhat” (11 percent).

On a similar note, when respondents were asked to evaluate how well they have been trained as a board member by the company they serve in a board role, in terms of ethics and compliance best

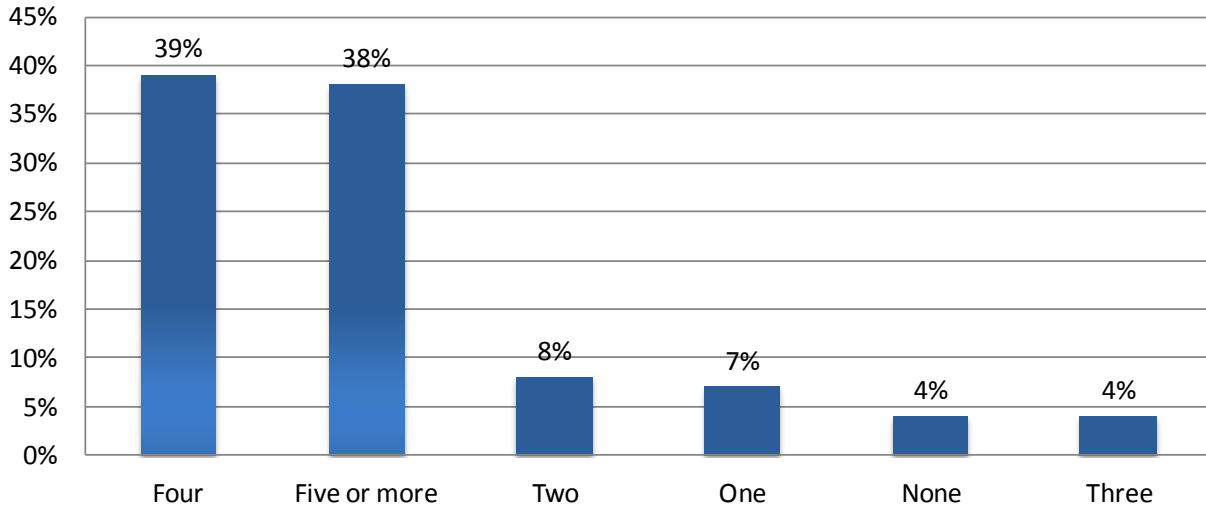
practices, slightly less than half (49 percent) indicated they were trained “sufficiently,” followed by “very well” (29 percent), “somewhat” (15 percent), and “very little” (six percent). These findings suggest that there is some room for improvement in the area of training boards on current best practices.

Lastly, when respondents were asked how well they were apprised by the staff of their organization of the compliance risks face by the company, 46 percent reported that they were “sufficiently” apprised, followed by “very well” (42 percent), “somewhat” (nine percent), and “very little” (two percent).

\*It is worth noting that within this study, some of the charts may not total 100 due to rounding.

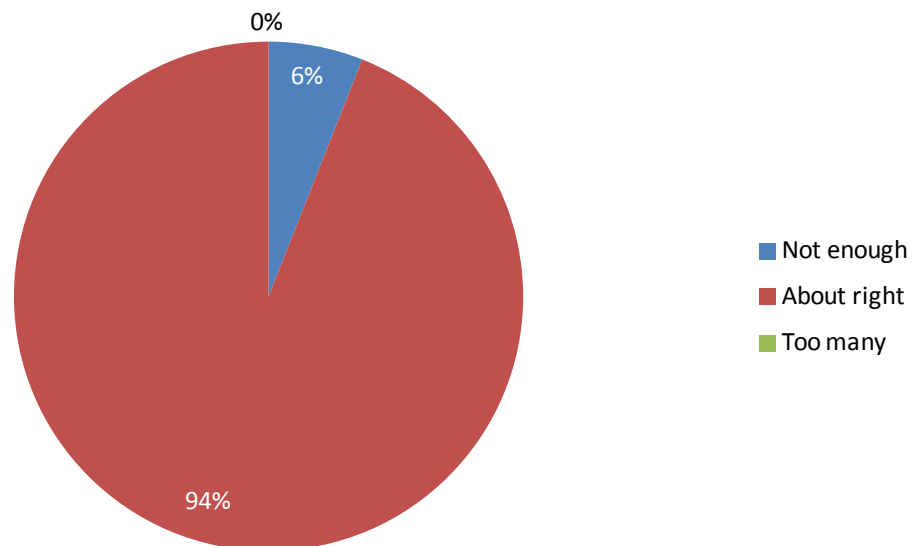
## SURVEY RESULTS

### How many regularly scheduled meetings does your Chief Compliance and Ethics Officer have with the board, including board committees?



