



Asociación  
Española  
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INSTITUTO  
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# STUDY ON THE COMPLIANCE FUNCTION IN SPANISH COMPANIES

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In collaboration with:

**IBERDROLA**



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## EXECUTIVE SUMMARY

The **Study on the Compliance Function in Spanish Companies** was carried out under the initiative of the **Spanish Confederation of Business Organisations (CEOE)** and the **Spanish Compliance Association (ASCOM)**. It was carried out with collaboration from the **Institute for Economic Studies (IEE)** and the support of **Iberdrola** as a sponsor.

The **aim** of this study is to **obtain a better understanding about the compliance function** in organisations and, in particular, to **ascertain the current situation of Spanish companies** with respect to this function.

For this, a **survey** was carried out **on a total of 4,800 companies**, all of them **with more than 200 workers and all belonging to the industrial, construction and services sectors**. The final result of the data collection came to a total of **214 completed questionnaires**, so we can affirm it is a sufficient number to reach a **significant representativeness of the sample**.

The survey was divided into 7 sections, with the aim of learning: (i) if there is a compliance function in the company; (ii) the structure of the compliance function; (iii) the motivations and incentives behind establishing a compliance system; (iv) the scope and content of the compliance system; (v) the level of integration of the compliance programme in the day-to-day work of the company; (vi) some indicators regarding the company's compliance system, and (vii) the evaluation of the compliance function within the organisation.

Regarding the **existence of the compliance function** in Spanish companies, the conclusion is that this department has been implemented or is expected to be implemented in the next 5 years in 75% of the companies in the sample. However, the fact that a quarter of all companies do not have or plan to implement a compliance function in their 5-year forecast shows an important area for improvement.

In relation to the **structure of the compliance function**, the conclusions of the study are: (i) it is mainly configured by a person in charge (Compliance Officer) or a specific department; (ii) it depends mainly on the Board of Directors or the Auditing Committee; (iii) the supervision and monitoring of the compliance programme is carried out internally in most companies; (iv) most companies have a specific budget that is mainly aimed at covering expenses related to human resources (salaries and personnel training initiatives).

Analysing **the motivations and incentives to establish a compliance system**, we find that the most relevant factors correspond to the management's ethical commitment, the exemption or mitigation of criminal responsibility, and the concern over not losing business opportunities and/or public tenders, while the possibility of being required by the company's customers or suppliers, the fact of operating in a regulated sector, or social and media pressure are not considered relevant factors.

Considering the **scope and content of the compliance system**, it can be concluded that almost all companies have the essential elements of a compliance management system: code of ethics or conduct, whistle-blowing channel, risk map and compliance controls, monitoring plan and periodic reports to the administration body. Likewise, there is a relevant percentage of companies that say they have more sophisticated and complex elements that are considered best practices in the field of compliance: they include risks not exclusively derived from the criminal liability of the legal entity and the performance evaluation process annual report on employees includes criteria for compliance with the code of ethics and/or conduct.

Regarding the **level of integration of the compliance programme in the day-to-day work of the company**, we see that there is a path that companies are covering at different speeds. Thus, we see that three-quarters of the companies have made progress on the first step (ensuring that the management bodies or committees involve compliance); a large percentage have also progressed to the second step (involving compliance in the launch processes of new business activities); a smaller percentage have reached the third step (giving compliance a role in corporate operations for the purchase or sale of company shares); and only a third of the companies have reached the highest level of maturity (involving compliance in the design of compensation and incentive plans for employees).

In relation to the **indicators on the company's compliance system**, we can highlight the following conclusions: (i) the level of use of the whistle-blowing channel is very low in practice; (ii) third party interest (customers, suppliers, financial entities, shareholders, etc.) in the compliance programme is more notable in larger companies; (iii) the vast majority of companies provide compliance training for their employees, and (iv) in almost all companies compliance reports are sent to the management body.

Finally, analysing the **evaluation of the compliance function in the organisation**, we observe that the compliance function is valued more positively by the companies themselves than by the rest of the stakeholders, since the favourable implications of the function are, above all, those of an internal nature (they improve internal procedures and controls and the reputation and value of the company's brand). However, on the contrary, those that are linked to the recognition of the compliance function by third parties (customers, financial institutions, insurance companies and public administrations) receive a lower valuation.

# INTRODUCTION: CHARACTERISTICS OF THE COMPLIANCE FUNCTION

“Compliance” is an internal function within organisations. It is Anglo-Saxon in origin and has the following main characteristics:

## 1. It is intentionally aimed at supporting an ethical culture and ensuring the observance of standards, avoiding harm to both the organisation and third parties

Compliance with standards is a clear sign of an ethical approach. It is therefore usually one of the first objectives that appear in an organisation's Code of Ethics and Conduct. Generating, maintaining and improving an ethical culture is essential not only to ensure appropriate individual conduct, but also to correctly apply the norms that affect organisations and their environment. It is evidence of responsible, sustainable management and therefore capable of inspiring trust among stakeholders.

The compliance function and its activities comprise a scale for measuring an organisation's level of commitment and willingness to (i) maintain and promote an ethical culture and compliance with standards and (ii) avoid unlawful conduct and activities, preventing economic and reputational damage both to themselves and to third parties.

## 2. It is endowed with legitimacy, autonomy and independence, as well as sufficient resources and access to the necessary information to carry out its tasks, whose activities seek the observance not only of the rules but also of the values that affect the organisation.

The effectiveness of the compliance function lies in its ability to be proactive, without continuously requiring a mandate or authorisation (autonomy), and without conditions or restrictions on its freedom to act and decide imposed by other areas of the organisation (independence). These factors are recognised in the standards of compliance and are embodied in several specific practices. However, correct implementation requires the governing bodies and senior management of the organisations to bestow legitimacy on the compliance function, as well as continuous and visible support, which means allocating reasonable resources to the development of its activities and ensuring access to any information it requires in the course of its duties.

Likewise, those responsible for the compliance function should be appropriately trained and experienced so as to exercise this degree of autonomy and independence.

## 3. Acting in line with a risk-based approach

Where resources are limited, responsible management of an organisation requires reasonable prioritisation. In terms of compliance, activity and resource planning depends on the extent to which the organisation is exposed to certain risks and their potential to cause damage. This risk-based approach is common in control environments, where risks have to be prioritised to manage and control activities and to ensure that sufficient resources are allocated to prevention, detection and speedy reaction.

The risk-based approach not only conditions the design of the compliance-related organisation and management model, but also the resulting activities carried out by the compliance function.

#### **4. It involves compliance with the standards and values that are an integral part of the organisation's processes**

It is difficult to imagine operating in communities of people and not complying with their standards or tolerating unethical practices that affect them. Compliance processes that promote ethical conduct and compliance with standards do not operate in isolation or in parallel with the rest of the organisations' processes, but rather as part of them. Only when this integration has occurred does it become difficult to operate without observing the compliance requirements that ensure both ethical and legal conduct.

#### **5. Operating the compliance system established for this purpose reasonably**

Compliance tasks consist of operating the function's system as implemented by the organisation, developing management and control activities to maintain or improve an ethical culture and compliance with standards. In itself, this does not attribute decision-making powers that correspond to other bodies within organisations by *lawper se*.

In this regard, the compliance function should not assume decision-making powers that correspond to other bodies, with its responsibility limited to operating the corresponding management system or programme. On the other hand, a reasonable performance of their tasks does not provide total certainty that there have been no breaches or that they will not occur.

#### **6. Facilitating ongoing reporting and technical support**

The directors of business entities have not only the right but also the obligation to be kept informed about the relevant aspects of company management. This active duty of diligence is recognised by Spanish trade regulations, which are occasionally used as an interpretative source in areas unrelated to trade. This makes it not only advisable but necessary to obtain information about the ethical progress made by the organisation and the extent of its regulatory compliance.

In such a context, the appropriateness of establishing channels for communication between the compliance function and the social governance bodies to enable it to report such information and provide technical support for proper management is clear. The compliance function reports and provides expert support on a recurring basis to those bodies on matters related to their activities. Consequently, forming closer ties further improves their levels of legitimacy, autonomy and independence.

The compliance function's capacity to provide technical support that fosters responsible management is not limited to the highest levels of corporate governance bodies, but it actually extends to other internal entities that participate in decision-making processes. Therefore, the effectiveness of their work also depends on their ability to participate in these forums.

#### **7. Promoting training and awareness activities**

The generation, maintenance and improvement of ethics and compliance with standards in organisations does not come about by chance, but is due to the conscious, constant efforts of those responsible. The larger the organisation and greater its international presence, the greater the effort required.

Although leadership by example is a leading factor for consolidation of a suitable culture in organisations, training and awareness activities also have a bearing on this objective. Modern studies of compliance refer to the importance of planning and execution.

As far as compliance is concerned, training means giving people skills, providing them with the knowledge they require to successfully address the risks to which they are exposed in the organisation. Nevertheless, raising awareness seeks to create a general consciousness of the organisation's key values and procedures, making infringements very noticeable and cases duly recognised as such. Training and awareness-raising activities promoted through compliance teach people related to the organisation about the behaviour that it encourages and that which it does not tolerate.

## 8. Managing or supervising internal communication channels

Internal communication channels have been shown to be an efficient tool for detecting irregularities. In particular, the existence of internal whistle-blowing channels has increased significantly as a result of their efficiency, that is, the relationship between the cost of implementation and the relevance of the facts reported, which are barely detectable using other more expensive means.

In order to ensure that compliance functions are able to carry out their tasks effectively, implementation of these channels and involvement in their management are required, insofar as they are related to ethics and compliance with regulations.

## 9. Custody of relevant records

Many activities undertaken by the compliance function leave a document trail. Keeping records makes it possible to review certain activities when necessary, also contributing to the body of experience and knowledge. This also forms the basis for the internal evaluation, validation and external correction of the compliance activities carried out. Modern standards therefore stress the importance of the safekeeping and keeping task-related records up to date.

## 10. Monitoring the compliance model

Proper management of the compliance model entails monitoring it by carrying out the following actions:

- Regularly checking that the system components are appropriate for the purposes for which they were intended and that they operate normally.
- Ensuring that the risks addressed by the system and its activities have not altered through regular evaluation.
- Confirming that the basic components at the heart of the system are suitable for the needs of the organisation's ethical and legal framework, with the aim of ensuring continuous improvement.

The compliance function has been present in some Spanish companies, specifically in companies that operate in regulated sectors, such as the financial sector, since the beginning of the century. But it was not until 2010, and more extensively since 2015, with the reforms on the Criminal Code relating to the criminal liability of legal persons, when its implementation was extended to all Spanish companies, since the need to have compliance programmes and managers was established so that the company can be exempt from criminal liability.

# RESULTS OF THE STUDY

# 1. EXISTENCE OF THE COMPLIANCE FUNCTION

## Is there a specific compliance function in your company?

In 62.1% of companies there is a specific compliance function. In smaller companies (Q1) this percentage drops to 38.9%, while in larger companies (Q4) it increases to 92.6%.

From this data, it can be inferred that there is a direct relationship between the size of the company and the existence of the compliance function. The department exists in practically all of the larger companies, while among the smaller companies more than 60% still do not have one.

**Taking into consideration that these companies have an average of 378 employees and a turnover of more than €10 million, the fact that there is such a high percentage of companies that do not have a compliance function indicates that there is still a long way to go in this area.**

Figure 1: Existence of the compliance function in companies.

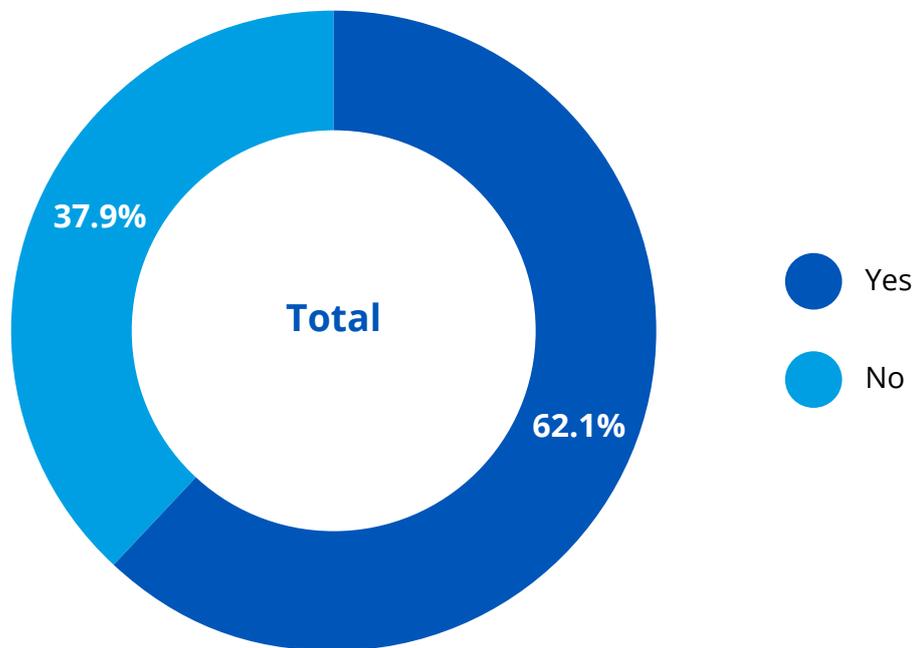


Figure 2: Existence of the compliance function in smaller companies.

