Developing Compliance KRIs
Using Metrics to Improve Your Compliance Program

November 15, 2019

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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
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

Why Measure Effectiveness

“Not analyzing your data can be expensive.”

- Hui Chen, Former Justice Department Compliance Counsel

$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.

<1% OF COMPLIANCE VIOLATIONS have malicious intent. Over 99% are preventable and predictable with the right data.
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

What It Changes For You
**Measuring Whether Our Program is Working In Practice**

<table>
<thead>
<tr>
<th>Category</th>
<th>Standards, Policies, and Procedures</th>
<th>Culture, Governance and Compliance Oversight</th>
<th>Education, Training, and Outreach</th>
<th>Monitoring, Auditing, and Program Assessment</th>
<th>Confidential Reporting and Investigations</th>
<th>Enforcement, Incentives, and Discipline</th>
<th>Response and Prevention</th>
</tr>
</thead>
<tbody>
<tr>
<td>What a CCO oversees (directly or indirectly)</td>
<td>• Code of Conduct</td>
<td>• Board oversight: understanding of business</td>
<td>• Function-specific compliance training</td>
<td>• Audit plan</td>
<td>• Well communicated, anonymous reporting line</td>
<td>• Reasonable steps taken to prevent/detect non-compliant conduct</td>
<td>• Timely handling of investigations</td>
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<td></td>
<td>• Policies covering key risk areas</td>
<td>• Tone at the top</td>
<td>• Function-specific communications</td>
<td>• Risk assessment</td>
<td>• Risk area monitoring, assessment and continuous improvement</td>
<td>• Performance reviews</td>
<td>• Timely remediation of identified gaps/risks</td>
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<td>• All standards well communicated to all employees</td>
<td>• Compliance Committee</td>
<td>• Tools and resources for engagement</td>
<td>• Central tracking of reports</td>
<td>• Metrics used for program improvements</td>
<td>• Consistent enforcement of noncompliant behavior</td>
<td>• Compliance program evolution</td>
</tr>
</tbody>
</table>

**KRI, 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/Leaning 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/
Test Your Measurement Skills...

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
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

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
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

Developing a KRI Scorecard: Start Simple
What You Need to Get Started

1. Identify stakeholders who own the data

2. Gain Buy-In

3. Start small, but keep expanding