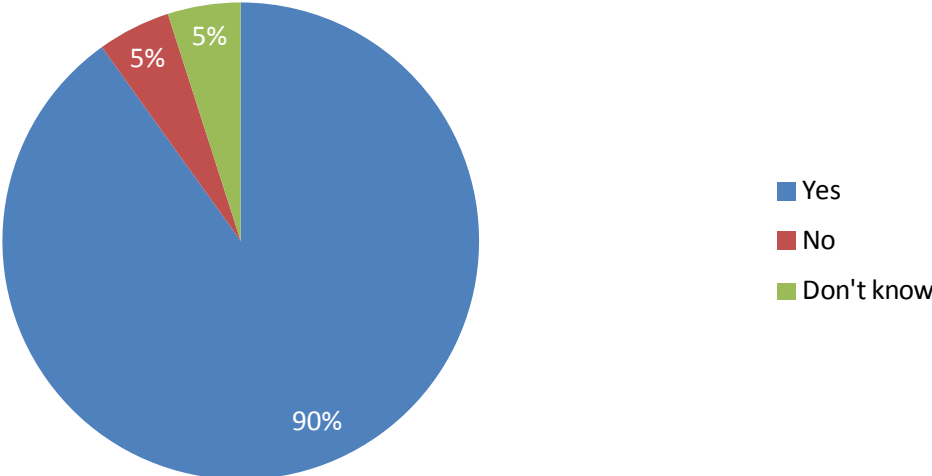
Thirty-nine percent of respondents indicated that there are four regularly scheduled meetings of the Chief Compliance and Ethics Officer and the board, including board committees, followed closely behind by five or more meetings as reported by 38 percent of those who took the survey. The overwhelming majority of respondents (94 percent) felt that the frequency of such meetings was “about right,” while an additional six percent felt that their frequency was “not enough.”

### How would you rate the number of contacts between the board and the Chief Compliance and Ethics Officer each year?



In line with expectations, the vast majority (90 percent) of those who completed the survey indicated that the Chief Compliance and Ethics Officer provides full and complete data and information on the operation to the board to allow the board to make informed decisions. The remaining ten percent was split evenly between “no” and “don’t know,” at five percent alike.

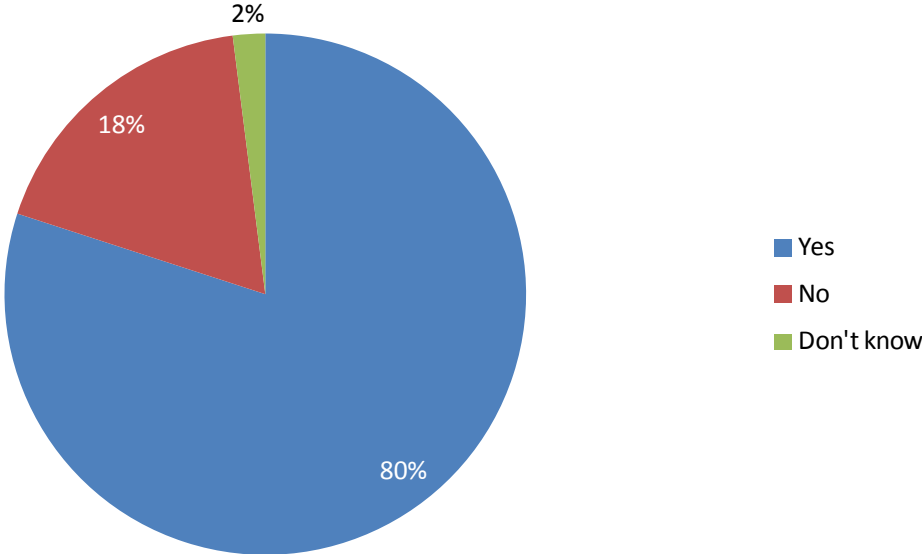
**Does the Chief Compliance and Ethics Officer, or staff members responsible for the program, provide full and complete data and information on the operation to the board to make informed decisions?**