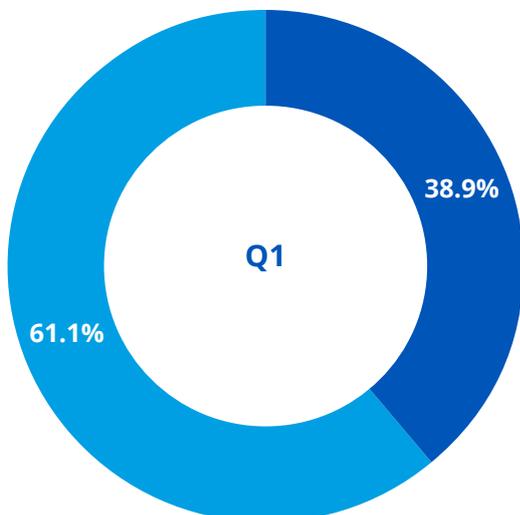
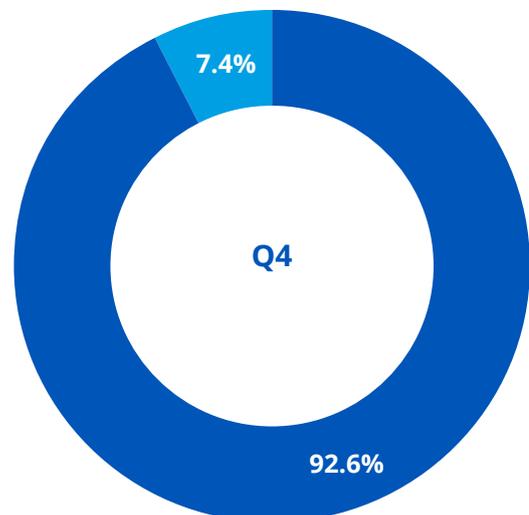


Figure 3: Existence of the compliance function in larger companies.



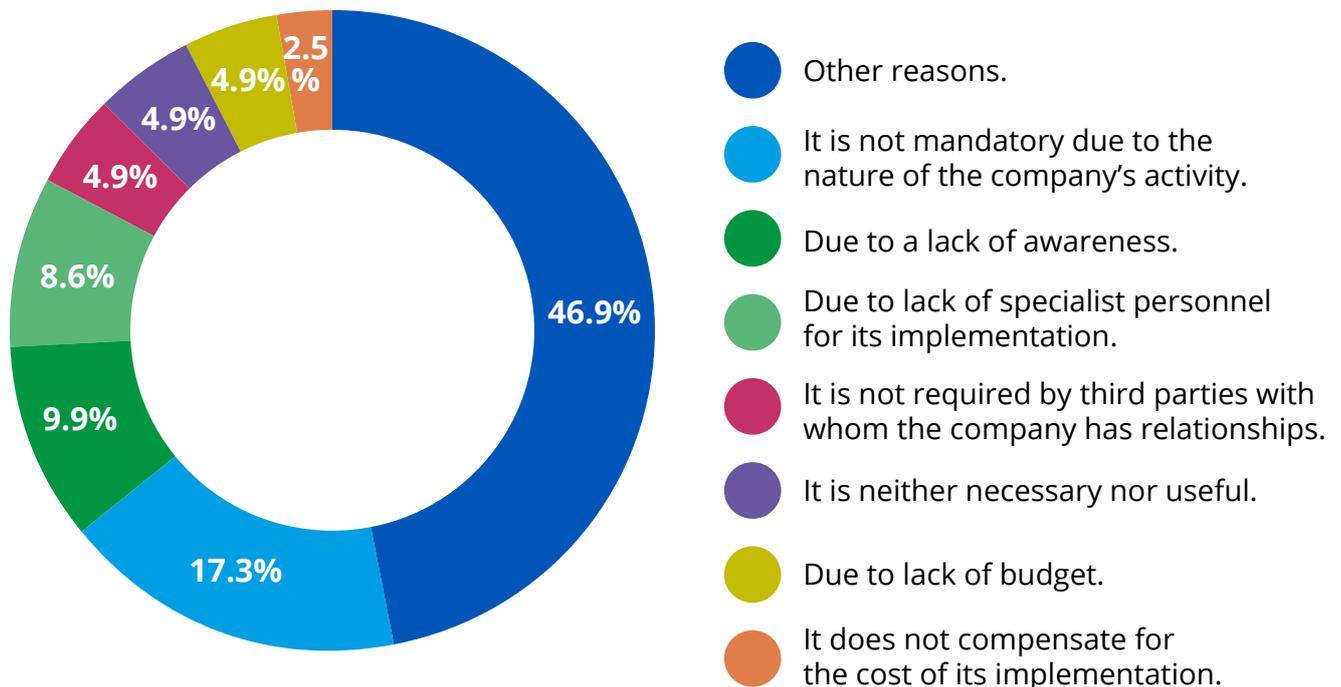
## What is the main reason why you do not have a compliance function?

The reasons given by organisations that have not implemented a compliance function are not entirely clear. The non-compulsory nature of having to create this function (17.3%), due to not belonging to a regulated sector, ignorance (9.9%) and a lack of resources (13.6%), both human and financial, are factors used to justify this position.

It is also noteworthy that the cost of implementing the system is mentioned by only 2.5% of companies.

However, **the highest percentage (46.9%) corresponds to other reasons that remain unspecified, which could be the cause of multiple interpretations, which could reflect a deliberate concealment of any of the above reasons, likely to be ignorance or a lack of resources from these organisations.**

Figure 4: Reasons for not having a compliance function.



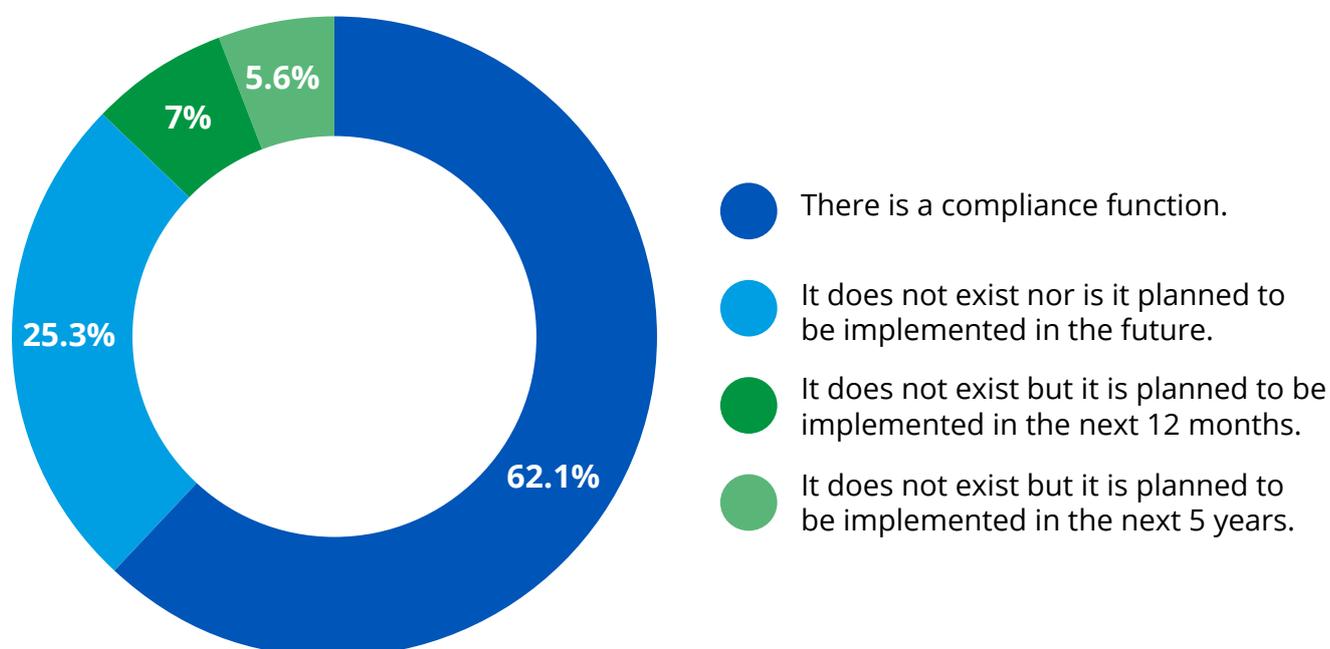
## Are you planning to create or implement a compliance function within your organisation?

Of the companies that do not have a compliance function (37.9%), a third of them intend to implement one in the future. Therefore, 25.3% of the Spanish companies of the size of those analysed in the sample do not plan to implement or create a compliance function within the organisation.

Taking into account the size of the companies, in the smaller ones, the percentage of those that will have the compliance function within 5 years increases substantially, going from 38.9% to 55.6%. In the case of the larger companies, it can be said that practically all of them will have one within 5 years.

Despite the above, **the fact that a quarter of all companies and 45% of smaller companies have not implemented nor plan to implement a compliance function in their 5-year forecast indicates an important area for improvement.**

Figure 5: Existence or anticipation of implementing the compliance function in the company.



## 2. STRUCTURE OF THE COMPLIANCE FUNCTION

### How many full-time equivalent people work in the compliance function?

The data obtained shows that most companies (60.2%) have one full-time equivalent person working in the compliance function.

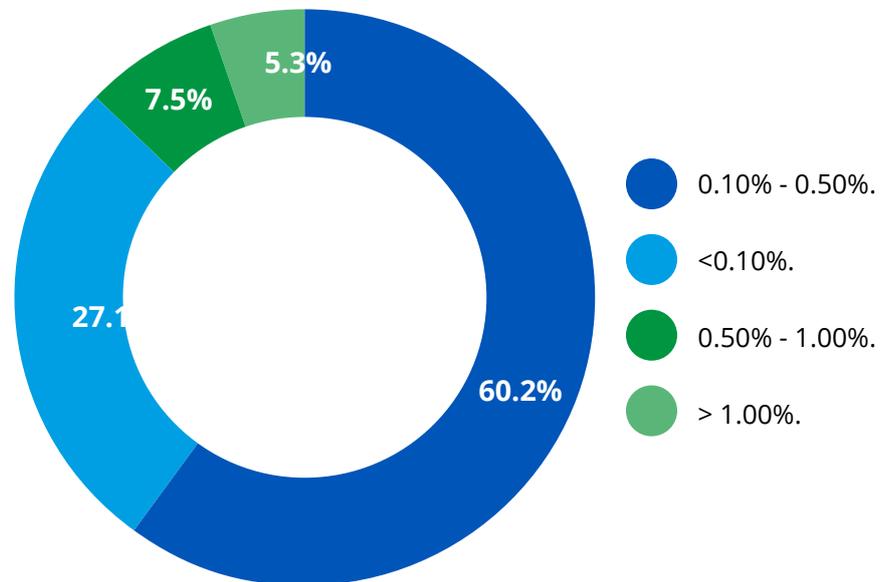
To correctly assess this data, however, it is necessary to place it in context with other parameters. For example, if we analyse the number of people who work in compliance compared to the total number of company employees, we see that a high percentage (27.1%) of companies do not reach 0.10% and in the vast majority of companies (87.3%) the percentage is less than 0.50%.

**Although the number of people dedicated to the compliance function could be increased, the fact that 60.2% of companies have one full-time equivalent person working in the department indicates that compliance is beginning to gain a presence in Spanish companies.**

Figure 6: Number of full-time equivalent people working in the Compliance function.

No. of people	Percentage of companies
0.1	1.5
0.15	1.5
0.2	2.3
0.3	2.3
0.5	0.8
0.6	0.8
0.75	0.8
0.8	0.8
1	60.2
1.4	0.8
1.5	4.5
2	8.3
2.5	1.5
2.8	0.8
3	4.5
4	3.0
5	2.3
6	0.8
7	1.5
20	0.8
30	0.8
<b>Total</b>	<b>100</b>

Figure 7: Percentage of full-time equivalent people who work in the Compliance function over the total number of employees.



## How is the compliance function configured in your company?

It should be noted that approximately 80% of companies have a Compliance department or a Compliance Officer. In 21.1% of companies, the compliance function is run by a collegiate body of the company and more than a quarter of them have a combination of the different stated formulas.

Regarding the size of the companies, it is observed that in the smaller companies the most prominent formula is the appointment of a Compliance Officer (42.9% in Q1), while in the larger companies the number of companies that have a collegiate body clearly increases (28% in Q4).

**The fact that 80% of companies have a compliance department or a Compliance Officer, compared to the possibility of running the department through a collegiate body, is an indicator that leads us to positively assess the implementation of a compliance management system in companies.**

Figure 8: Configuration of the compliance function in the company.

