



ACC
CHIEF LEGAL
OFFICERS
2017 SURVEY

LEARN ABOUT what keeps CLOs up at night and how they work with the C-suite.

FIND OUT the details on company changes due to geopolitical events, law department spend, and future staffing changes.

DISCOVER INSIGHT from nearly 1,100 CLOs in 42 countries.

ACC 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 2017 Survey is the largest global study of the issues and challenges facing chief legal officers (CLOs) in corporate legal departments. ACC surveyed CLOs and general counsel (GCs) from around the world to gain further insight on business priorities, career satisfaction, organizational processes, outside counsel and vendor management, budget and spend, staffing, compensation, and a variety of new topics.

Incorporating the insights of nearly 1,100 CLOs in 42 countries, the 2017 survey sheds light on the evolving role and priorities of CLOs across key metrics such as company revenue, industry, number of staff, and region. *The ACC Chief Legal Officers 2017 Survey* is a resource and benchmarking tool for leaders of the law department, counselors to the CEO and board of directors, and business strategists. The findings in this report make evident that the evolution of the CLO from pure legal adviser to strategic business partner continues and brings with it tremendous opportunities as well as challenges. From budget and spend to fee structures to company policy and strategy, CLOs increasingly rely on data to make decisions that influence not only the department but also their company's business.

The corporate legal landscape is fraught with an increasingly complex regulatory environment, the never-ending balancing act between risk and compliance, and heightened internal pressure to demonstrate value while lowering costs. Twenty-eight percent of CLOs report being targeted by a regulator with respect to an alleged violation of the law, and 77 percent report handling at least one internal or external compliance-related investigation in their department.

Given their global roles, CLOs today are on the front lines of managing change in their organizations, from keeping abreast of complex regulatory and policy changes in an emerging populist environment to being called upon to weigh in on everything from profit to safety to growing the business while also mitigating major risks. One-third of CLOs surveyed made policy changes in their organizations as the result of geopolitical events. Examples of policy changes include initiating plans to enter new markets, adjusting insurance policies, and revising policies that promote employee safety.

We hope this report serves as a useful tool highlighting relevant metrics across a wide variety of law department operations. This report includes data useful in benchmarking against law department peers on metrics like budget, inside and outside spend, staffing, and resourcing by key demographics such as industry, region, and department size. Additional information on the role CLOs play in their organization and how they function at the board, C-suite, and business level is included in the overall results. The key findings section of the report highlights important results, while the executive summary contains more detailed discussion of the data. Overall results provide a question-by-question analysis of the findings and include key metrics such as proportion of spend, staffing averages, and budget.

28%

Targeted by regulator
in past two years



ABOUT ACC:

ACC is a global bar association that promotes the common professional and business interests of in-house counsel who work for corporations, associations, and other private-sector organizations through information, education, networking, and advocacy.

We anticipate and understand the needs of the in-house bar; help members deliver services to their corporate clients efficiently; promote the value of in-house services; influence the practice of law as it affects the in-house bar; and deliver a mix of relevant, timely services including information, education, networking, and advocacy.

With more than 42,000 members employed by over 10,000 organizations in 85 countries, ACC connects its members to one another and to the people and resources necessary for their personal and professional growth.

KEY FINDINGS

Geopolitical issues are affecting companies on multiple levels

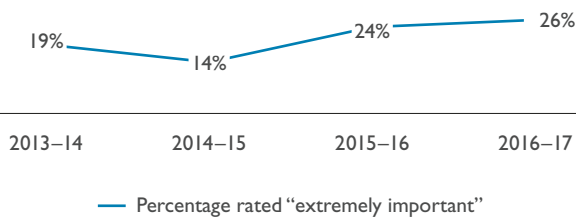
Geopolitical change has a direct effect on business, according to one in three CLOs. Thirty-five percent of respondents say their company changed plans to enter new markets as a result of geopolitical events last year. This was especially prominent in Europe, the Middle East and Africa, and Asia Pacific, where CLOs report that their companies made changes to supply and distribution lines. Thirty percent changed insurance and 28 percent changed employee safety policies as a result of geopolitical events.

What keeps CLOs up at night?

Ethics and compliance remain the top issue for CLOs. Seventy-four percent rate ethics and compliance as somewhat or very important in the next 12 months, up 3 percentage points from last year (71 percent).

Regulatory or government changes ranked second on the list of issues keeping CLOs up at night. With flourishing regulations and a growing body of global regulatory guidelines that require attention, CLOs must ensure that a system is in place to monitor changes. With 28 percent reporting that a regulator targeted their company last year for an enforcement action, this issue is a timely one. In fact, the percentage of CLOs who created new positions in the regulatory/government affairs role last year doubled from 6 to 12 percent. Information privacy and data breaches also remain top issues weighing on the minds of CLOs.

