



ACC
CHIEF LEGAL
OFFICERS
2018 SURVEY

LEARN ABOUT what keeps CLOs up at night and how the current business climate is ushering in the age of the chief legal officer.

BENCHMARK your department against your peers around the world and find out what is trending in budget, spend, and resource plans for 2018.

DISCOVER INSIGHT from nearly 1,300 CLOs in 48 countries.

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Each year, the Association of Corporate Counsel (ACC) conducts a global study of the issues and environment in which chief legal officers¹ (CLOs) operate. Based upon the feedback received from 1,275 CLOs in 48 countries, with the publication of this 2018 CLO survey, ACC marks the start of the Age of the Chief Legal Officer.

Today, the fast pace of geopolitical change, complex legal and regulatory challenges, cyber risk, data privacy, and increased emphasis on setting the right tone-from-the-top corporate culture has made the input of the CLO increasingly central to business decisions and organizational strategy. Just as the global financial crisis of 2007-08 made inclusion of the chief financial officer imperative, 2018 marks the urgency for all organizations to re-examine the role of the CLO and its positioning within the organizational structure to add value and serve as an ally to the C-suite and the board of directors regarding corporate culture and more.²

The findings of the *ACC Chief Legal Officers 2018 Survey* illustrate the importance of having a CLO who is well positioned to influence corporate strategy. The CLOs who report to the CEO are [significantly] more likely to say that the executive team “almost always” seeks their input on business decisions. Having the assistance of the CLO in understanding the global regulatory environment is crucial — especially when regulations change so often. Indeed, 74 percent of CLOs say that regulatory changes are their top concern. This is why the role CLOs play in providing legal and strategic input directly to the CEO and the board is so important.

Boards must be agile, adapting quickly to how regulatory changes will affect the company. The CLO is uniquely positioned, as both a legal expert and a business strategist, to proactively ensure that business strategy and growth align with the regulatory and compliance requirements of a dramatically changing business climate. Whereas in the past the legal team would be called on to advise once a problem arose, 2018 brings the CLO’s role to the forefront as a contributor to preventing problems and proactively addressing legal and regulatory trends that present risks to the company. The report also documents sizable growth in the proportion of CLOs who rate counseling the board of directors as a critical component of the value they bring to the company.

The most critical issues facing companies today are legal issues. Thus begins the Age of the Chief Legal Officer. It’s no longer just a good idea for CLOs to be at the executive table, in the boardroom, and reporting to the CEO — it’s essential.

74%

Regulatory or governmental changes very/extremely important in 2018

¹The term chief legal officer refers to the top legal position at an organization. Also referred to as the general counsel (GC), the two titles are used interchangeably throughout this report but refer to the same top legal counsel position.

²The National Association of Corporate Directors’ 2017 Blue Ribbon Commission Report specifically examined the role of the general counsel in corporate culture and directs boards to assess whether the chief legal officer is well-positioned within management and in relationship to the board to support an appropriate culture.

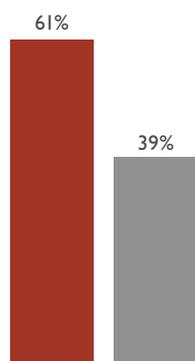
KEY FINDINGS

The Age of the Chief Legal Officer

Reporting to the CEO allows the CLO to have impactful strategic input at higher levels of the organization, an important step in the evolution of the CLO's role at a time where regulatory shifts in a global business climate make this necessary. This year, 64 percent of CLOs surveyed say they report directly to the CEO. These CLOs are more likely to engage in key strategic and operational discussions that help proactively address legal and regulatory risk for their company. Among CLOs who report directly to the CEO, 61 percent work with the CEO, executive team, and board of directors on strategic initiatives, nearly double the percentage among those who do not report to the CEO.

PERCENTAGE WHO ALWAYS PROVIDE INPUT ON STRATEGIC INITIATIVES BY CLO REPORTING STRUCTURE

■ Reports directly to CEO ■ Does not report directly to CEO



I work with both the CEO and executive leadership team in addition to the board of directors on strategic initiatives

Providing legal advice/managing legal matters for the company, providing input into strategic business decisions, and counseling the CEO rank as the top ways CLOs add value to their companies. Notably, since 2013 there is a 38 percentage point increase in the proportion of CLOs who rank proactively addressing legal and regulatory trends in the top three areas where they add value to their company, signaling that CLOs may have predicted this trend five years ago.

