

ACC CHIEF LEGAL OFFICERS 2016 SURVEY

LEARN ABOUT ISSUES keeping CLOs up at night, business priorities, career satisfaction and trends.

FIND OUT WHAT the future holds for law department budgets and staffing, including how CLOs intend to source legal work in 2016.

DISCOVER INSIGHT from more than 1,300 CLOs in 41 countries.

 Association of
Corporate Counsel
By in-house counsel, for in-house counsel

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The *Association of Corporate Counsel (ACC) Chief Legal Officers 2016 Survey* is the largest global study of the most pressing issues and challenges facing chief legal officers (CLOs) in corporate legal departments. ACC contacted CLOs and general counsel (GCs) around the world to gain further insight on the issues keeping them up at night, business priorities, career satisfaction and trends, organizational processes, desirable non-legal skills, outside counsel and vendor management, budgeting and staffing, and compensation.

As the lead organization serving the needs of more than 40,000 corporate lawyers at more than 10,000 organizations in 85 countries, the report aims to serve as a resource and benchmarking tool for in-house lawyers who are increasingly called on to serve as leaders of the law department, counselors to the CEO and board of directors, and strategic thinkers.

Considering the unprecedented wave of change and uncertainty in the corporate arena, this year's study examines emerging enterprise risks and trends such as data breaches, privacy obligations, and compliance. The study finds that CLOs are increasingly tasked with "seeing around corners" to help guide and protect their respective enterprises from unanticipated risk.

Incorporating the insight of more than 1,300 CLOs in 41 countries, the report also sheds light on the evolving role and priorities of the CLO by key segments such as departmental budget, industry, compensation, gender, and region.

As in previous years, CLOs continue to make ethics and compliance their top priority, followed closely by regulatory issues and challenges. This is to be expected: 31 percent of CLOs report their company has been targeted by a regulator or other government entity for an enforcement action. Governments are aggressively enforcing laws, and penalties for non-compliance can be severe. According to Gibson, Dunn & Crutcher's 2014 Year-End FCPA Update, the average total value of monetary resolutions in corporate Foreign Corrupt Practices Act (FCPA) enforcement actions was \$156,610,000. Although still a rare occurrence, jail time has also been levied against some executives. In May 2014, Nazir Karigar, an Ottawa-based businessman, was sentenced to three years in prison under Canada's Corruption of Foreign Public Officials Act for bribing Indian officials.

Cybersecurity ranks third as a key issue for CLOs. Many companies are still recovering from recent data breaches. One in five CLOs say their organization has experienced a data breach within the past two years. While it is nearly impossible to prevent a data breach, it is important to have a response plan because many countries now require mandatory notification in the event of an incident.

¹Wright, Kristen Collier, et al. "How-to Manual on Creating and Maintaining an Anti-corruption Compliance Program." *ACC Docket* 33.5: 40.

²Edgar, C. Ernest IV and Thaddeus McBride. "Tone at the Top, Culture of Compliance, and the Yates Memo." *ACC Docket* 34.1: 28.

31%

CLOs targeted by a regulator for a violation in the past two years

The CLO deals not only with the unexpected data breach or government enforcement action but also the changing dynamics of business markets. In this fast-paced environment, CLOs have to be flexible with how they manage their resources; some CLOs make the choice to delegate department operations. While CLOs maintain their trusted position as business advisers — a majority report spending their time advising executives — some are turning to chief operating officers (COOs) to run legal operations, and many seek to develop needed non-legal skills in their departments. To support this business advisory role, CLOs have a range of non-legal skills, including emotional intelligence and executive presence, which they also seek to develop in their staff.

Respondents to the survey indicate that serving as business partners is how they prefer to focus their time. Considering that most CLOs spend their time in this manner, it comes as no surprise that satisfaction with the position remains high. This year, 82 percent of CLOs are at least slightly satisfied with their current role.

This report is divided into three sections. The first includes an introduction and summary of key findings. This section is available at no cost. Key Findings and Overall Results sections are available for purchase and provide greater detail on more than 30 metrics such as department budget by industry and company revenue, staffing trends and plans, and industry findings. These can be accessed at www.acc.com/surveys.



EXECUTIVE SUMMARY

What keeps CLOs up at night?

Priorities for CLOs have remained similar to those cited in previous years. Ethics and compliance remains the most important issue to CLOs, followed by regulatory issues/challenges, and cybersecurity.