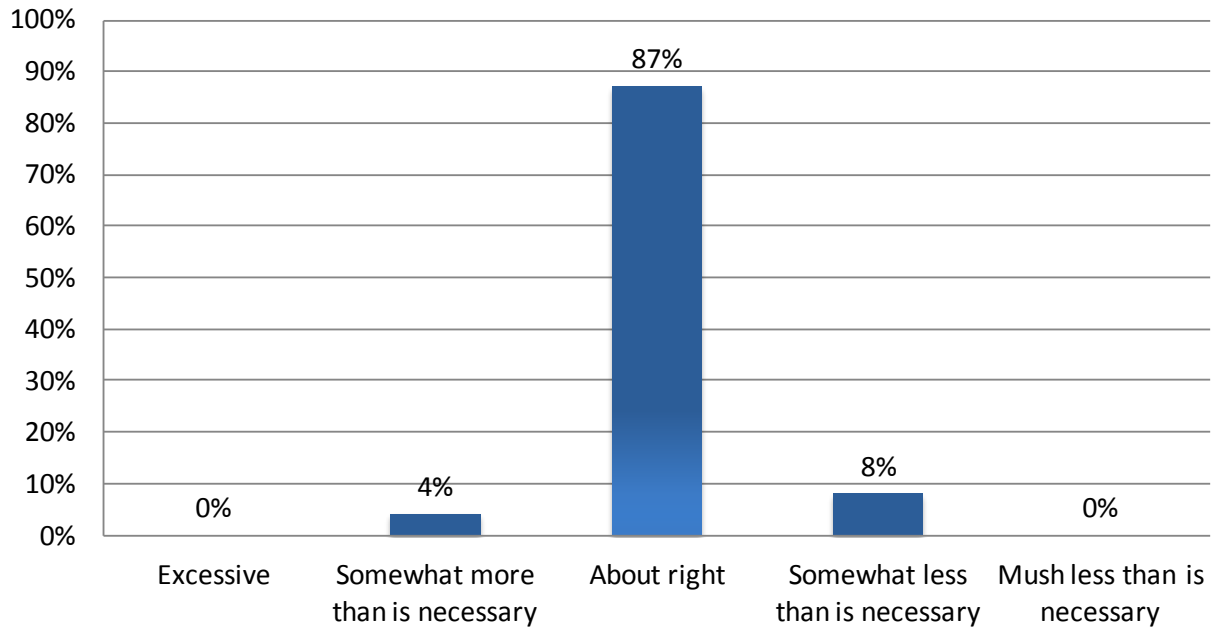
Four out of five respondents (80 percent) indicated that the person responsible for the day-to-day operation of the compliance program personally attends meetings with the board. Of the remaining 20 percent of respondents, 18 reported the person responsible for compliance does not attend and two percent were unsure.

**Generally, does the person responsible for the day-to-day operation of the compliance program personally attend the meeting with the board?**



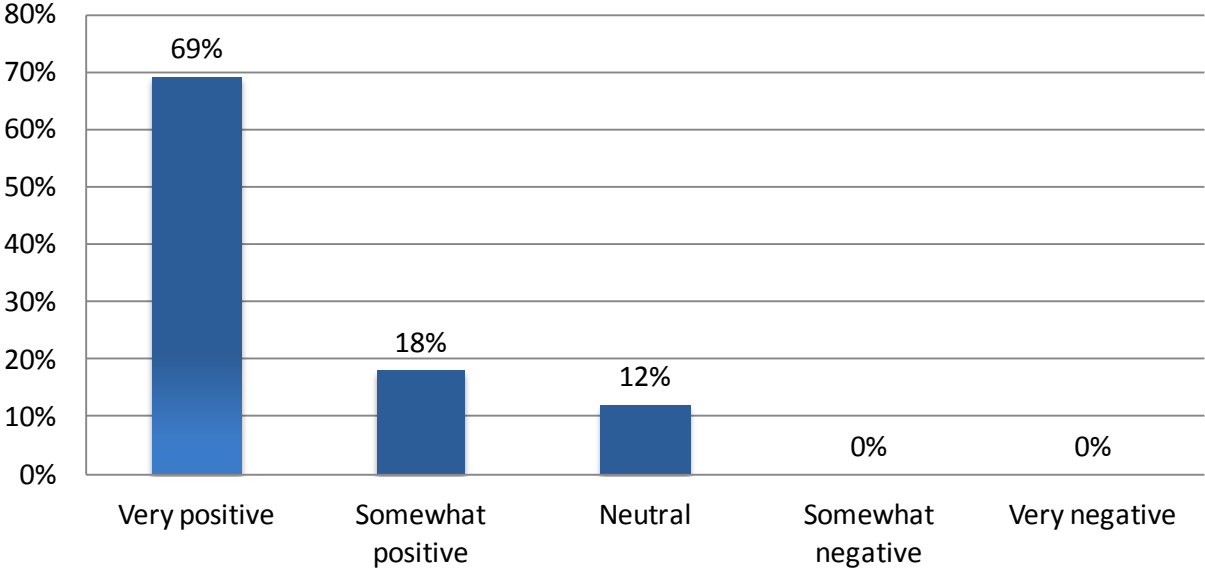
On a positive note, nearly nine out of ten (87 percent) of those who took the survey reportedly feel that the current level of focus and time the board of directors devotes to ethics and compliance is “about right.” A smaller subset consisting of eight percent indicated that the level of focus was “somewhat less than is necessary,” whereas an even smaller group (4 percent) indicated that the level of focus was “somewhat more than is necessary.”