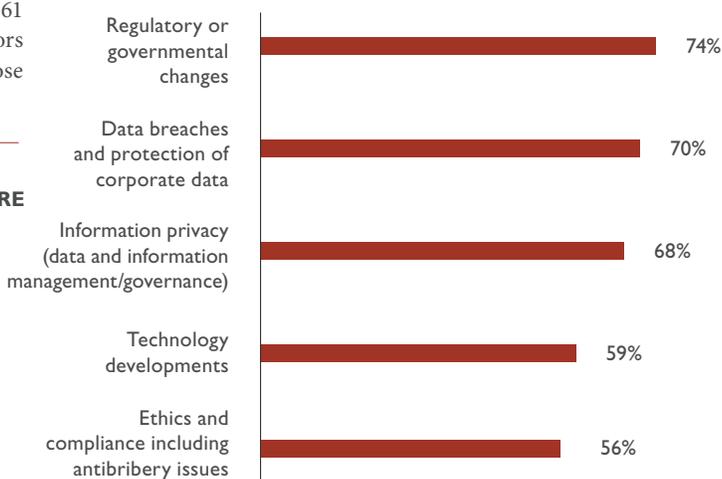
Shifting concerns: What's keeping CLOs up at night?

Regulatory or governmental changes, data breaches, and information privacy top the list of important issues for CLOs in 2018. Ethics and compliance dropped 18 percentage points in importance from last year.

The biggest concern for CLOs in 2018 centers on the regulatory climate, with 74 percent rating regulatory or governmental changes as the most important issue keeping them up at night. This shift may reflect changes in the global regulatory climate and globalization of business coupled with a deep concern over compliance

with new regulations governing data and information privacy. The regulatory focus may also be based on experience, as 29 percent of CLOs report that a regulator targeted their company in the last two years.

TOP ISSUES KEEPING CLOs UP AT NIGHT PERCENTAGE WHO RATED ISSUE EXTREMELY OR VERY IMPORTANT IN NEXT 12 MONTHS



Data breaches affect one in four

"The threat of cyberattack shows little signs of slowing into 2018, prompting corporate counsel to begin thinking about how to handle the next year in cybersecurity."

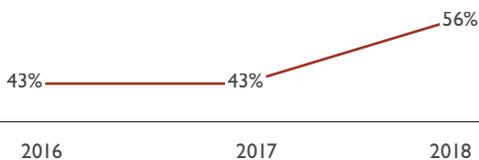
Data breaches (70 percent) and information privacy (68 percent) rank second and third in importance for two-thirds of CLOs, with seven in 10 rating them extremely or very important in the coming year, a significant increase since 2014. In the same period, the percentage of CLOs rating information privacy as extremely important has risen from 22 percent to 34 percent. Data breaches increased in the "extremely important" category from 19 percent in 2014 to 36 percent in 2018.

Twenty-seven percent of CLOs report their company experienced a data breach in 2016 or 2017, up from 23 percent who reported a recent breach in last year's survey. This year, CLOs in the Australia/New Zealand region report the highest breach incidence, with 41 percent saying they work in a company that experienced a breach, much higher than the 25 percent reported last year from that region. The education industry continues to hold the top spot for breach activity, with 45 percent reporting their company was hit by a breach in the past two years. Retail saw a big jump in the proportion of CLOs reporting a breach, from 16 percent last year to 43 percent this year.

Law department budgets expected to increase in 2018

For the first time in three years, the majority of CLOs surveyed anticipate an increase to their overall budget. This year, 56 percent are planning to increase their department's budget, up from 43 percent last year. CLOs in the Asia Pacific region were the least likely to anticipate a budget increase (42 percent), while US-based CLOs have the highest proportion of budget increases for the coming year (61 percent).

PERCENTAGE OF CLOs ANTICIPATING LAW DEPARTMENT BUDGET INCREASE IN NEXT 12 MONTHS



An active year for mergers and acquisitions expected

Business writers and analysts predict a healthy year for mergers and acquisitions (M&A) in 2018, and CLO expectations in 2018 match market predictions. Nearly half of the CLOs surveyed (47 percent) anticipate their company will be engaged in M&A activity in 2018. Six in 10 CLOs in the energy, manufacturing, and healthcare industries expect M&A activity. Half of the CLOs in the finance, insurance, IT, and pharmaceutical industries expect their company will engage in M&A activity.

Inside spend outpaces outside spend

Law department budget distributions saw little change this year, with spend on outside counsel declining slightly from an average of 40 percent of the total budget to 36 percent. Inside spend allocation increased slightly from an average of 53 percent to 56 percent. Companies with less than \$100 million in gross revenue allocate nearly 60 percent of their budget to inside spend, while much larger companies with \$3 billion or more in gross revenue allocate 56 percent to inside spend.