Regulatory activity affecting one in three

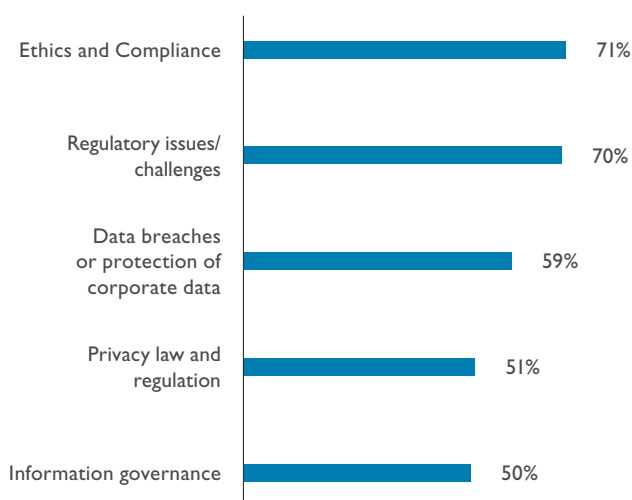
Regulatory issues are a chief concern for CLOs. Thirty-one percent of CLOs report their organization has been targeted by a regulator for enforcement or investigation with respect to an alleged violation. As companies expand across jurisdictions, managing legal affairs becomes complex, as does keeping abreast of the regulatory climate in each location. Hiring patterns reflect this trend, with CLOs making plans to boost staffing to help manage global compliance needs.

“My biggest concern is the company’s expansion overseas and our ability to comply with new regulatory requirements.”

One in five CLOs experienced a data breach in the past two years

Twenty-two percent of CLOs report experiencing a data breach in their organization within the last two years. One reason this is a major concern for CLOs is because companies are often obligated by law to respond to cyber threats or breaches of sensitive information in a timely manner.

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

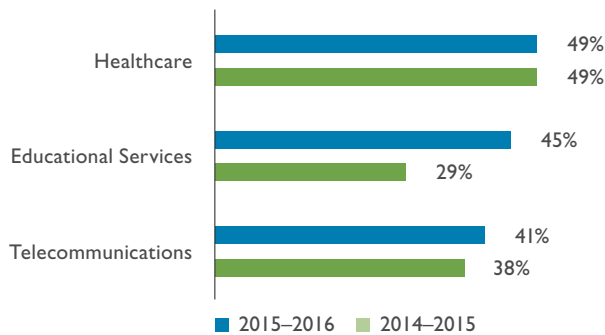


n=1,260

Note: Top five issues shown. Chart includes total percentage rating each item very important or extremely important.

The healthcare industry remains the industry most heavily affected by breaches — 49 percent of healthcare CLOs report experiencing a data breach in their organization within the last two years. Not far behind with 45 percent, the education industry witnessed a marked increase (up 16 percentage points from 2015) in the percentage of CLOs reporting a data breach. Breaches in the telecommunications industry also continue to rise, although at a slower rate than the education industry.

EXPERIENCED DATA BREACH IN PREVIOUS TWO YEARS, BY INDUSTRY (PERCENTAGE YES)



2015 $n=1,027$, 2016 $n=1,137$

Note: Data shown for top three industries

The salary gap is not closing

The gender gap remains in 2016. Thirty-one percent of female respondents make under \$200,000 compared with 21 percent of men, while 62 percent of female respondents report making greater than \$200,000 compared with 70 percent of men. Experience does not explain this difference. Though many executive leaders around the world have voiced a sincere commitment to equitable pay for men and women, the issue of pay disparities may require policies involving rigorous monitoring and transparency of pay distributions in order to spot anomalies to close the gender pay gap.

Positive staffing changes expected in 2016

Few CLOs made any cuts to their in-house lawyer staff last year. In fact, 37 percent added in-house staff and 14 percent made significant increases (greater than 10 percent) among in-house lawyer positions last year. CLOs in Europe, the Middle East, and Africa (EMEA), and the Latin American/Caribbean region outpaced other regions in adding in-house lawyers last year. Following compliance, law departments were focused on creating positions in the practice areas of contracts, general legal advice, and regulatory/government affairs.

Budget cuts can be a predictor for staffing trends. Forty-one percent of CLOs who expect their outside budget to decrease by more than 10 percent also anticipate the work outsourced to decrease. Eighteen percent who anticipate a reduction in outside sourcing to law firms or legal service providers intend to increase the number of in-house lawyers in their department.

Growth in legal operations

The presence of legal operations staff in the law department is growing. Nearly half of all respondents report legal operations staff positions in the department, a large jump from 2015, when just two in 10 reported legal staff in the department. Despite this growth, few delegate operational management of the law department. Ten percent say they delegate part time and 6 percent full time.



PROJECT OVERVIEW & INTERPRETING THE DATA

Project Overview

This survey opened on October 17, 2015 and closed November 24, 2015. A total of 1,403 lawyers participated with 1,302 responses included in this analysis; 86 percent (1,007) of respondents were from ACC members, and 14 percent (295) were from nonmembers. Among members, a total of 7,212 GC and CLO members were invited to complete the survey with a response rate of 14 percent. Additional invitations to participate were sent to 400 non-ACC GCs and CLOs via partner bar associations.

Interpreting the Data

An introduction, executive summary, key findings, overall results and demographic profile are included in the full report. Although most pertinent topics are covered in the key findings, other thought-provoking findings are exhibited in the overall survey results. Overall results touch upon all survey questions and responses from CLOs. These responses were stratified by a number of relevant breaks, such as region/country, industry, department size, gender, generation and revenue. By analyzing responses in this way, we are able to decrease the influence of overrepresentation across audience segments. Cross tabulations were conducted in order 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 points were statistically significant at the .05 significance level.

Due to rounding, percentages may not sum to 100. Additionally, 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.



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