IMPORTANCE OF DATA BREACHES AND PROTECTION OF CORPORATE DATA CONTINUE TO RISE AMONG CLOs

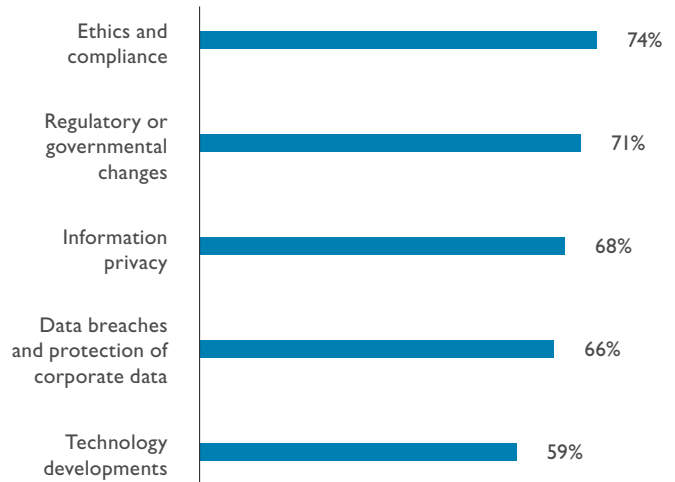


Regulatory action, patent trolls, and data breaches continue to affect companies

A significant proportion of CLOs report that a regulator has targeted their organization in the past two years (28 percent). Twenty-three percent say their company experienced a data breach during this time, and 17 percent have been targeted by a patent troll or NPE.

Data breaches continue to grow in importance yearly and across regions. A high percentage of CLOs in Europe report having experienced both a data breach and a regulatory action compared with those in other regions, likely affecting budget and workload in these departments. Europe surpassed the Asia Pacific region in reporting data breaches this year.

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



“The CLO will likely become more business oriented focusing on decreasing cost and creating value. There will likely be an uptick in time spent and cost incurred on compliance related issues due to regulatory changes globally.”

CHIEF LEGAL OFFICER, CONSTRUCTION AND ENGINEERING

Employer's duty of care/workplace safety a top issue for 44 percent

Global conflict and instability, domestic and foreign terrorism, and workplace violence all require policies that support the best possible outcome should an adverse event occur. Employers are increasingly sensitive to duty of care and workplace safety in light of recent events where conflict or terrorism affected the safety of employees. Forty-four percent rated this a top issue — very or extremely important in 2017. CLOs in Australia had the highest percentage rate this issue as “extremely” important (23 percent), followed by CLOs in the Asia Pacific region (18 percent). Duty of care/employee safety is keeping 43 percent of CLOs in construction and engineering up at night. One in four CLOs in energy rated this of extreme importance. Six percent in retail rated duty of care/employee safety as important, the lowest among industries studied.

Forty-six percent of CLOs may terminate a law firm or outside counsel relationship next year

Thirty-one percent of CLOs reported that they terminated at least one law firm or outside counsel relationship for underperforming in 2016. Forty-six percent report that they either definitely (10 percent) or may (36 percent) terminate a law firm or outside counsel relationship with the intent to hire a new firm to perform the same work in 2017.

Insourcing versus outsourcing

Forty-eight percent of CLOs anticipate that the amount of work they send to firms will remain the same in 2017, while 31 percent will increase the amount of work outsourced and 18 percent will decrease it. Complex litigation remains the top area outsourced to law firms, with 97 percent of CLOs sending this work to an outside law firm. Law firms may see an increase in e-discovery work with 61 percent of CLOs sending this work to firms, up 16 percentage points from 2016.

Data breaches hit education and healthcare hardest

The educational services sector reported data breaches in numbers surpassing that of the healthcare sector for the first time in three years. Respondents in the service companies and organization, telecommunications, professional/scientific/technical services, and IT/software/Internet-related services sectors saw a significant decrease in the proportion of CLOs reporting a data breach from previous years. Thirty-four percent of CLOs in Europe and 33 percent in the Asia Pacific region say their company had a breach in the past two years.

PERCENTAGE OF CLOS WHO RATED DUTY OF CARE/WORKPLACE SAFETY A TOP ISSUE

	Extremely important
Construction/Engineering	43%
Energy	24%
Real Estate/Rental and Leasing	18%
Professional, Scientific, and/or Technical Services	16%
Manufacturing	15%
Telecommunications	12%
Healthcare/Social Assistance	12%
Retail Trade	6%
Insurance	5%
Information Technology/Software/Internet-related Services	4%
Pharmaceutical/Medical Devices	3%
Finance/Banking	2%

Big law departments spending more than half the budget on litigation

On average, 24 percent of the law department budget is spent on litigation. Those in the top 5 percent spend as much as 80 percent of their budget on litigation. Generally, the larger a department's budget, the greater the percentage of that budget is spent on litigation. Departments with budgets of greater than US \$50 million spend over half of their budget on litigation on average, compared with roughly 13 percent in departments with a budget of less than US \$50,000.

Delegation of legal operations expands

Delegation of legal operations rose this year, with 23 percent delegating either full time or part time, up from 16 percent in 2016. Among those who delegate legal operations full time, 42 percent delegate to non-lawyers. Eighty-one percent of CLOs say they use value-based staffing practices such as assigning work to a variety of internal resources, including non-lawyers, based on complexity and risk. Forty-three percent of respondents report having at least one legal operations professional on the team, similar to the 48 percent reported last year.

Gender gap in compensation persists

As prior ACC research has shown, a gender disparity in total compensation exists among in-house counsel. This is also true at the CLO level and has not changed this year, with a higher percentage of female than male CLOs making less than US \$200,000. Male CLOs are more likely than female CLOs to make US \$300,000 or more. This is consistent with last year's CLO survey.