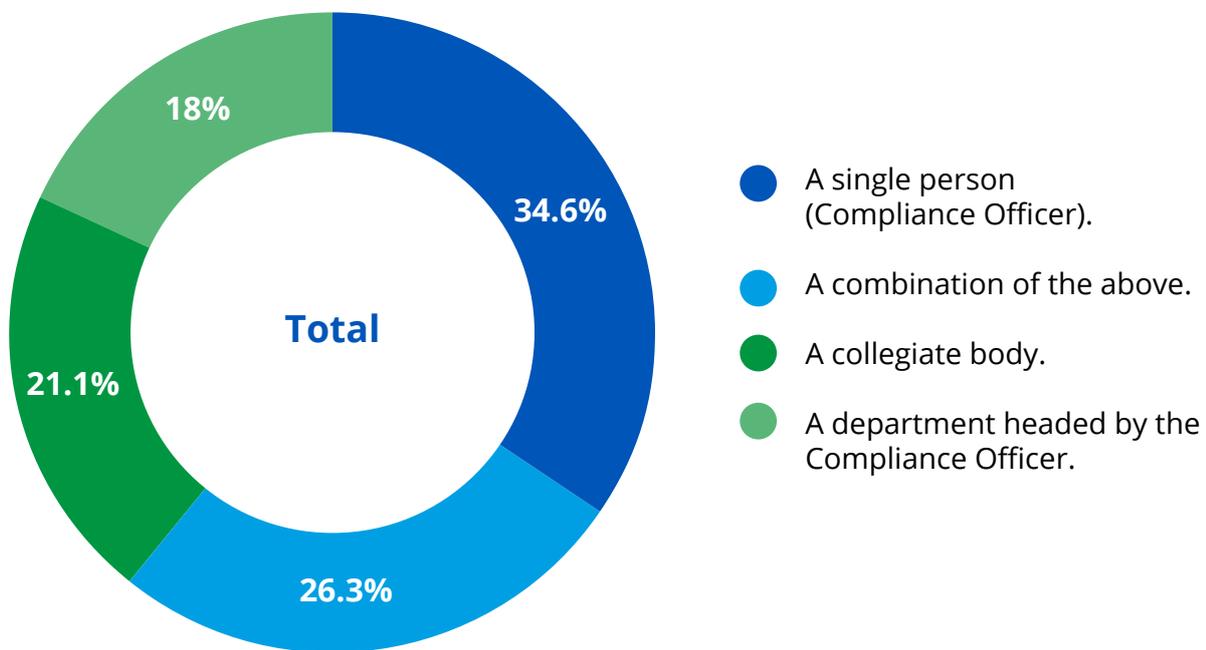


Figure 9: Configuration of the compliance function in smaller companies.

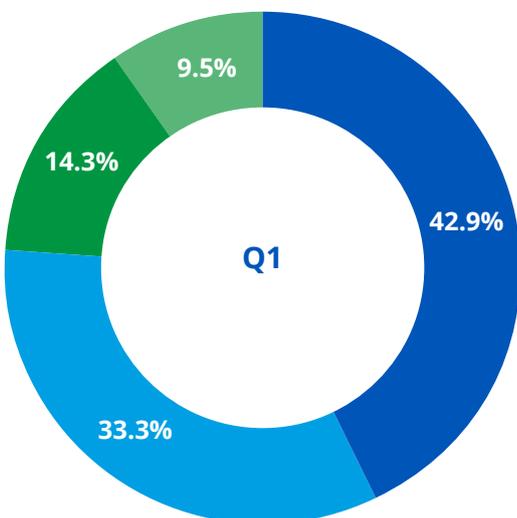
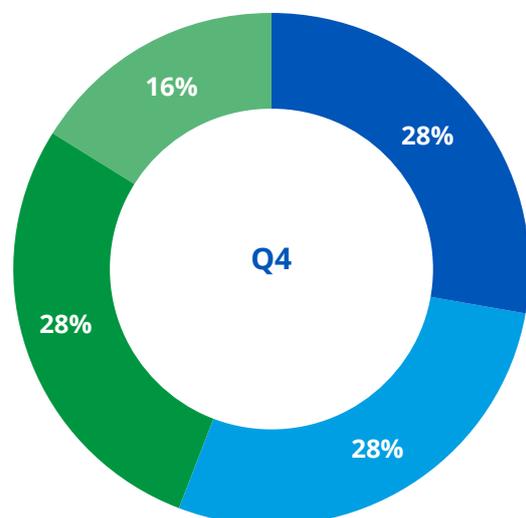


Figure 10: Configuration of the compliance function in larger companies.



## Who does the compliance function report to within the organisation?

The hierarchical dependence of the person responsible for the compliance function in the company is a critical element when assessing their **independence, authority, access to relevant information and sufficient resources**. In other words, it is a key element in determining whether the compliance function complies with the generally accepted fundamental principles that need to be preserved.

The compliance function reporting to **the Board of Directors or the Auditing Committee** is the option that ensures the utmost respect for the principles listed and that guarantees better management of any **conflicts of interest**.

On the contrary, the organic dependence of the compliance function in other areas, such as, for example, financial management or legal management, due to the very nature of their competencies and priorities, entails the risk that compliance will be conditioned by other diverse interests and the aforementioned principles are diluted.

From the data obtained, we see that in **60.2% of the companies, compliance reports organically to the Board of Directors or the Audit Committee, which is a good figure since, if we consider that the compliance function has existed for a relatively short time in most Spanish companies, the fact that most of them have opted for this organic dependence shows that the overlapping of this department within the company has been well understood.**

Notwithstanding the foregoing, **in 7.5% of the companies compliance reports to the Chief Financial Officer, in 18% of companies compliance reports to other departments, in 12.8% it reports to the CEO, and in 1.5% to the Secretary General. There would therefore be some room for improvement in the organisational assignment of the compliance function in Spanish companies.**

If we analyse the data in Q1 and Q4, the most significant differences we find is that in smaller companies it is more frequent for the compliance function to report to the CEO (23.8% in Q1 compared to 10% in Q4) and that in smaller companies there is no reporting to the Auditing Committee, concentrating instead on the administration body (57.1% in Q1).

Figure 11: Organisational dependence of the compliance function.

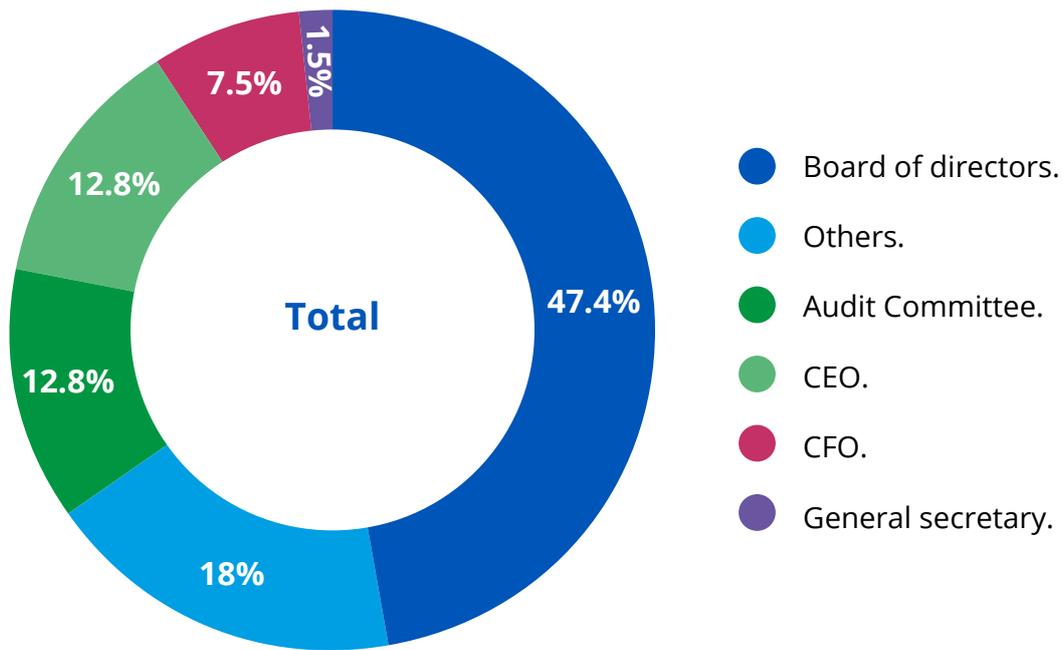


Figure 12: Organisational dependence on the function in smaller companies.

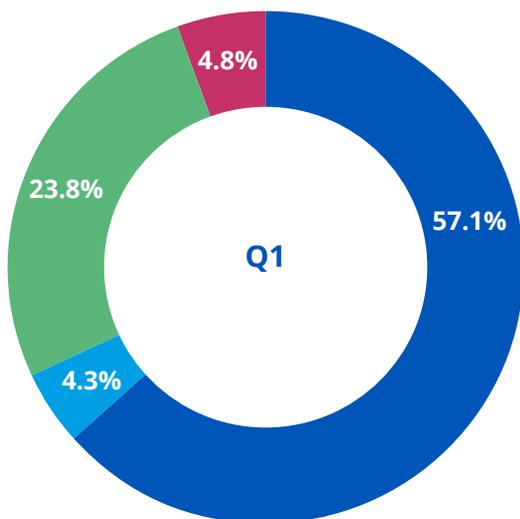
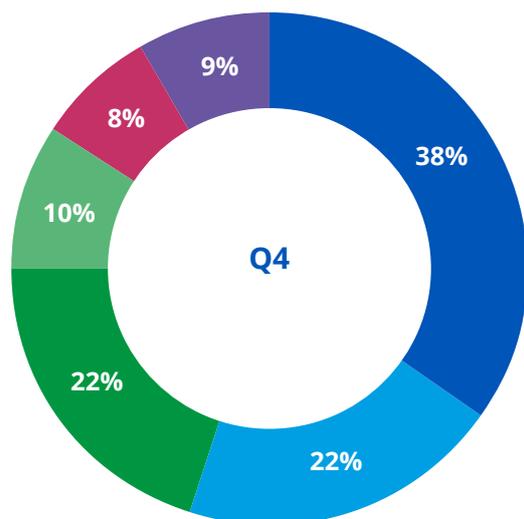


Figure 13: Organisational dependence on the function in larger companies.



## Who carries out the monitoring and supervision of the compliance programme?

Almost all of the companies carry out a monitoring and supervision process of the compliance programme. 27.8% of companies use subcontracting to perform the monitoring and supervising of the compliance programme, a percentage that is significantly smaller among larger companies (16%). Although it may seem paradoxical that large companies outsource less, the explanation lies in the fact that large companies have greater capacity and internal resources to carry out this important task.

It is also important to highlight that the compliance department carries out the monitoring and supervision of the compliance programme in 70.7% of the companies. **Although the percentage is high, this means in almost 30% of companies that the compliance function does not carry out programme monitoring and supervision tasks, which is also an area for improvement since monitoring constitutes an essential pillar of the function.**

Figure 14: Monitoring or supervision of the compliance programme.

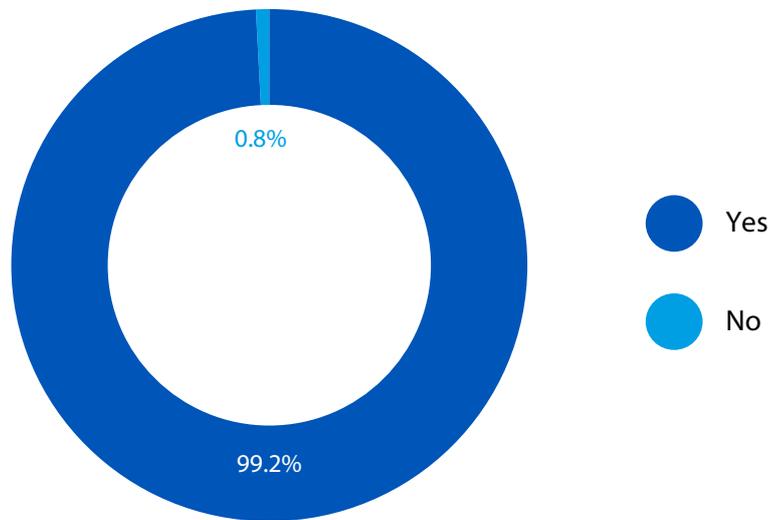


Figure 15: The monitoring and supervision of the compliance programme is carried out by the Compliance Department.

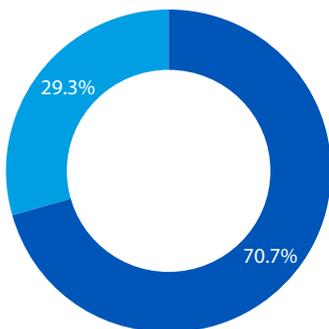


Figure 17: The monitoring and supervision of the compliance programme is carried out by another department of the company.

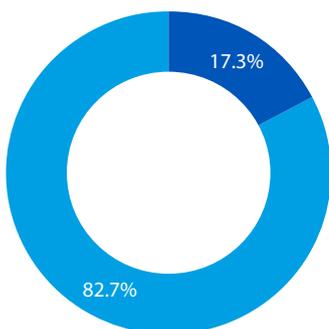


Figure 16: The monitoring and supervision of the compliance programme is carried out by the Internal Auditing Department.

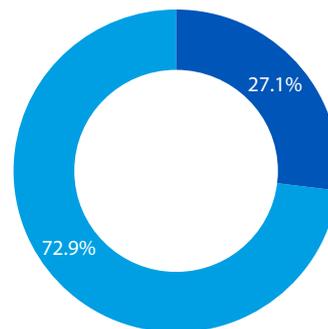
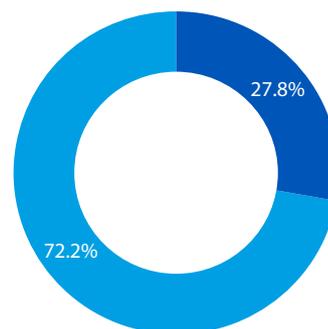


Figure 18: The monitoring and supervision of the compliance programme is carried out by an external provider.