### How would you categorize the current level of focus and time your board of directors devotes to ethics and compliance?



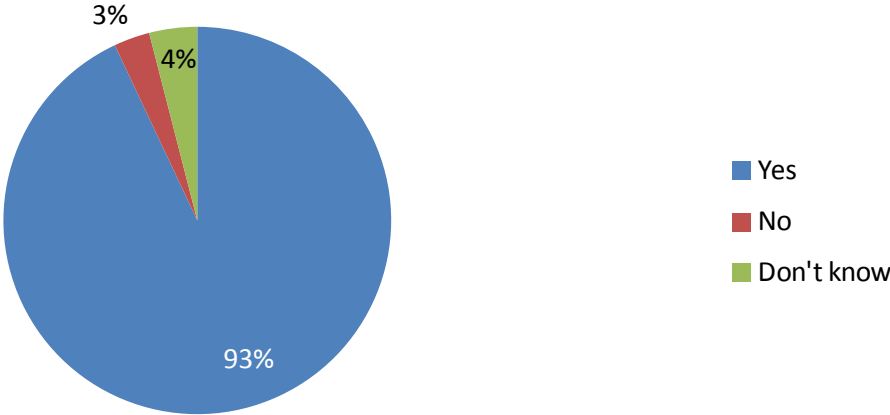
When respondents were asked to rate the level of quality of interaction of the board with the Chief Compliance and Ethics Officer, more than two-thirds (69 percent) reported that the quality of interaction was “very positive,” followed by “somewhat positive” (18 percent), and “neutral” (12 percent).

**How would you rate the quality of interaction of the board with the Chief Compliance and Ethics Officer?**



Not surprisingly, the majority of respondents (93 percent) reported that the Chief Compliance and Ethics Officer at their organization is responsible for escalating very serious allegations and/or investigations of noncompliance to the attention of the board. Only three percent reported the CECE is not responsible, while an additional four percent were unsure.

**Is the Chief Compliance and Ethics Officer at your organization responsible for escalating very serious allegations and/or investigations of noncompliance to the attention of the board?**