Growth in inside budgets outpaces outside budgets

Year-over-year changes to total law department budgets were minimal, with the same percentage of respondents indicating they anticipate an increase in total budget this year compared with last year. Forty-three percent of CLOs plan to increase their inside budget over the next 12 months, while 37 percent plan to increase their outside budget.

Increases in staffing slowing in 2017

CLOs expect growth in department staffing to remain stable in 2017. While increases and cuts to in-house counsel, contract lawyers, and other positions are expected to remain the same as those reported in 2016, the large growth in year-to-year staffing seen in past years has slowed. Departments are expected to grow at the same pace in 2017 as they did in the past year. Twenty-six percent of CLOs report they will add in-house lawyers to their department in the next 12 months, the same as last year.



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PROJECT OVERVIEW & METHODOLOGY

This survey opened on Sept. 26 and closed on Nov. 3, 2016. A total of 1,139 lawyers participated with 1,096 responses included in this analysis; 75 percent (851) of respondents were ACC members, and 25 percent were non-members. Among members, a total of 7,640 GC and CLO members were invited to complete the survey for a response rate of 11 percent. Additional invitations to participate were sent to non-ACC GC and CLOs via partner bar associations and a purchased 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 are used when appropriate to determine whether differences between groups or between time periods are 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. All dollar amounts are expressed in US dollars (US \$).

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. The total of CLO participants in Latin America is 14 and in the Middle East region is 23.

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.

Median: This is 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), then we know that 50 percent of departments have more than three lawyers and 50 percent have fewer than three lawyers.

95 Percent Confidence Intervals: In some cases throughout the report, we place confidence intervals at the (conventional) 95 percent level around mean values. These intervals indicate the upper and lower bounds of what the potential mean value might be if we were to survey a sample of the population again. For example, if we were to take 100 different samples of in-house lawyers as large as this current sample, in fewer than five of those 100 samples would we expect not to observe that average value to be within the upper and lower confidence interval values. Therefore, we can be highly confident that the mean value we present is almost certainly within the values of the confidence intervals.

Histograms and boxplots

We present histograms and boxplots in addition to more common tables and charts to more clearly demonstrate the variation in the data across different segment categories of interest, such as industry and department size. This allows for more efficient visual comparisons rather than simply scanning numbers in charts line by line.

Histograms: A histogram graphically displays the full distribution of observations. In this report we present the full distribution of responses to a particular survey question. We specifically show the number of respondents who selected or wrote in a particular value. We then place vertical reference lines on the graph to point out key statistics of interest and where those values lie within the overall distribution of values. Within each histogram, we report the mean, median, and 95th percentile value.

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 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.

If you would like additional information about this report or other ACC research products, please contact ACC Research at research@acc.com or contact Robin Myers, Director of Research, 202.349.1517.

EXECUTIVE SUMMARY

Geopolitical issues are affecting business

Changes in the geopolitical climate, from political regime changes to conflict and war, are natural drivers of top issues affecting many companies. The CLO is tasked with keeping abreast of potential conflicts in this changing landscape, including evaluating plans for growth, employee safety, and insurance. It is not uncommon for geopolitical changes to influence regulatory and government policies that tie this area of interest directly to ethics and compliance, the top issue affecting CLOs today.

The effect of geopolitical events is significant. From plans to enter new markets to product distribution, companies changed how they approached business last year, according to respondents. One in three CLOs say their company made changes in at least one area as a result of the geopolitical climate. This appears to be region-specific, with over half of all respondents in Europe, the Middle East and Africa, and Asia Pacific reporting changes to new market plans versus 29 percent in the US, 35 percent in Australia, and 30 percent in Canada.

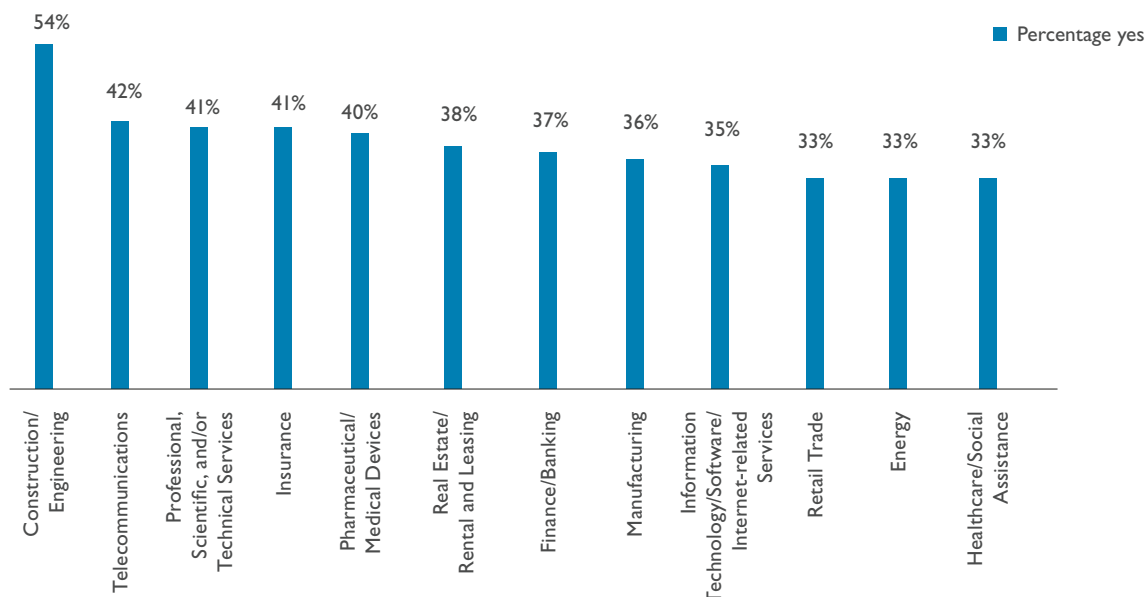
CLOs in the Middle East and Africa, Europe, and Asia Pacific regions were more likely than CLOs in other regions to say their companies made changes to supply and distribution lines, and those in Asia Pacific were much more likely to say they changed social media policies as a result of geopolitical events. A higher proportion of CLOs in Europe and the Middle East and Africa report alterations to travel policies last year.