Combined use of hourly rates and alternative fee arrangements remains prevalent

Sixty-three percent of departments report using some combination of hourly billing rates and alternative fee arrangements (AFAs), slightly lower than last year but still a significant jump from the 42 percent who used this combination of rates in 2016. Thirty-three percent report using hourly rates as their only billing method, and just over 3 percent use AFAs exclusively.

Insourcing versus outsourcing

One in three CLOs will increase the amount of work they send to law firms in 2018. Forty-seven percent expect the amount of work sent to firms will remain the same in 2018, while 17 percent expect it to decrease. Complex litigation remains the most common type of work outsourced, with 90 percent of CLOs outsourcing it. While still a strong majority, this is a decrease from last year, when 97 percent reported outsourcing complex litigation. However, 16 percent of CLOs indicate they plan to hire in the area of litigation next year, a possible indication that in-house counsel may take on at least a small portion of litigation work previously sent to firms. Patent services and e-discovery round out the top areas where CLOs outsource work to law firms.

Outside counsel relationships

One in three CLOs reports terminating outside counsel for failing to meet expectations in 2017, and 43 percent are definitely planning or considering termination of an outside provider or firm in 2018. Among those who terminated a provider or firm last year, one in 10 CLOs insourced at least part of the work permanently. The work was redirected to another provider or law firm in most cases, indicating that CLOs are seeking better value and more productive relationships.

Growth in staffing is steady going into 2018

Twenty-eight percent of CLOs project they will add in-house lawyers to their department in the next 12 months, little changed from last year (26 percent). Ten percent will add legal operations professionals, and 13 percent plan to add paralegals to the team. The top three practice areas where CLOs are hiring are commercial contracts, general corporate/commercial, and intellectual property.

Legal operations is a growing presence in law departments

The legal operations function in the law department continues to expand, with 47 percent of CLOs indicating they have at least one legal operations professional on staff, up slightly from 43 percent last year. CLOs at companies in the top quartile in revenue report an average of six legal operations professionals.

The gender gap persists

Thirty-nine percent of male participants report making a base salary of under US \$200,000 compared with 48 percent of female CLOs. Men are more likely to occupy a salary range of US \$200,000 to US \$399,000.

PROJECT OVERVIEW & METHODOLOGY

About this report

This report addresses core components of corporate law departments, from assessing the role of the CLO to providing benchmarks that CLOs can use to make management decisions about staffing, budgets, resources, and more. The current global business environment, complex regulatory climate, and challenges associated with information privacy and technology have made access to global and company benchmarks essential in safeguarding the company's well-being. That is why this report is essential. Not only does it provide an in-depth look at the role and influence of the

CLO, but it also provides metrics CLOs need to stay ahead and by important segments such as annual revenue category, industry, and department size.

To help contextualize data — an important aspect of briefing the board and the CEO — this report includes important data on budget distribution, matters handled in the department, and where resources are directed. As each department is unique, these key delineators will help CLOs tailor their own benchmarking to reflect the variety of elements that coalesce to best help them interpret findings and data.

Data included in the full report:

OVERALL RESULTS

- Budget (including budget mean/median)
- Spend (inside, outside, and total spend)
- Staffing (by position)
- Resourcing (where work is directed)
- Outside provider use (firm, provider, other)

BENCHMARKING METRICS

Legal department spend by company revenue

- Internal spend as a percentage of revenue
- External spend as a percentage of revenue
- Total legal spend as a percentage of revenue

Legal department spend breakdown

- Internal spend as a percentage of total legal spend
- External spend (on outside counsel) as a percentage of total legal spend
- External spend (on other service providers) as a percentage of total legal spend

Legal department staffing breakdown

- Lawyers as a percentage of legal staff
- Legal operations professionals as a percentage of legal staff
- Paralegals as a percentage of legal staff
- Administrative staff as a percentage of legal staff

Company revenue and legal department spend by staffing

- Lawyers per \$1 billion in revenue
- Legal staff per \$1 billion in revenue
- Revenue per lawyer
- Revenue per legal staff
- Internal spend per lawyer
- Internal spend per legal staff
- External spend per lawyer
- External spend per legal staff
- Total legal spend per lawyer
- Total legal spend per legal staff
- Cost per lawyer hour
- Cost per legal staff hour

Matters handled by legal department

- Number of contracts handled by legal department
- Number of contracts handled per lawyer
- Number of contracts handled per legal staff
- Number of litigation matters handled by legal department
- Number of litigation matters handled per lawyer
- Number of litigation matters handled per legal staff

Project overview

This survey opened on September 12, 2017, and closed on November 20, 2017. A total of 1,275 lawyers participated, with 1,094 respondents who completed the survey. Seventy-five percent of respondents were ACC members, and 25 percent were non-members. Among members, a total of 7,719 CLOs were invited to complete the survey, with a response rate of 9.4 percent. Additional invitations to participate were sent to non-ACC general counsel and CLOs via international and partner bar associations and additional sample within the target audience of GC and CLOs.