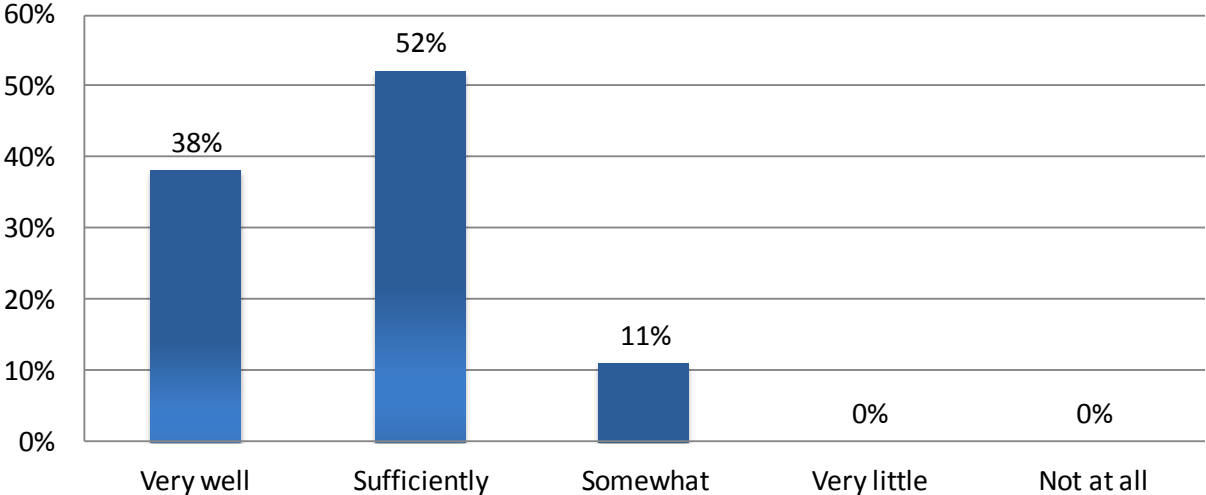


When asked to rate the importance of eight traits held by a Chief Ethics and Compliance Officer, the most important traits were found to be “independence” (71 percent), “confidence” (53 percent), “assertiveness/decisiveness” (44 percent), “leadership skill” (34 percent), and “business acumen” (33 percent). In this group, it was evident that having an independent Chief Compliance Officer was a hugely important consideration amongst respondents.

Trait	Trait Rating				
	1-Not Important	2-Slightly Important	3-Moderately Important	4-Important	5-Very Important
Assertiveness/decisiveness	1%	5%	12%	38%	44%
Consensus-building	5%	12%	24%	40%	20%
Confidence	3%	4%	8%	33%	53%
Empathy/ability to assess a situation	4%	4%	19%	42%	32%
Independence	3%	4%	5%	18%	71%
Relational/interpersonal	1%	6%	19%	43%	32%
Leadership skill	2%	5%	15%	44%	34%
Business acumen	1%	4%	20%	42%	33%

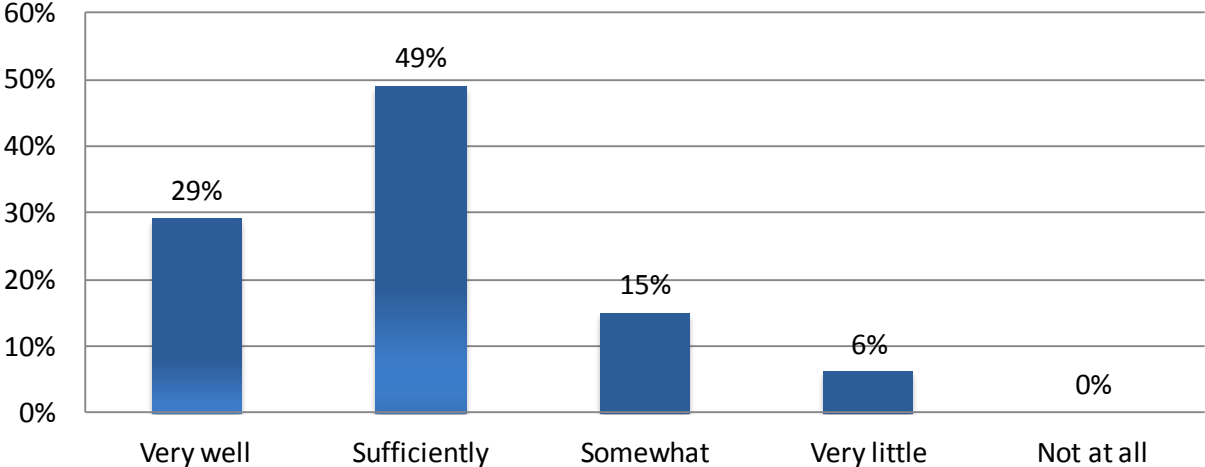
When respondents were asked to assess how well they understand organizational compliance risks, slightly more than half (52 percent) indicated that they do so “sufficiently,” followed by “very well” (38 percent), and “somewhat” (11 percent).