Geopolitical events most heavily affected plans to enter new markets last year. There were some unique patterns by industry, however. A relatively high percentage (54 percent) of respondents in the construction and engineering industry say their company made changes to insurance and plans to enter new markets last year. Four in 10 CLOs in manufacturing report changes in travel policies, more than any other industry. Four in 10 healthcare CLOs surveyed say their company made changes to employee safety policies. Social media policies and overall budget saw greater changes in the healthcare and not-for-profit industries than in other industries. The pharmaceutical and medical devices industry and manufacturing industries saw the highest percentage report changes to product supply lines and product distribution lines.

IN THE PAST YEAR, HAS YOUR COMPANY MADE ANY CHANGES TO THE FOLLOWING AS A RESULT OF GEOPOLITICAL EVENTS? PERCENTAGE "YES"

	Region (office location)						
	Europe	Middle East/ Africa	Latin America/ Caribbean	Asia Pacific	Australia/ New Zealand	US	Canada
Plans to enter new markets	58%	53%	44%	68%	35%	29%	30%
Insurance	34%	20%	11%	32%	25%	30%	44%
Employee safety policies	37%	13%	22%	36%	28%	26%	26%
Travel policies	53%	53%	22%	56%	24%	21%	26%
Overhead budget	34%	33%	33%	52%	25%	20%	38%
Social media policies	24%	20%	33%	48%	24%	20%	30%
Product distribution lines	34%	47%	22%	44%	17%	13%	15%
Product supply lines	39%	40%	22%	44%	14%	12%	15%

IN THE PAST YEAR, COMPANY CHANGED PLANS TO ENTER NEW MARKETS AS A RESULT OF GEOPOLITICAL EVENTS BY INDUSTRY



Compliance, regulatory changes top the list of what's keeping CLOs up at night

Ethics and compliance and regulatory changes continue to top the list of issues keeping CLOs up at night, followed by information privacy and data breaches and the protection of corporate data. Though the order of issues has changed only slightly since 2013, many key issues have grown in their importance to CLOs. Since the 2013-14 survey cycle, the greatest change is seen in the “extreme” importance CLOs attribute to regulatory or governmental changes and technology. The percentage of respondents who rated these as extremely important rose considerably: Technology developments rose 14 percentage points, and regulatory or governmental changes rose by 8 percentage points this year compared with 2013-14.

The continued emphasis on compliance is not surprising given that law departments report having to handle an average of just under three (internal and external) compliance-related investigations in the past year. In the most extreme cases, departments are handling as many as 10 or more investigations. And with 28 percent of respondents saying they were targeted by a regulatory agency in the past two years, there is a distinct possibility that one in four CLOs are addressing regulatory issues in addition to other compliance-related investigations.

In the past year, law departments may have been addressing compliance, technology, and regulatory issues by expanding their in-house staff. Four in 10 CLOs say they created new corporate lawyer positions in their departments, specifically in contracts and compliance. Thirty percent report adding new in-house lawyers to their department in general, and 8 percent report hiring legal operations professionals in their department.

Regulatory or governmental changes have affected 28 percent of all CLOs surveyed in the last two years. One of the great challenges in both maintaining and growing business is keeping abreast of regulatory changes and establishing procedures for remaining compliant in this constantly shifting environment. In fact, when asked about the evolving role of the CLO, comments center on the increasing use of technology and the growing regulatory environ-