## The budget for the compliance function is allocated to: (multiple answer)

Regarding the different purposes that the compliance function's budget is allocated to, there are two groups of budget items that stand out from the rest, since more than 70% of companies allocate a budget to external consultants and staff training. The following budget items correspond to personnel expenses and training compliance technicians, items which almost 60% of companies allocate their budget to; this is an issue that is possibly linked to the fact that in just over 20% of companies they do not have a compliance department or a Compliance Officer.

Regarding the other expenditure items, we find that between 30% and 40% of the companies allocate budget items to computerised tools and external audits and certifications of the compliance system, between 30% and 40% of the companies allocate budget items to investigations and forensic reports and, lastly, to fraud and corruption databases, third-party due diligence reports and other purposes, less than 20% of companies actually spend their budget on other items.

Regarding the size of the companies, although the order of the budget items is quite similar, we find very substantial differences in the number of companies in both groups that dedicate a budget to them, since, for example, almost 90% of the larger companies (Q4) dedicate resources to employee training, while this percentage decreases to just over 60% in smaller companies (Q1). This difference is not observed in the items of forensic investigations and reports, audits and external certifications of the compliance system, which are found in both cases in between 30% and 40% of companies. However, there is a notable difference in the allocation to computerised tools and to fraud and corruption databases, since only around 5% of the companies in Q1 dedicate a budget line item to them, while in Q4 the percentages reach almost 50% and 30% respectively.

**The fact that there is a significant percentage of companies, a percentage that is ever greater in smaller companies, that do not allocate any of their budget to digital support (databases and computer applications) and to other tools that are needed to effectively run the compliance function gives us an idea that, although it has started to be implemented and is progressing little by little, the degree of maturity of the compliance function is still low in general, since these tools are essential today in order to identify, prevent and respond to compliance risks.**

Figure 19: Allocation of the budget for the compliance function.

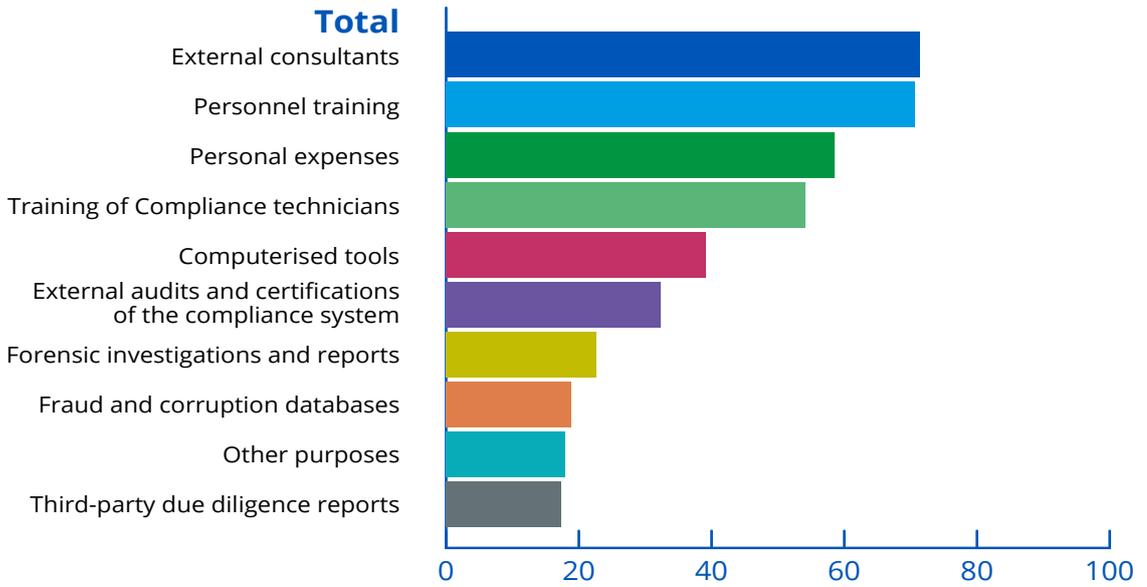


Figure 20: Allocation of the budget for the compliance function in smaller companies.

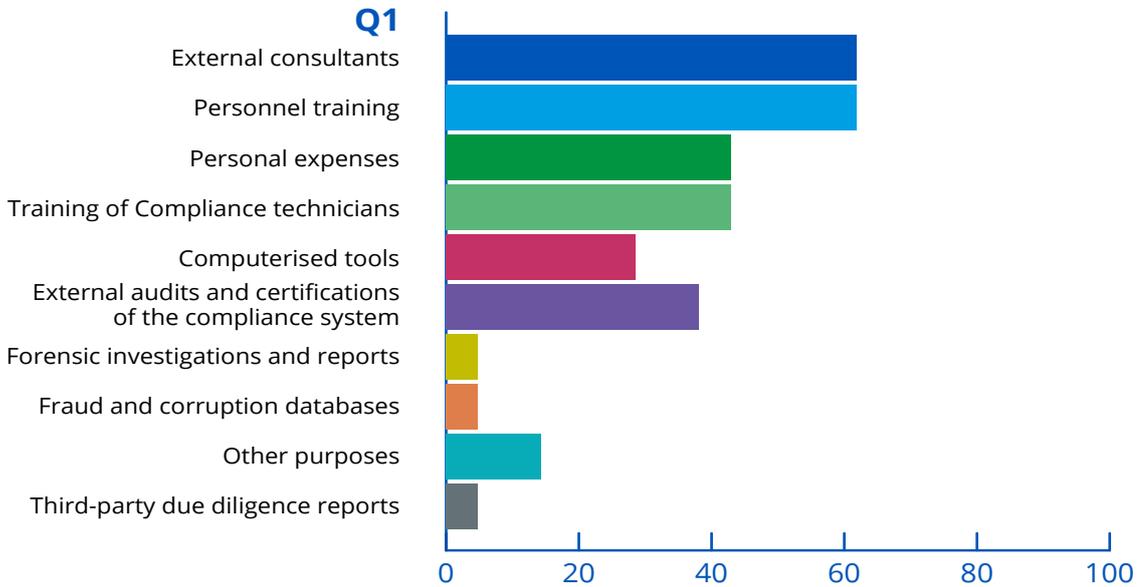
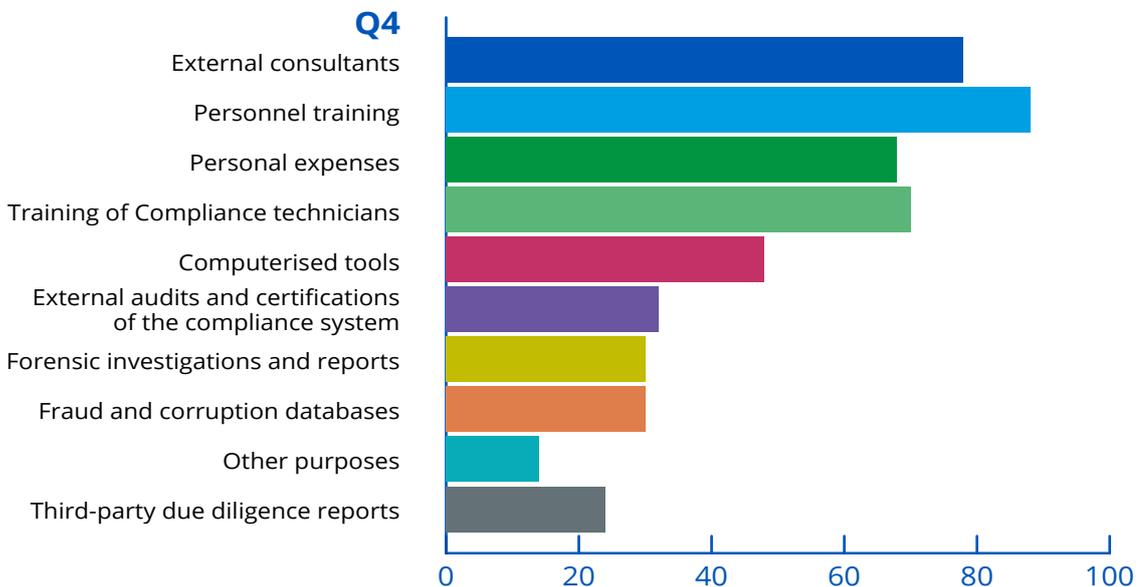


Figure 21: Allocation of the budget for the compliance function in larger companies.

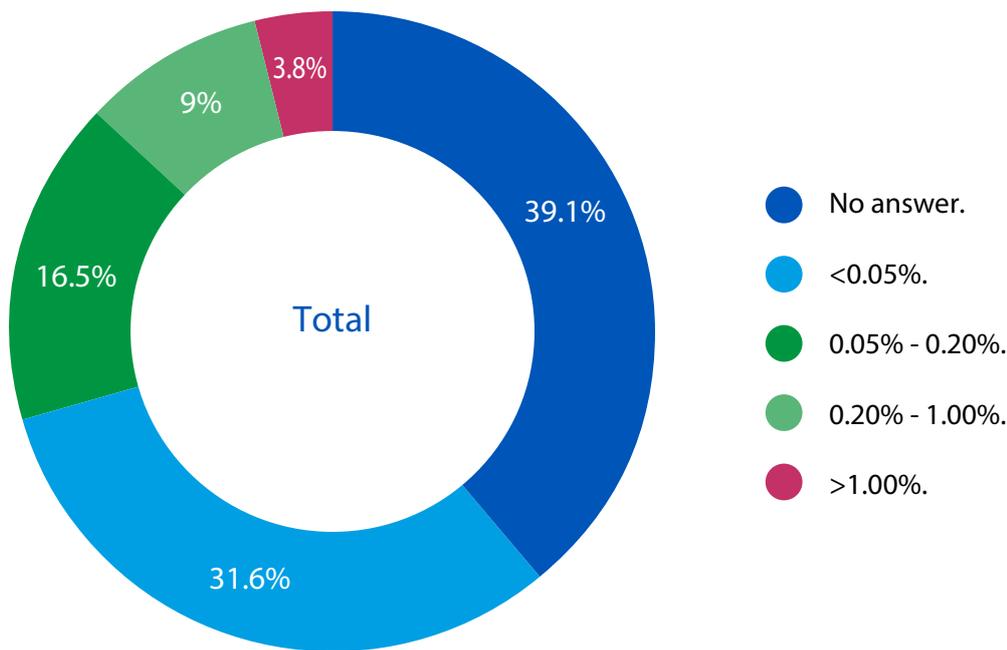


## If you know the figure, state the size of the total budget (in euros) assigned to the compliance function

The first figure that we must to highlight is that almost 40% of companies have not stated the amount of budget that is allocated to the compliance function, which may be down to their preference for not sharing the figure.

Regarding the companies that have provided this figure, in almost a third (31.6%) the budget assigned to the compliance function is less than 0.05% of the gross turnover, and in 48% of cases this percentage is less than 0.20%, and only 3.8% of companies allocated more than 1% of their gross turnover to the compliance function.

Figure 22: Percentage of the total budget amount assigned to the compliance function with respect to gross turnover.



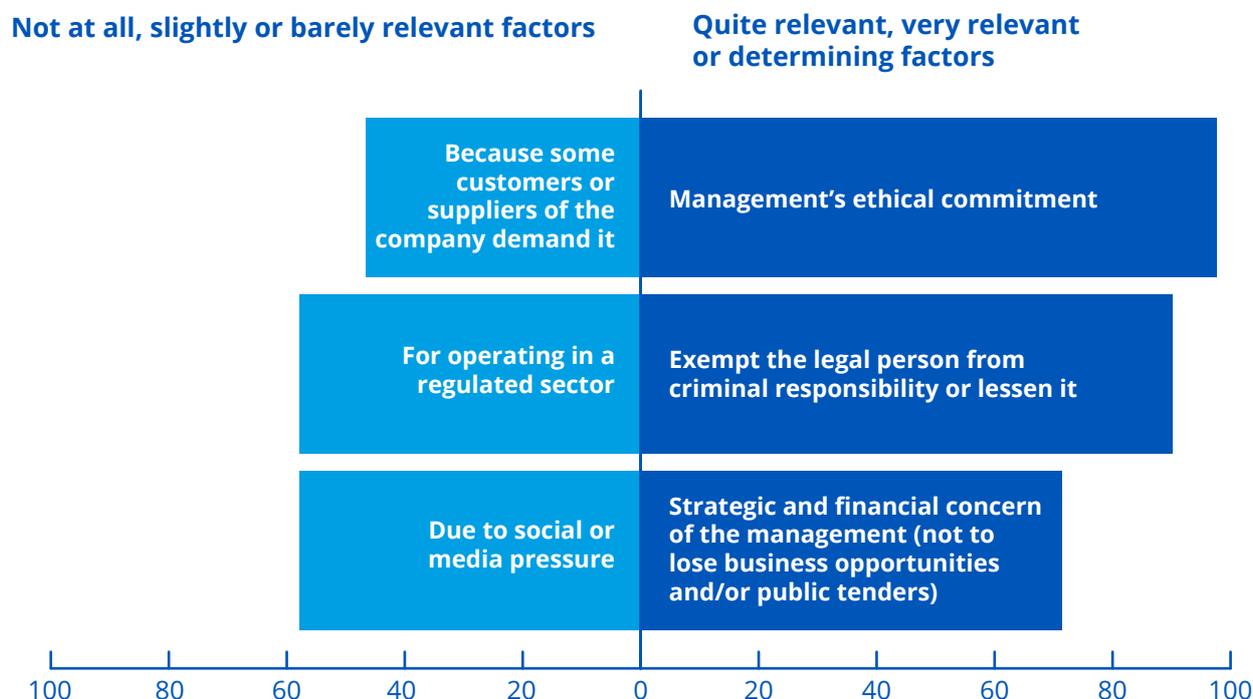
### 3. MOTIVATIONS AND INCENTIVES FOR ESTABLISHING A COMPLIANCE SYSTEM

#### Why is it important for the company to have a compliance system?

From the study of the distribution of the responses received from each of the factors considered, it can be concluded that the factor that companies consider most relevant for adopting a compliance management system is the ethical commitment by its management, which is considered as a determining factor, very relevant or quite relevant for 97.7% of the companies. The next most important factors are to exempt the legal entity from criminal liability or to lessen it, with 90.2% of responses stating it as a determining factor, very relevant or quite relevant, and due to a strategic and financial concern from of the management (to not lose opportunities for business and/or public tenders) with 71.5% of responses stating it as determining factor, very relevant or quite relevant. **This data asserts the commitment of companies to making decisions that take ethical factors into account.**

On the contrary, neither the fact of operating in regulated sectors nor social and media pressure seem to be factors that influence the decision to implement a compliance management system, since in both cases 57.9% of companies consider them to be slightly relevant or lesser so. In the middle ground is the factor that some customers or company suppliers demand it, since 53.4% consider it quite relevant or more so, and 46.6% consider it less than slightly relevant. Notwithstanding the foregoing, **the fact that in more than half of the cases suppliers and customers require companies to have implemented a compliance management system is still a positive sign.**

Figure 23: Relevance of the reasons why the company has a compliance system.