Interpreting the data

The overall results present all survey responses question by question. These responses were analyzed by a number of relevant demographics at both the individual and department/company level, including gender, minority status, industry, department size, company revenue, and region/country. By analyzing responses in this way, we are able to decrease the influence of overrepresentation among audience segments. Cross-tabulations are presented to assess the influence of these segments of the survey population, and t-tests were used when appropriate to determine whether differences between groups or between time periods were statistically significant at the .05 level.

Due to rounding, some table and chart percentage totals may not sum to 100. When adding percentages, the whole number is rounded evenly. Tables may not reflect 100 percentage points where “Don’t know/Not sure” is not shown. In some cases, due to changes in question structure and/or response measurement, year-over-year trend comparisons are not presented. Further, some response categories are collapsed in the presentation of results to provide a clearer or more holistic summary of the data.

Additionally, some results presented by regional segments have relatively low sample sizes. Therefore, readers should be cautious in generalizing regional results and be judicious in drawing strong conclusions. There is a total of 20 CLO participants from Latin America/Caribbean and 34 from Africa/Middle East.

Currency: Respondents were able to enter all financial information in their local currency. Our survey program automatically converted all foreign currency into US dollar amounts at the exchange rate set on the day the information was entered. All dollar amounts reported are expressed in US dollars (US\$).

Statistical terminology

Mean: This is the average value of all relevant observations. The values of each observation are summed together and then divided by the total number of observations.

Trimmed Mean: The values of each observation are summed together and then divided by the total number of observations with the bottom 2.5 percent and top 2.5 percent of observations removed. This statistic is used to prevent the influence of extreme observations on the resulting value.

Median: This is the middle value of all observations ordered from low to high (also called the 50th percentile). In a list of numbers from one to 11, the median value is six. In a list of numbers from one to 10, the median value is 5.5.

Percentile: This is a value that divides a population according to a distribution of observations. It allows us to know the percentage of observations that falls above or below a particular value. For example, if we find that the median number of lawyers in a department is three (50th percentile), we then know that 50 percent of departments have more than three lawyers and 50 percent have fewer than three lawyers.

Boxplots: A boxplot (sometimes called a box and whisker plot) graphically displays five key summary statistics for a specific variable: the first quartile (25th percentile), the median (50th percentile), the third quartile (75th percentile), and in our case we present the value that is 1.5 times the value of the interquartile range (IQR) above the third quartile and below the first quartile. It is also common to use the minimum and maximum values. However, we use the prior numbers in order to reveal outliers across our segments, which are simply the values that lie outside of 1.5 times above and below the IQR.

Unattributed quotes throughout the report are from anonymous CLOs who responded to the survey.