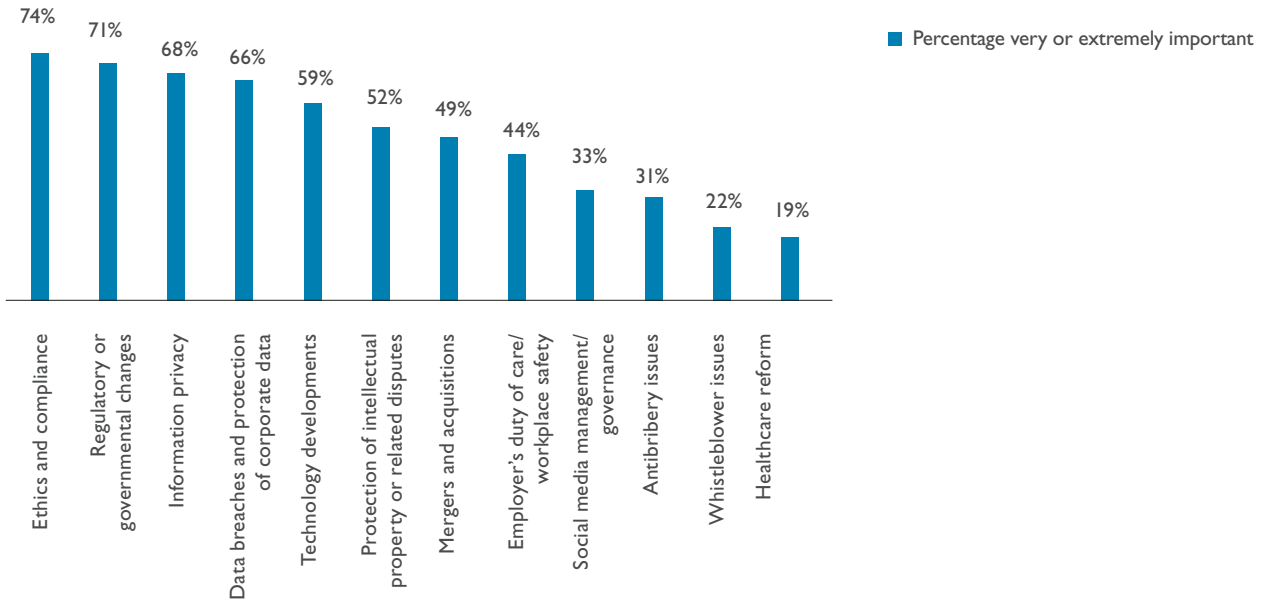
ment as part of the natural progression toward CLOs playing a more strategic role at the company level.

Information privacy and data breaches remain a top concern among CLOs worldwide but especially among those in the education and healthcare industries. In industries with stringent reporting requirements, it may not be surprising that the number of breaches reported is higher; however, the per-record cost to an organization is also very high in these industries. Recent findings from the Ponemon Institute (2016) show that the average cost per stolen record in education is US \$246, the second-highest cost by industry, falling just behind healthcare at US \$355 per stolen record. These costs per record are much steeper than in other, less regulated industries. The healthcare industry must also defend against a high proportion of criminal attacks with nearly half of all breaches the result of such incidents (Ponemon Institute, May 2016).

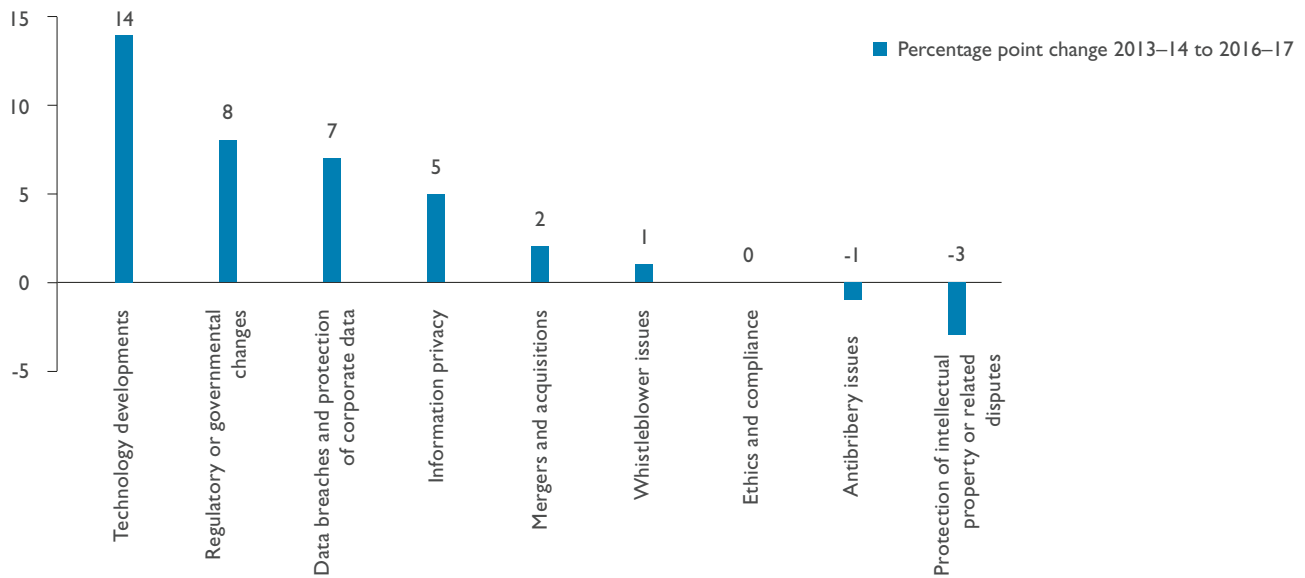
This may explain the increase in attention to data breaches and technology developments overall. The *ACC Foundation: The State of Cybersecurity Report* found that not only were company and law department budgets growing in this area, but 59 percent of the CLOs surveyed expected their law department's role in cybersecurity to increase. The rated importance of data breaches has increased by 7 percentage points since the 2013-14 survey was conducted. For those in healthcare and in education, this is of extreme importance likely because of the cost associated with a breach.

Technology is fast paced by nature, and with increasing attention on sophisticated cybercrime, artificial intelligence, and automation in the legal field, it makes sense that technology saw the most growth in importance since 2013. These findings align with findings from other recent ACC research that show the CLO role is evolving quickly with a shift from tactical to strategic. High-performing departments with a more comprehensive state of technology are more likely to be working closely with business leadership and consulted on the company's risk exposure early on in business deals (*ACC Law Department Management 2016 Report*). Regionally, CLOs in the US and Canada were less likely than those in Asia Pacific and Australia to say that technology developments will be very or extremely important in the next 12 months.