## 4. SCOPE AND CONTENT OF THE COMPLIANCE SYSTEM

### Regarding the scope and content of your compliance system, answer yes or no

In this area, the responses provided by companies show that they have adopted compliance management systems with different degrees of maturity.

In this regard, it is observed that 100% of companies have a code of ethics or conduct, which is reasonable, since it is the most primary element when implementing a compliance management system. Without a code of ethics there cannot be a compliance system.

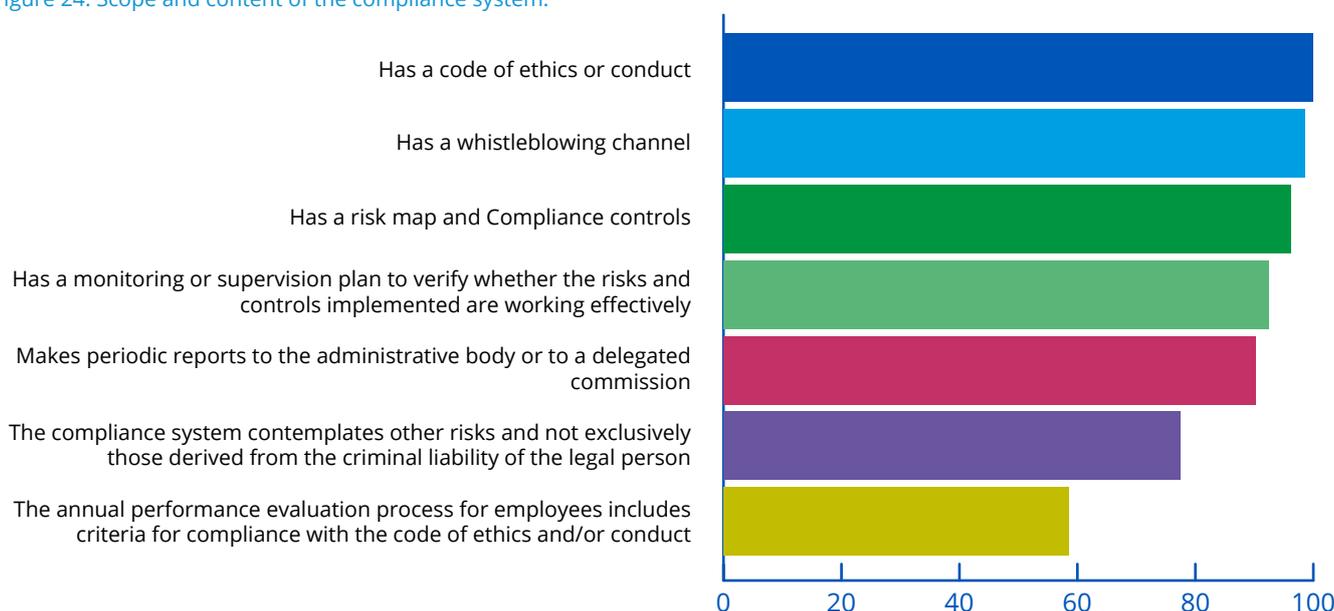
Looking at the elements necessary to implement a compliance system, we see that 98.5% have a whistle-blowing channel and 96.2% have a risk map and compliance controls. Although these percentages are very high, it is striking that there are companies that believe they have a compliance system without having risk maps and controls or whistle-blowing channels in place, since they are essential elements in any compliance system.

The following elements that the vast majority of companies have are a monitoring or supervision plan to verify whether the risks and controls implemented are working effectively and make periodic reports to the management body or to a delegated commission, since 92.5% and 90.2% have them respectively.

Finally, there are two elements that are identified with companies that have more mature and complete compliance management systems. The first is that the compliance system should consider other risks and not exclusively those derived from the criminal liability of the legal entity, which has been answered affirmatively by 77.4% of the companies; the second is that the compliance system should have an annual performance evaluation process for employees that includes criteria for compliance with the code of ethics and/or conduct, which only 58.6% of companies have answered affirmatively.

**From the data obtained, we see that almost all of the companies have the essential elements of a compliance management system. Likewise, there is a significant percentage of companies that say they have more sophisticated and complex elements that are considered best practice in the field of compliance, which suggests that, in the design, their compliance management systems may have a high degree of maturity.**

Figure 24: Scope and content of the compliance system.



## 5. LEVEL OF INTEGRATION OF THE COMPLIANCE PROGRAMME IN THE COMPANY'S DAY-TO-DAY WORK

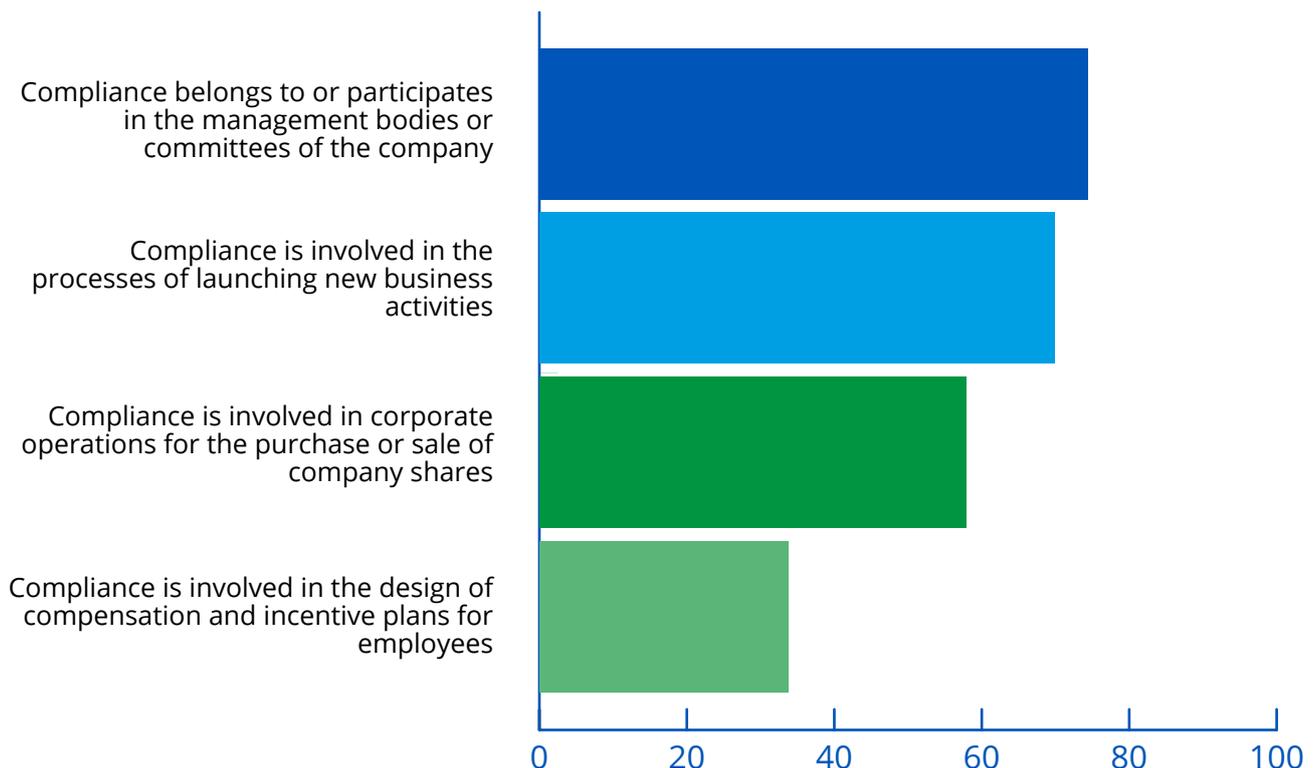
### Involvement of the compliance function in the day-to-day work of the company

The responses of companies regarding the level of integration of the compliance function in the day-to-day work of the company are uneven. A higher percentage of companies that involve the compliance function in the management bodies is observed, given that the percentage that answers affirmatively to belonging to or participating in the management bodies or committees of the company is 74.4%, followed by being involved in the processes of launching new business activities (69.9%), then in the corporate operations of a purchase or sale of company shares (57.9%) and, finally, in the design of compensation and incentives for employees (33.8%). In the analysis of the data, no substantial differences were observed between the larger and smaller companies.

First of all, we must point out that in a mature compliance management system, the compliance function should be involved in all the processes described in the survey. The fact that the compliance function is not involved in any of these processes shows an area with room for improvement.

**Analysing the data obtained, and taking the level of maturity of the compliance management system of the companies as a reference, we see that there is a path that companies are covering at different speeds. Thus, the fact that in 75% of companies the compliance function is present in their management bodies or committees shows that they have progressed with the first step, that is, in the recognition of compliance as a strategic function for the company, which is positive. Almost 70% of the companies have progressed to the second step, giving participation to compliance in their business processes. Fewer than 60% of the companies have reached the third step, since that percentage only involves compliance in corporate purchase-sale transactions and, finally, only a third of the companies have reached the desirable degree of maturity, involving compliance in the design of compensation and incentives for employees.**

Figure 25: Involvement of the compliance function in the day-to-day work of the company.



## 6. SOME INDICATORS ABOUT THE COMPANY'S COMPLIANCE SYSTEM

### How many complaints have been received in the whistle-blowing channels in the last 12 months?

Despite the fact that a high percentage of companies state that they have a whistle-blowing channel as a tool of the compliance management system, practically half of them (51.9%) have not received any complaints in the last 12 months, and 85.7% have received fewer than 5 complaints in 12 months. There are, however, substantial differences between the larger and smaller companies, since in the smaller ones these percentages reach 76.2% and 100% and in the larger ones they fall to 32.0% and 70% respectively.

The number of complaints received in 12 months is extraordinarily low for the size of the companies in the sample. This can be for multiple reasons: (i) that the whistle-blowing channel is not very accessible; (ii) that confidentiality and anonymity are not adequately guaranteed; (iii) that there is no confidence in the absence of retaliation against the complainant; (iv) insufficient training and dissemination of the whistle-blowing channel has been carried out; etc.

**In any case, there is a cultural element that is possibly the main cause of this low level of whistle-blower complaints. The data shows that Spanish society, in general, still does not accept the whistle-blower complaint as a prevention and self-protection mechanism for organisations, while in other cultures it is known that this type of complaint adds value to ethical quality and good practice in companies. It is, therefore, necessary to dedicate more resources to the dissemination of the social advantages that whistle-blowing channels have as prevention and continuous improvement mechanisms, so as to overcome the cultural reluctance that these communication tools have in Spain.**

Figure 26: Number of complaints that have been received in the whistleblowing channel in the last 12 months.

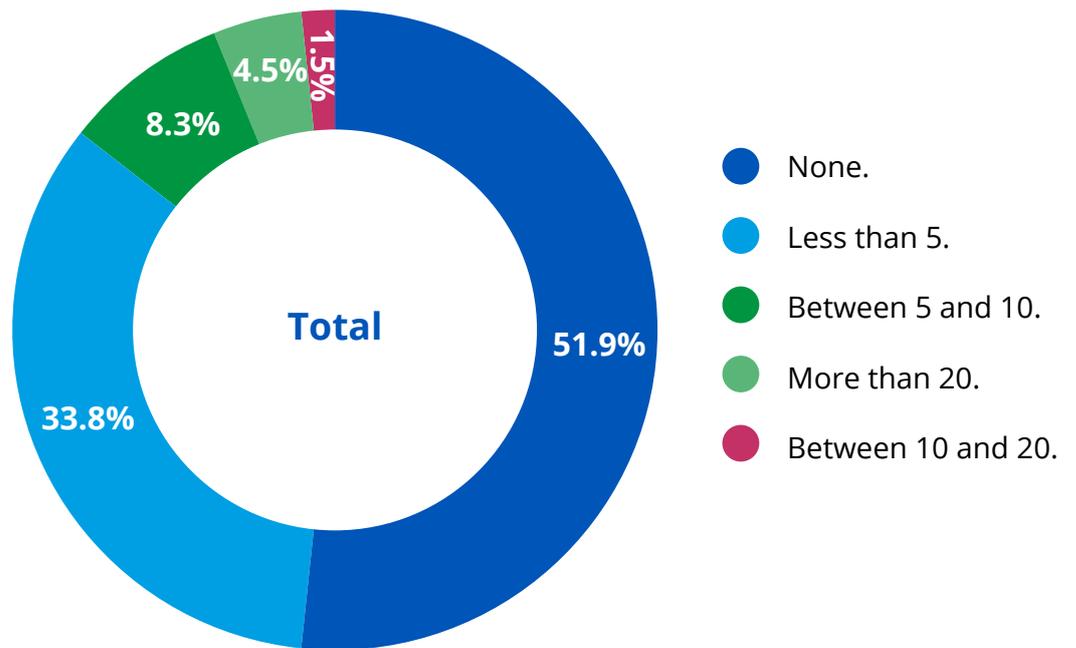


Figure 27: Number of complaints received in the whistleblowing channel in the last 12 months in smaller companies.