**How well do you think you understand the compliance risks your organization faces?**



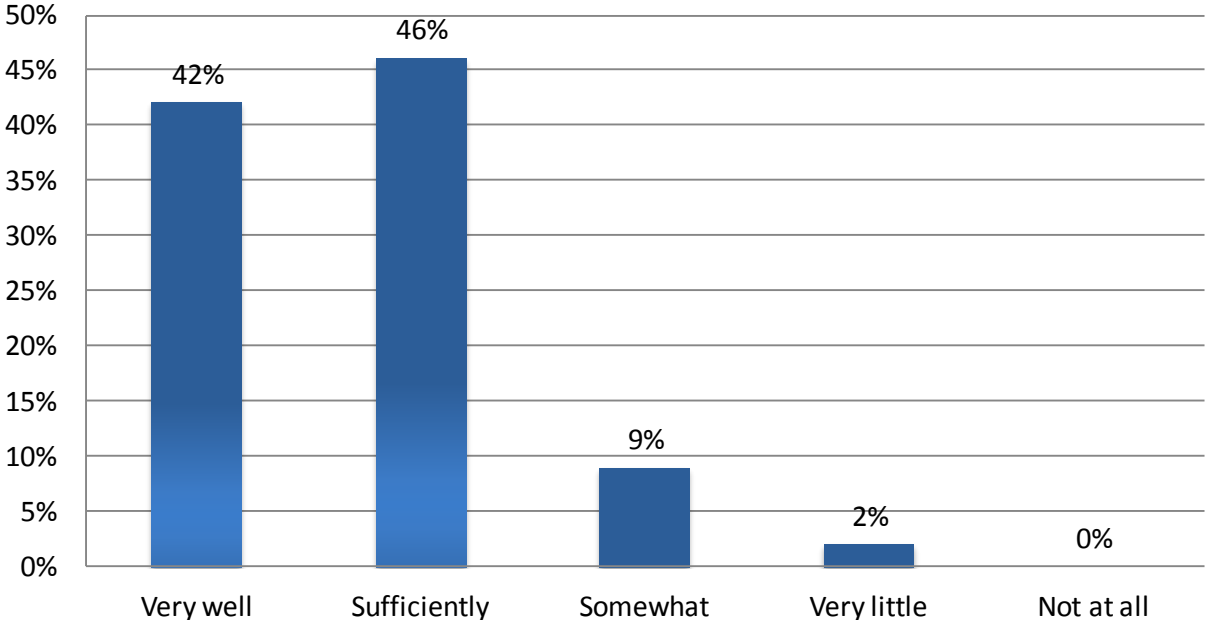
On a similar note, when respondents were asked to evaluate how well they have been trained as a board member by the company they serve in a board role, in terms of ethics best practices, slightly less than half (49 percent) indicated they were trained “sufficiently,” followed by “very well” (29 percent), “somewhat” (15 percent), and “very little” (six percent).

**How well have you been trained as a board member by the company(s) your serve in a board role in compliance and ethics best practices?**



Lastly, when respondents were asked how well they were apprised by the staff of their organization of the compliance risks faced by the company, 46 percent reported that they were “sufficiently” apprised, followed by “very well” (42 percent), “somewhat” (nine percent), and “very little” (two percent).

**How well are you apprised by the staff of your organization of the compliance risks faced by your company?**





## CONCLUSION

When it comes to planning meetings between the CECO and the board, scheduling frequent meetings is always the best course of action. This is not surprising, given the robust array of topics that are typically presented to the board during such meetings. This approach allows information to be provided across an adequate number of sessions. As a result, the board can make fully informed decisions, while avoiding the danger of being overwhelmed with too much information at once. The majority of CECOs meet with their boards at least four times per year and the overwhelming majority of respondents indicated that the frequency of such meetings was “about right.” It is important to mention that this frequency does not include informal or ad hoc meetings. On a similar note, the majority of respondents reportedly feel comfortable with the current level of focus and time the board of directors devotes to ethics and compliance.

The quality of the aforementioned board meetings was favorable as well, as evidenced by the majority of respondents who reportedly feel that such interaction was “somewhat positive” to “very positive” in nature.

As expected, the majority of respondents also reported that the CECO at their organization is responsible for escalating very serious allegations and/or investigations to the board. Taking a deeper dive into the CECO role, the most important trait of a CECO was reported to be “independence.” It appears that boards appreciate the value of an independent CECO as much as the CECOs do themselves. This goes hand in hand with the Federal Sentencing Guidelines, which recommend that the CECO have direct access to the board via direct reporting lines, in an effort to maintain independence from any other management group.

The majority of respondents reportedly felt that they had a solid level of understanding when it comes to awareness of organizational risks. Similarly, the majority of those who completed the survey were reportedly well apprised of such risks. On the other hand, results were less favorable when board members were asked to rate the level of best practice ethics and compliance training that was provided to them, as one out of five respondents indicated that they received “somewhat” to “very little” training.

In closing, the findings demonstrate the high degree of collaboration and communication that occurs between the CECO and the board, and the relatively positive relationship that exists between the two. Overall, board members appear quite confident that they have a good understanding of key risks and important concerns, and that they value having an independent and confident CECO who can keep them apprised of important matters and update them on a regular basis.