LEVEL OF IMPORTANCE YOU ANTICIPATE EACH OF THE FOLLOWING ISSUES WILL HOLD OVER THE NEXT 12 MONTHS

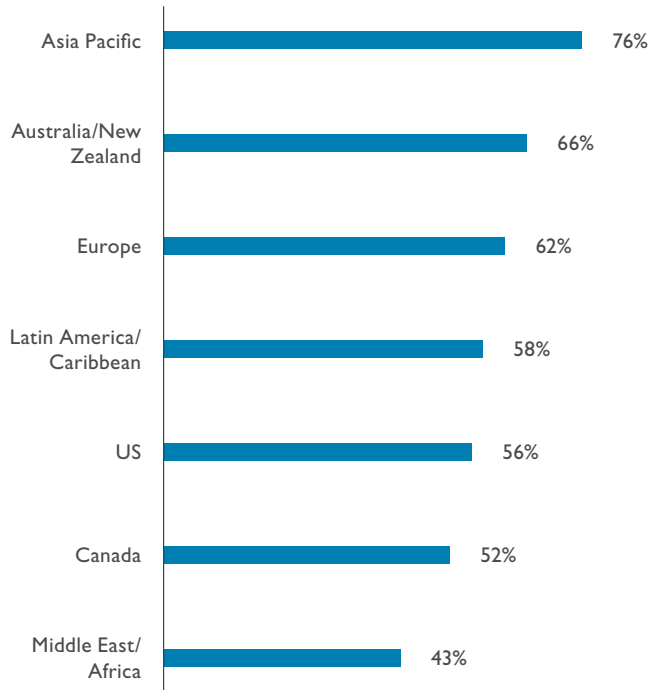


CHANGE IN IMPORTANCE ON KEY ISSUES
PERCENTAGE POINT CHANGE IN "EXTREMELY IMPORTANT" RATINGS



IMPORTANCE OF TECHNOLOGY DEVELOPMENTS OVER NEXT 12 MONTHS

Very/Extremely important



“CLOs are delegating more to legal operations personnel, allowing CLO to focus on higher-level work. Technology enables more effective use of outside resources, which will increasingly be non-traditional service providers. Technology enables more effective use of internal resources and more efficiency in operations.”

GENERAL COUNSEL, INFORMATION TECHNOLOGY/SOFTWARE/INTERNET-RELATED SERVICES

“For our company, the impact of cyber security and related risks will increase the need for in-house counsel to work closely with IT to assure that the risk of cyber breaches are limited or eliminated. Cyber breaches will happen and the need for mitigation of legal exposure will be paramount for all size businesses.”

CHIEF LEGAL OFFICER, MANUFACTURING



Regulatory action, patent trolls, and data breaches continue to affect companies

A significant proportion of CLOs report that a regulator has targeted their organization in the past two years (28 percent). Twenty-three percent say their company experienced a data breach during this time, and 17 percent have been targeted by a patent troll or non-practicing entity (NPE).

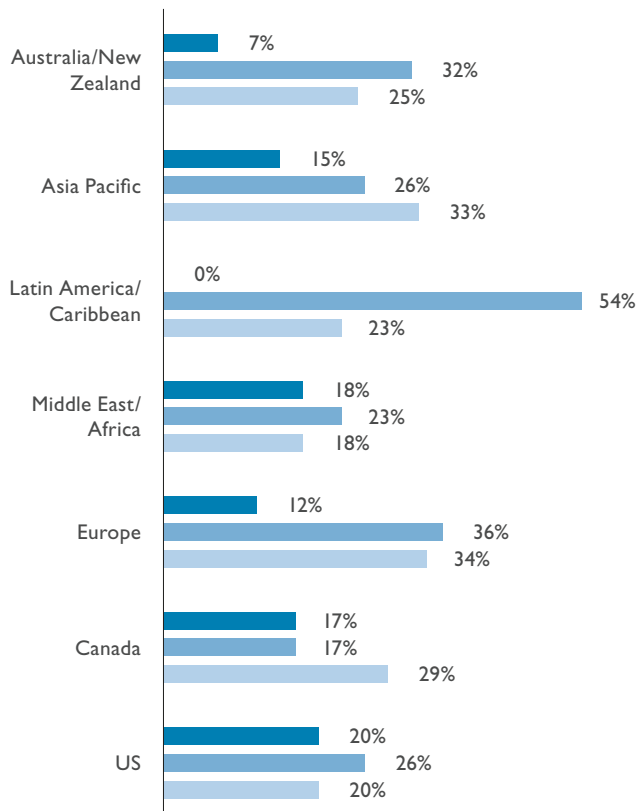
Regionally, a high percentage of CLOs in Europe report having experienced both a data breach and regulatory action compared with other regions, likely affecting budget and workload in these departments. Europe surpassed the Asia Pacific region in reporting data breaches, though these CLOs were most likely to report a regulator action in the last year.

In the US, regulator issues were more common than data breaches or patent trolling, according to CLOs. One in four CLOs in the US and Asia Pacific say their company was targeted by a regulator in the last two years. CLOs in the US were again the most likely in all regions to report that a patent troll targeted their company (20 percent).