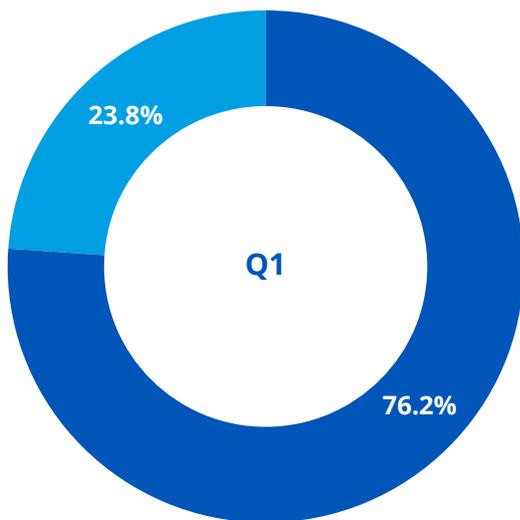
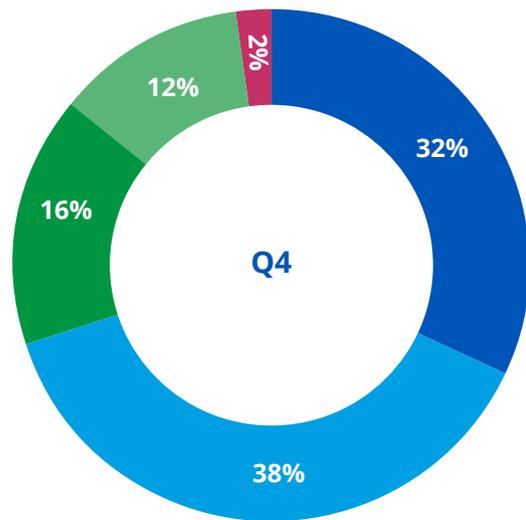


Figure 28: Number of complaints received in the whistleblowing channel in the last 12 months in larger companies.



## Has any of the third parties with which the company relates (customers, suppliers, financial entities, shareholders, etc.) been interested in your compliance programme in the last year?

Regarding the interest from third parties about the compliance function in companies, almost two-thirds (63.9%) report that these agents (customers, suppliers, financial institutions, shareholders, etc.) have shown interest in them. This interest increases in the larger companies Q4 (72.0%) while it decreases to 57.0% for the smaller companies Q1.

**Therefore, from the interpretation of these results, it could be concluded that interest groups do exert a certain “pressure” to adopt or reinforce the company's compliance system.**

Figure 29: Interest from third parties that the company is related to (customers, suppliers, financial entities, shareholders, etc.) for the compliance programme.

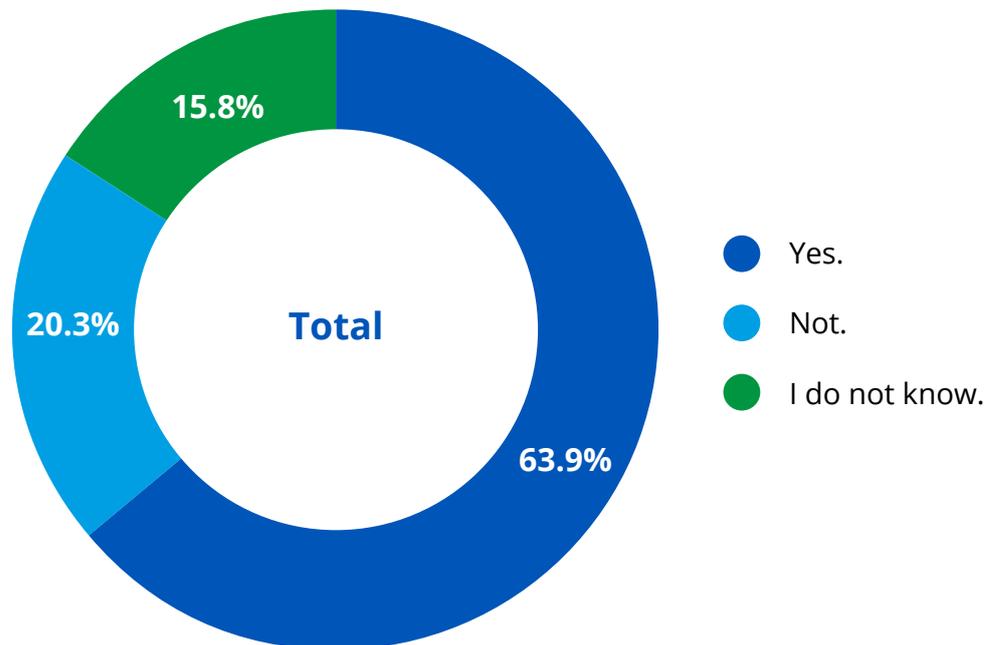


Figure 30: Interest from third parties that the company is related to (customers, suppliers, financial entities, shareholders, etc.) for the compliance programme in smaller companies.

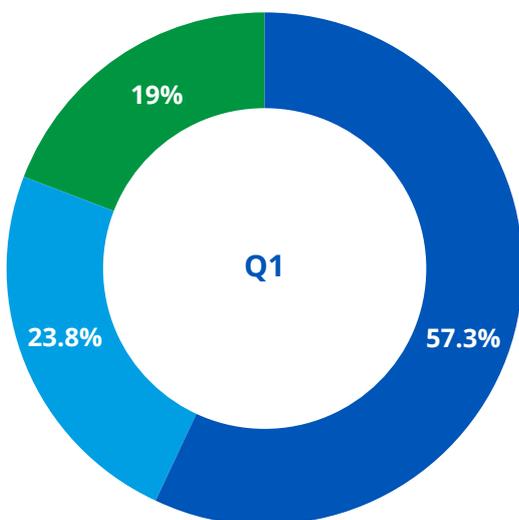
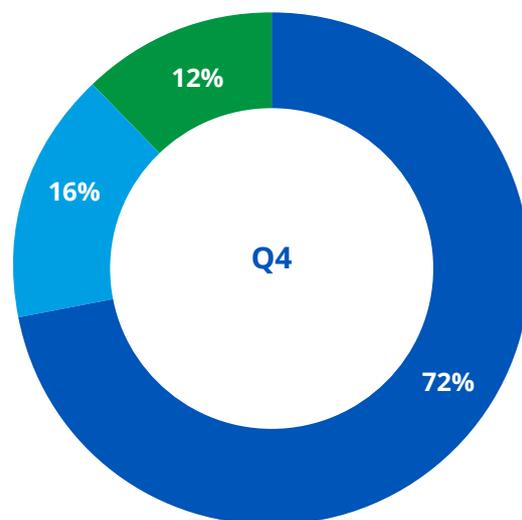


Figure 31: Interest from third parties that the company is related to (customers, suppliers, financial entities, shareholders, etc.) for the compliance programme in smaller companies.



## How often do employees receive compliance training?

Regarding the frequency with which training is provided to workers by companies, it is found that approximately three quarters of the total undertake training on an annual basis.

Regarding companies that never carry out employee training in compliance, 3.8% in total, and 9.5% for smaller companies, we can affirm that in these cases what they have is what is known as *"paper compliance"*, that is, the appearance of a compliance management system that is not real.

Figure 32: Frequency with which employees receive training on compliance.

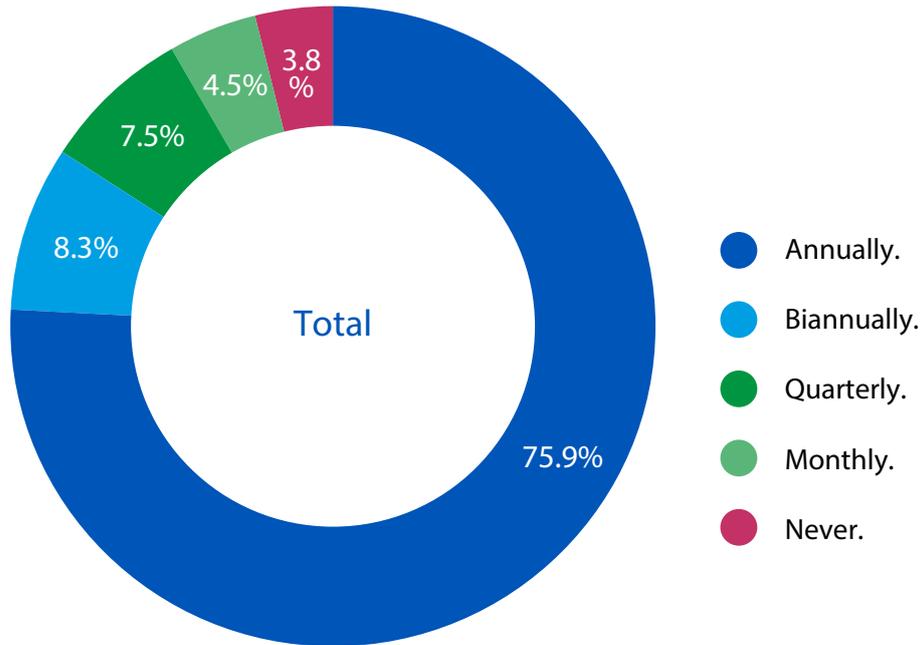


Figure 33: Frequency with which employees receive compliance training in smaller companies.

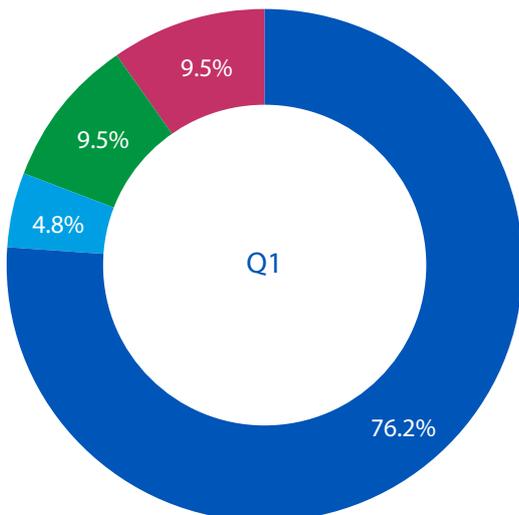
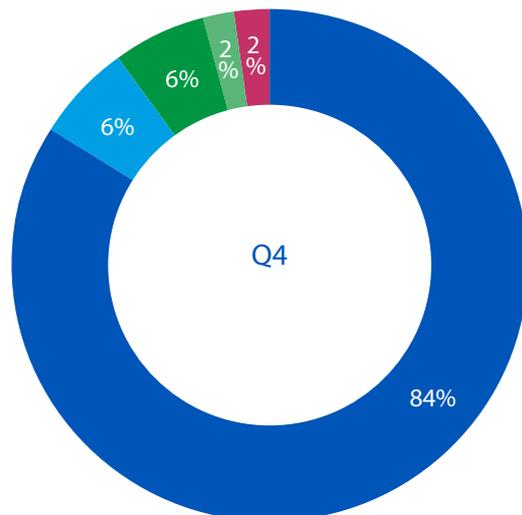


Figure 34: Frequency with which employees receive compliance training in larger companies.



## How often does the Board of Directors or the delegated committee receive a report from the compliance function?

The answers provided by companies in relation to the frequency with which the Board of Directors or the delegated commission receives reports from the compliance function, 63.9% of the total, are carried out on an annual or quarterly basis.

As in the previous matter, there is a minimum percentage of companies, only 1.5%, whereby the management body never receives any reports from the compliance function. In these cases, their systems would be considered “paper compliance”, since it is a basic element of the management system.

Figure 35: Frequency with which the Board of Directors or the delegated committee receives a report from the compliance function.