DEMOGRAPHIC PROFILE

INDUSTRY SECTOR

	Primary Industry		Secondary Industry	
	<i>n</i>	Percentage	<i>n</i>	Percentage
Accommodation/Food Services	19	1.50%	8	0.73%
Administrative/Business/Support Services	12	0.95%	15	1.38%
Advertising/Marketing/Public Relations	10	0.79%	11	1.01%
Agriculture/Forestry/Fishing/Hunting	17	1.34%	9	0.83%
Arts, Sports, Entertainment/Recreation	23	1.82%	8	0.73%
Aviation/Aerospace	17	1.34%	8	0.73%
Biotechnology/Life Sciences	36	2.84%	15	1.38%
Broadcasting/Media	9	0.71%	4	0.37%
Chemicals/Plastics	28	2.21%	12	1.10%
Construction/Engineering	65	5.13%	33	3.03%
Defense	13	1.03%	6	0.55%
eCommerce/Online Sales	14	1.10%	18	1.65%
Educational Services	35	2.76%	16	1.47%
Energy	34	2.68%	27	2.48%
Fast Moving Consumer Goods/Consumer Services	26	2.05%	11	1.01%
Finance/Banking	93	7.34%	31	2.85%
Healthcare/Social Assistance	66	5.21%	34	3.12%
Information Technology/Software/Internet Related Services	111	8.76%	54	4.96%
Insurance	47	3.71%	16	1.47%
Intellectual Property	6	0.47%	9	0.83%
Management of Companies/Enterprises (i.e., Holding Companies)	15	1.18%	10	0.92%
Manufacturing	124	9.79%	53	4.87%
Mining/Quarrying	10	0.79%	4	0.37%
Not for Profit Organization (i.e., Charity, Environment)	56	4.42%	20	1.84%
Oil/Gas	20	1.58%	8	0.73%
Pharmaceutical/Medical Devices	33	2.60%	12	1.10%
Prepared Food Stuff/Beverages	10	0.79%	12	1.10%
Professional, Scientific, and/or Technical Services	36	2.84%	28	2.57%
Public Administration/Government Regulation and Support	9	0.71%	8	0.73%
Real Estate/Rental and Leasing	38	3.00%	30	2.75%
Retail Trade	50	3.95%	24	2.20%
Service Company or Organization	27	2.13%	43	3.95%
Technical/Research Development	7	0.55%	18	1.65%
Telecommunications	29	2.29%	11	1.01%
Trade Association	11	0.87%	3	0.28%
Transportation/Warehousing	21	1.66%	11	1.01%
Utilities	9	0.71%	3	0.28%
Waste Management/Remediation Environmental Services	6	0.47%	3	0.28%
Wholesale Trade/Distribution	28	2.21%	23	2.11%
Other	47	3.71%	62	5.69%
Not Applicable	–	–	358	32.87%

DEMOGRAPHIC
PROFILE

COMPANY OFFICE LOCATION

	n	Percentage
United States of America	815	64.02%
Australia	105	8.25%
Canada	77	6.05%
United Kingdom of Great Britain and Northern Ireland	60	4.71%
Japan	43	3.38%
Netherlands	18	1.41%
Israel	13	1.02%
Switzerland	12	0.94%
South Africa	11	0.86%
Spain	10	0.79%
India	8	0.63%
Brazil	8	0.63%
Singapore	7	0.55%
Italy	7	0.55%
China	7	0.55%
Germany	5	0.39%
France	5	0.39%
Hong Kong (S.A.R.)	4	0.31%
Belgium	4	0.31%
Argentina	4	0.31%
United Arab Emirates	3	0.24%
Turkey	3	0.24%
Sweden	3	0.24%
New Zealand	3	0.24%
Mexico	3	0.24%
Luxembourg	3	0.24%
Greece	3	0.24%
Cayman Islands	2	0.16%
Philippines	2	0.16%
Norway	2	0.16%
Nigeria	2	0.16%
Lithuania	2	0.16%
Iceland	2	0.16%
Finland	2	0.16%
Chile	2	0.16%
Viet Nam	1	0.08%
Qatar	1	0.08%
Poland	1	0.08%
Oman	1	0.08%
Morocco	1	0.08%
Malaysia	1	0.08%
Kuwait	1	0.08%
Ireland	1	0.08%
Czech Republic	1	0.08%
Colombia	1	0.08%
Bangladesh	1	0.08%
Austria	1	0.08%
Afghanistan	1	0.08%

COMPANY GROSS ANNUAL REVENUE

	Percentage
Less than \$25M	21.70%
\$25M to \$49M	6.68%
\$50M to \$99M	9.75%
\$100M to \$299M	19.34%
\$300M to \$499M	7.94%
\$500M to \$999M	9.59%
\$1B to \$1.9B	9.67%
\$2B to \$2.9B	4.95%
\$3B to 3.9B	2.52%
\$4B to 4.9B	1.34%
\$5B to \$9.9B	3.07%
\$10B or more	3.46%

COMPANY EMPLOYEES

	Percentage
Less than 100	19.54%
100 to 499	26.21%
500 to 999	13.06%
1,000 to 4,999	24.84%
5,000 to 9,999	6.48%
10,000 to 49,999	7.49%
50,000 to 99,999	1.64%
100,000 or more	0.73%

COMPANY TYPE

	Percentage
Private	39.46%
Limited liability company (LLC)	27.08%
Public	24.77%
Non-profit corporation	12.85%
Subsidiary of foreign public corporation	6.19%
Limited liability partnership (LLP)	3.05%
Partnership	2.68%
Publicly held debt, privately held equity	1.39%

GENDER

	Percentage
Male	62.87%
Female	37.13%

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