Those in the retail trade, pharmaceutical, healthcare, energy, and manufacturing industries report being targeted by a regulator in the past two years. This is much higher than for those in the IT, not-for-profit, and professional/scientific/technical services industries. CLOs in the telecommunications and retail trade industries are most likely to report being targeted by a patent troll. And at least one in five from all industries except retail trade, IT, and professional/scientific/technical services report experiencing a data breach in the past two years.

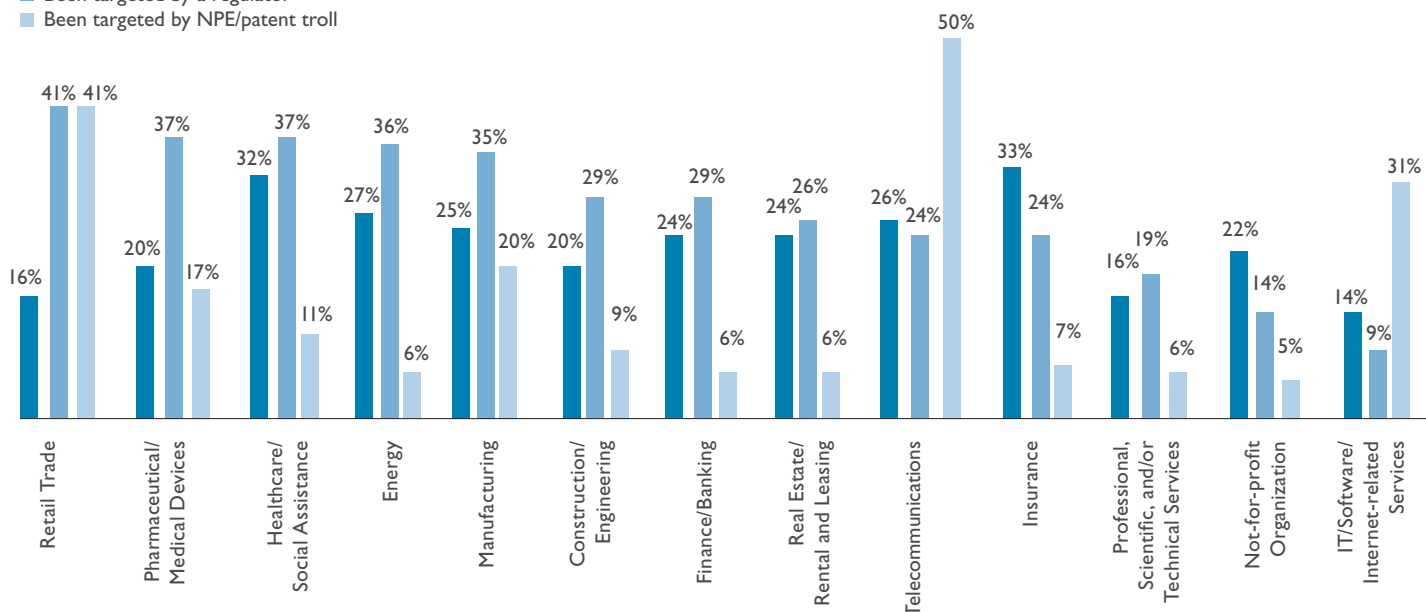
IN THE PAST TWO YEARS ...

- Been targeted for litigation by NPE or patent troll
- Been targeted by a regulator
- Experienced a data breach



IN THE PAST TWO YEARS...

- Experienced a data breach
- Been targeted by a regulator
- Been targeted by NPE/patent troll



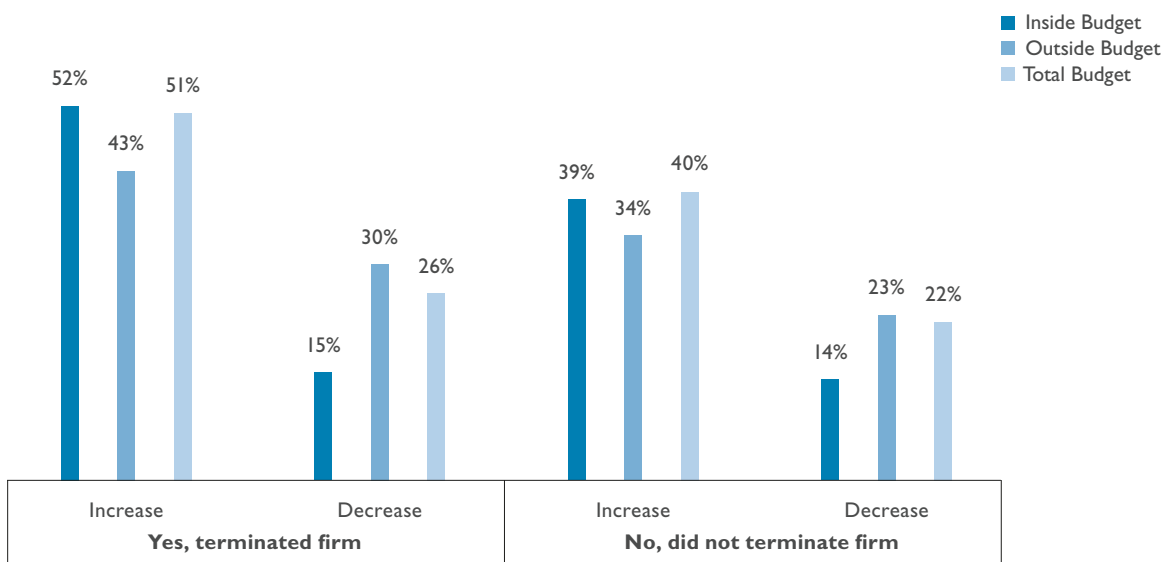
CLOs plan to terminate underperforming law firms