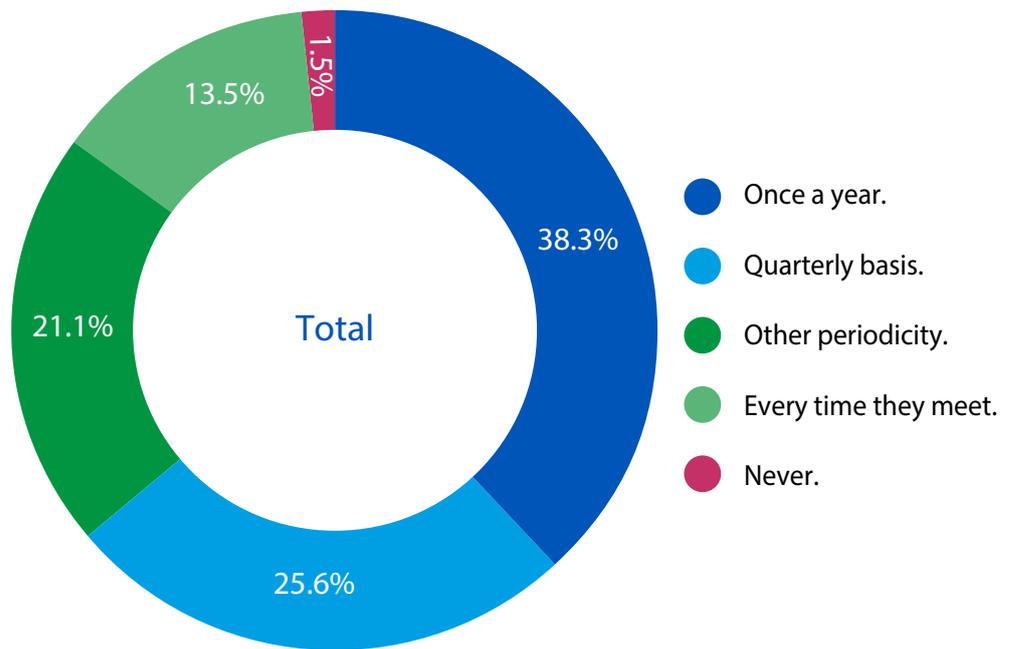


Figure 36: Frequency with which the Board of Directors or the executive committee receives a report from the compliance function in smaller companies.

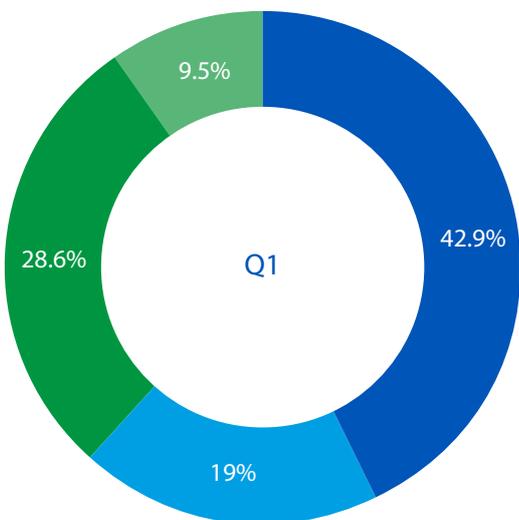
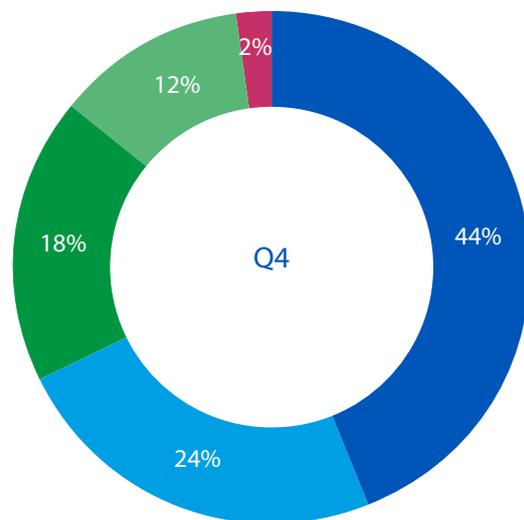


Figure 37: Frequency with which the Board of Directors or the executive committee receives a report from the compliance function in larger companies.



## 7. EVALUATION OF THE COMPLIANCE FUNCTION IN THE ORGANISATION

### What evaluation is made of the compliance function in the organisation?

From the study of the distribution of the responses received from each of the factors considered, it can be concluded that the compliance function contributes the greatest value to companies where it has helped to improve the company's internal procedures and controls. 95.4% of companies strongly agree, strongly agree or totally agree with this, followed by having a positive impact on the reputation and the company's brand value with 89.4% of the responses being positive.

There are three factors where opinions are divided in terms of the value that the compliance function brings them: the fact that it has avoided penalties for the company, with 57.9% of responses being positive, the fact that it has had a positive impact on attracting customers and/or in the opening of new markets, with 48.8% of responses being positive, and finally, the fact that it has improved the company's position in public tenders, with 43.6% of companies having this opinion.

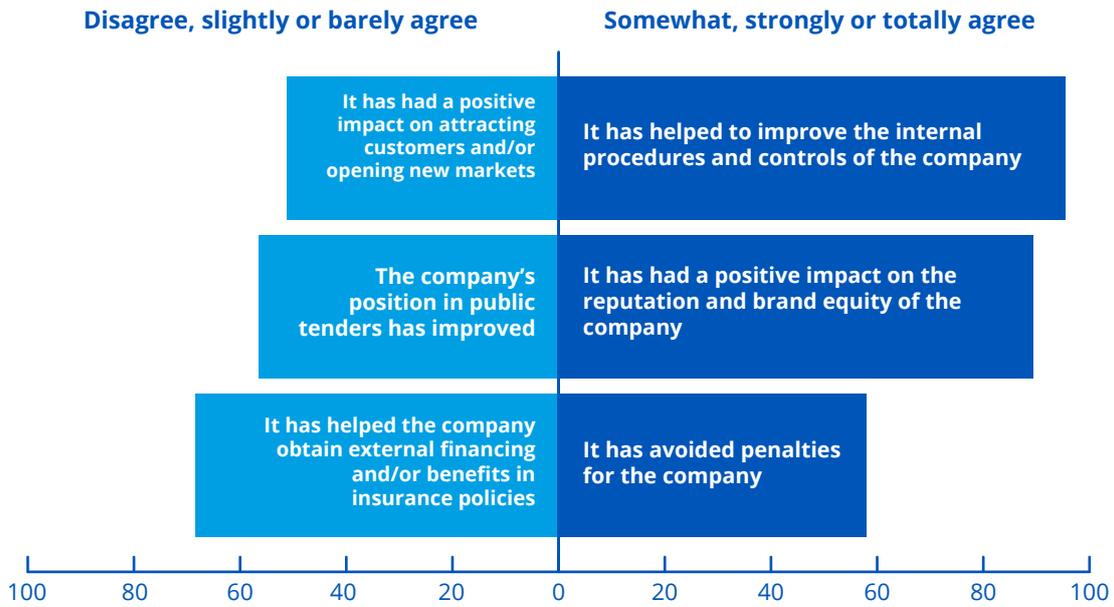
At the other end of the spectrum, companies do not consider that the compliance function has helped the company to obtain external financing and/or benefits in insurance policies, since only 31.7% of companies gave positive responses, and 68.3% of the companies either do not agree at all, barely agree or agree somewhat that it has helped.

The answers obtained in this section are an X-ray of the degree of maturity of the compliance function in Spanish companies, since they assess the function from different perspectives: those inside the company itself (internal procedures and controls, reputation and brand value), that of the stakeholders (customers, financial entities, insurance companies) and that of the Public Administrations (tenders and penalties).

**In this sense, we can see that the compliance function is better valued by the companies themselves than by the rest of the stakeholders, since the favourable implications of the function are, above all, those of an internal nature (they improve the company's internal procedures and controls, its reputation and brand equity). On the contrary, those that are linked to the recognition of the compliance function by third parties (customers, financial entities, insurance companies and public administrations) receive a lower valuation, which leads us to conclude that for the compliance function there is still a long way to go in the field of recognition of those organisations that have implemented and professionalised this function within them. In this sense, it is necessary that, to a greater extent, financial entities and insurance companies consider the existence of the compliance function in their customers and, therefore, of a compliance management system, as an element to consider at your own business risks. In the same regard, the fact that public administrations in general do not consider the compliance function to be a significant factor in tenders and in the mitigation of penalties also indicates that there is some way to go.**

**From this data we can deduce what could happen in the medium and long term, that is, in the coming years we will see how public administrations, as well as financial institutions and insurance companies, will increasingly value which companies have effective compliance management systems in place and this will give these companies a competitive advantage.**

Figure 38: Evaluation of the compliance function in the organisation.



As can be seen in the following figure, we must highlight the analysis of the evaluation of the compliance function (in blue) compared to the results obtained previously on the motivation that companies have to implement a compliance system (in green); there is a certain correlation between the reasons that companies have for implementing the compliance function and the results obtained.

In this regard, it is observed that the two most important reasons for implementing the compliance function are the management's ethical commitment and the exemption from criminal liability; in second and third place, companies state reputation and value of the corporate brand and the avoidance of financial penalties, all of which are related to the two most important reasons. In the same way, we saw that the second-least important factor when deciding to implement the compliance function was social and media pressure, and we verified that having implemented it does not have an impact on attracting more new customers and opening new markets, which confirms that the compliance function is not yet sufficiently well-known or is not sufficiently valued by Spanish society.

Figure 39: Determining factors (green bars) vs. Evaluation (blue bars) of compliance.



## DESIGN\*, IMPLEMENTATION AND OBTAINING THE SURVEY RESULTS

Throughout the fieldwork, a total of 4,150 calls were handled, which represents a final average of 3 telephone contacts per sample unit. Also noteworthy is the intensive use of e-mail when managing the field work; a total of 2,685 e-mails handled as a contact method in order to recall the survey. The questionnaire was filled in by the designated person (head of the compliance function) who handles the information that the survey intended to collect, which has caused some difficulty in collecting said information.

The survey was carried out on a total population of some 4,800 companies. These companies are large companies, which means that they have more than 200 employees and belong to the following areas of activity:

CNAE code	Description	CNAE code	Description
C: 10-32	Manufacturing industry	J: 58-63	Information and communications
D-E: 35-39	Supply of electricity, gas, water etc.	K: 64-66	Financial and insurance activities
F: 41-43	Building	L: 68	Real estate activities
G: 45-47	Trade, vehicle repair	M: 69-75	Professional, scientific and technical activities
H: 49-53	Transport and storage	N: 77-82	Administrative activities and auxiliary services
I: 55-56	Hospitality	A: 90-93	Artistic, recreational and entertainment activities

In total, 214 questionnaires were completed, which, given the total population (approximately, some 4,800 companies according to the Central Directory of Companies of the INE), we can guarantee a sufficient number in order to achieve substantial representativeness of the sample. Likewise, as can be seen in the following figures, if we compare the structure and composition of the sample by company size and activity sector with that of the population reference amount, a certain similarity can be observed that could reduce any bias in the results obtained.

\* In the preparation of the survey questionnaire, the collaboration and professional advice of Mr. Borja González-Ruiz Newman is particularly appreciated.

Figure 40: Sectoral adjustment of the companies in the sample.

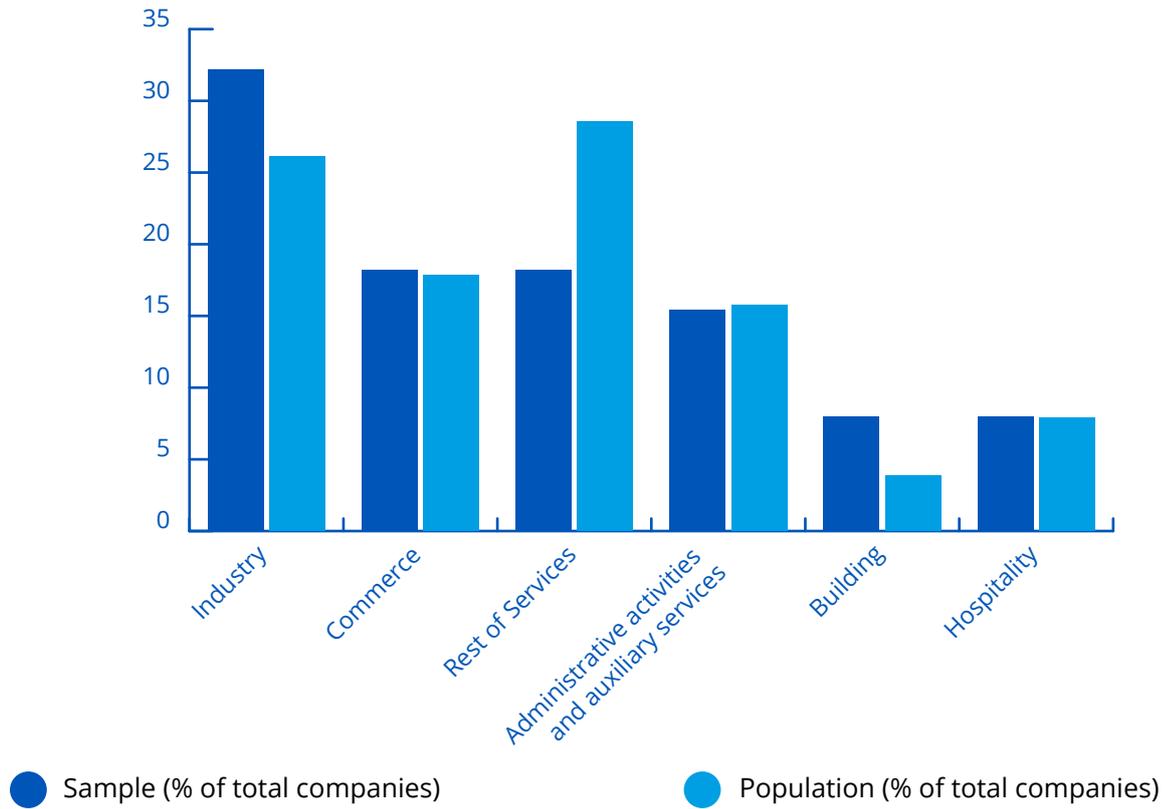
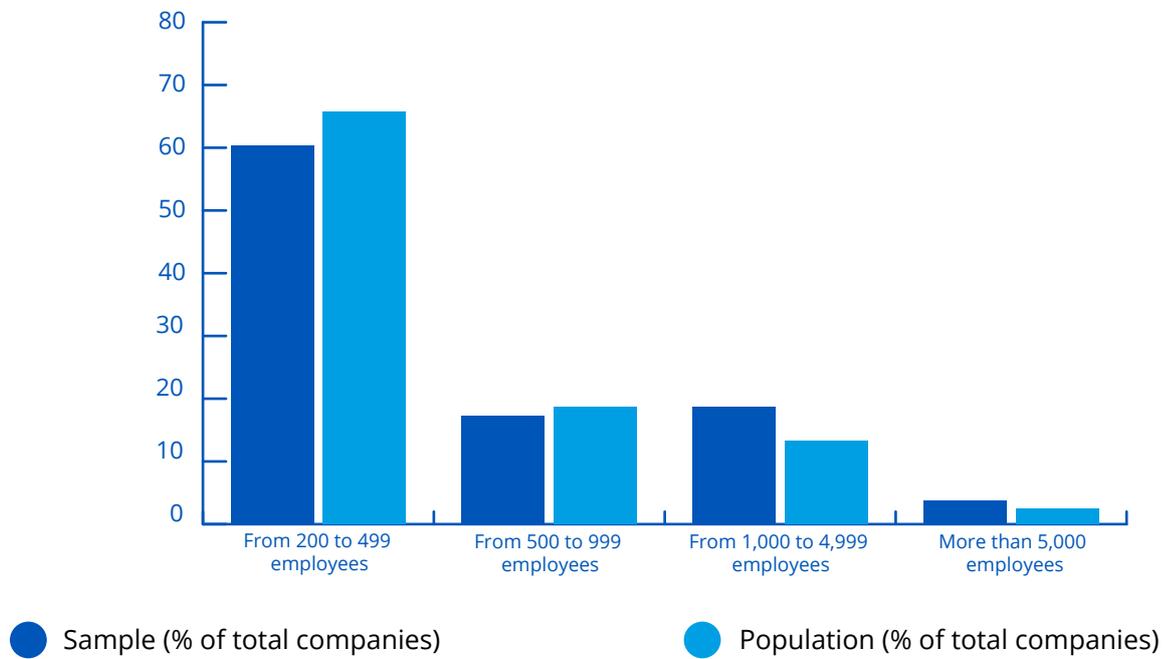


Figure 41: Adjust the size of the sample companies.



Regarding company size, the highest percentage of companies is concentrated in the section with less than 1,000 workers, just over three-quarters of the sample (77.6%). In relation to the activity sector, almost two thirds of the companies (65.9%) come from three sectors (industry, trade and administrative activities and auxiliary services).

Regarding the level of company turnover, they are in receipt of more than €50 million in the highest percentage (approximately 57.0%) with a distribution that places more weight on the segment of companies that have a turnover of more than €200 million. Being able to count on a large percentage of companies with a turnover of less than €50 million also provides the sample with greater representation, recognising a large percentage of large companies that, due to the small size of our business structure, would not be included, thus losing a valuable set of information.

Figure 42: Number of workers in the companies in the sample.

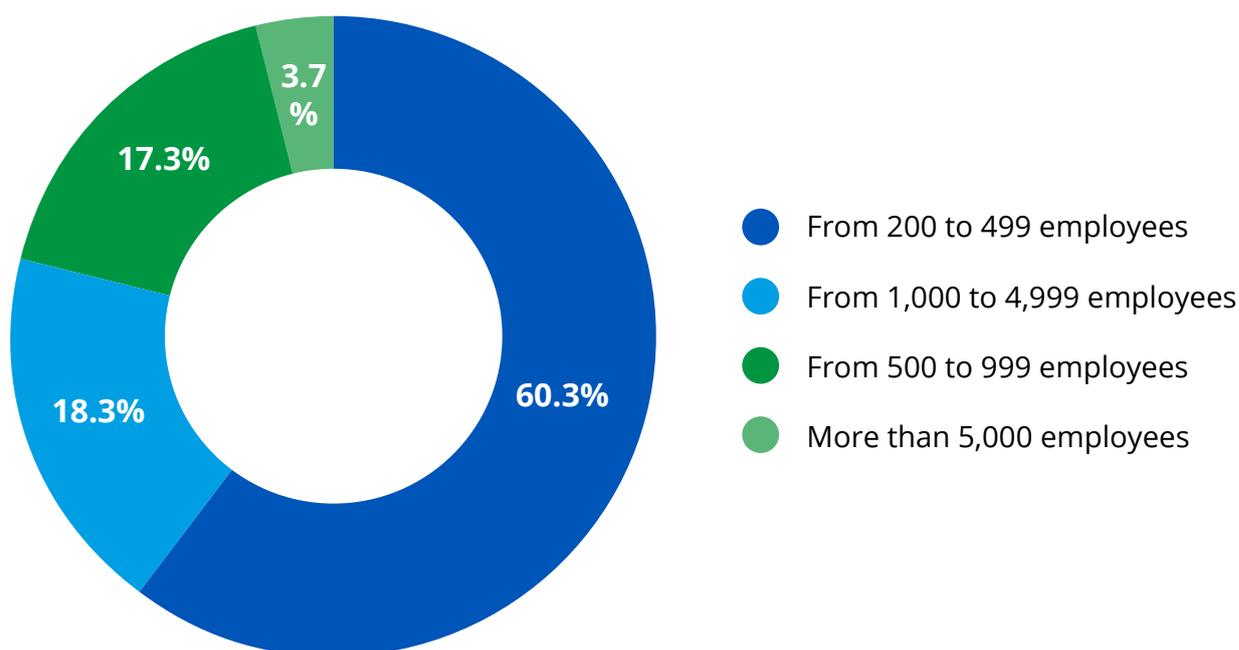


Figure 43: Sectors of activity of the companies in the sample.

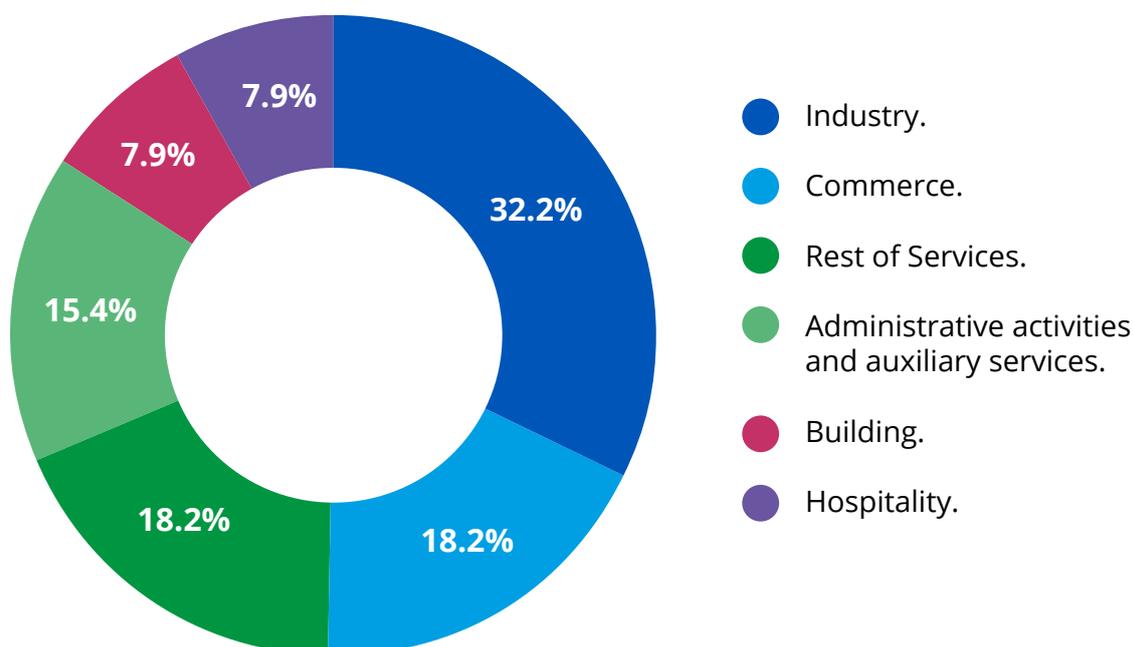
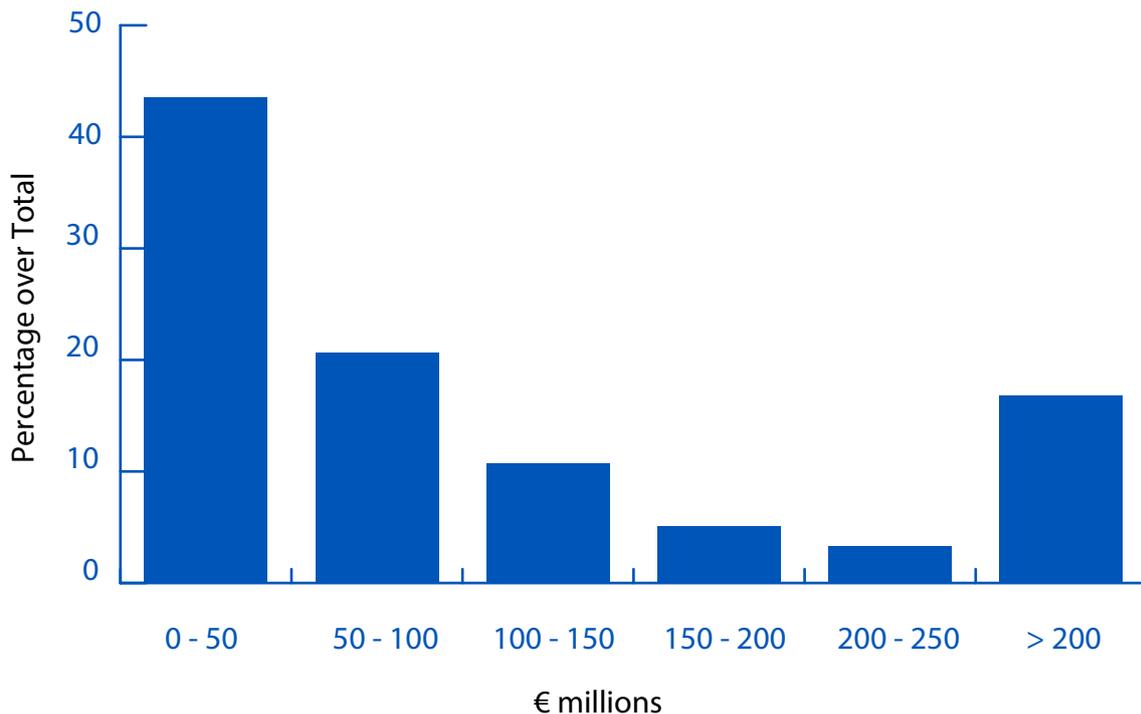


Figure 44: Turnover of the companies in the sample.



As indicated above, the main taxonomy of the sample defines large industry, construction and service companies, with a higher proportion of companies with less than 1,000 workers belonging to the service sector. Next, we will comment on the result of each of the factors, in light of the resulting data.

Similarly, from the questionnaire, it can also be seen that, of the 214 units almost 70% are Spanish companies controlled by fewer than 5 partners, almost two-thirds are not family-owned, and there is a low percentage of companies that trade in capital markets (8.4%).

Regarding the response to the questionnaires, minor problems have been detected (related to the budget allocation or workforce accounting) and one that could distort the results obtained to some extent. This latter case refers to those companies belonging to a group whose compliance function was located at the head of the group. In other words, the personnel in charge of carrying out compliance tasks belonged to the parent company and no one from the surveyed company was directly involved in them, a factor that has been able to influence the response on the structure of the compliance function within the company.

However, the corresponding validation controls have been carried out to achieve an optimal level of consistency and completeness of the information received. In all the cases in which it has been necessary to contact the company to verify the information included in the questionnaire, the person responsible for filling it in was contacted.

On almost all occasions, the person responsible belonged to the compliance department, the legal advice department, the financial or quality area.

On the other hand, in order to be able to compare the results obtained between the larger and smaller companies, the sample was divided into quartiles, taking into account the company turnover.

In this way, the results of the entire study were extracted for quartiles Q1 and Q4, considering the following ranges of turnover volume:

	MIN	MAX
Q1	€1 million	€22 million
Q4	€151 million	€50 billion .

Regarding the average of the turnover and the workforce, the data for Q1 and Q4 is as follows:

	Total	Q1	Q4
Turnover	457,577,531	12,680,306	1,665,139,564
Employees	1,698	378	5,111

Regarding the type of company:

- In both quartiles, approximately one-third of the total are family businesses.
- In Q1 there is a higher percentage of companies that are controlled by fewer than five partners (70.4%) compared to Q4 (57.4%).
- In Q4 there is a higher percentage of companies with a presence in capital markets (18.5%) compared to Q1 (5.6%).
- In Q4 there is a higher percentage of companies owned by more than 50% of foreign capital (42.6%) compared to Q1 (13%).
- There is a greater weight of the industrial sector in Q4 (40.7%) than in Q1 (14.8%).

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