Thirty-one percent of CLOs reported that they terminated (for underperforming) at least one law firm or outside counsel relationship in 2016, and 46 percent report that they either definitely will (10 percent) or may (36 percent) replace a firm next year. Among those who terminated a firm last year, two-thirds of CLOs say they are definitely (20 percent) or possibly (46 percent) considering replacing a firm they employ this year. This indicates that CLOs are not necessarily ridding themselves of their outside law firm partners but rather changing firms, and this is likely to continue into 2017. These findings illustrate an opportunity for firms and de-

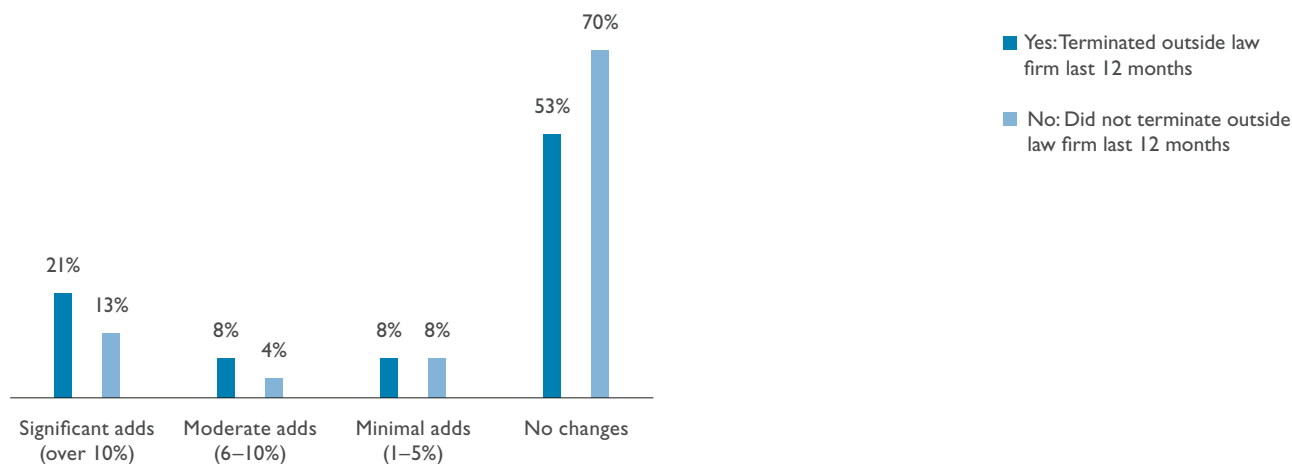
partments to work toward greater value to maintain and improve corporate counsel-outside counsel relationships.

CLOs who reported terminating a law firm last year were significantly more likely to report they anticipate increasing their inside budget and increasing their use of alternative fees. Fifty-two percent of respondents who terminated a firm expect to increase their inside budget compared with 39 percent who did not sever ties with any law firms. Forty-eight percent of those who terminated a firm last year anticipate an increase in use of alternative fees in the next year compared with 39 percent who did not make changes to law firm partners. This may explain why total budget and outside budget were also likely to increase for departments run by CLOs who terminated firms last year.

BUDGET INCREASE/DECREASE BY TERMINATED LAW FIRM IN 2016



EXPECTED ADDITIONS TO IN-HOUSE STAFFING BY TERMINATED LAW FIRM IN LAST 12 MONTHS



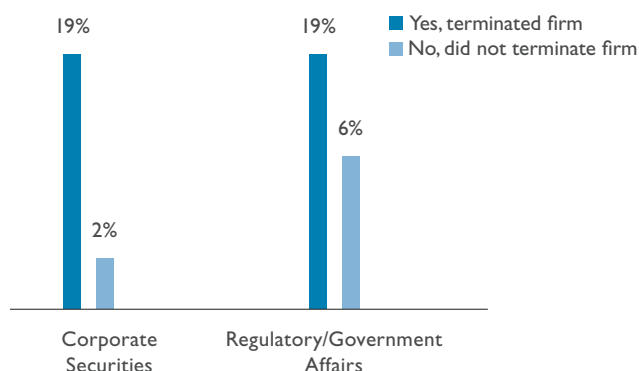
CLOs who terminated a law firm last year estimate that 48 percent of their overall legal budget is distributed to inside spend compared with 56 percent of those who did not report terminating a firm last year.

CLOs who terminated a law firm last year report adding paralegals and legal operations professionals in the past 12 months, including moderate to significant additions to the in-house lawyer staff and administrative staff. Twenty-one percent of those who terminated a law firm last year say they will make significant additions to their in-house lawyer staff compared with 13 percent who made no changes to their outside counsel last year.

In comparing those who did and did not terminate a law firm or outside counsel relationship in 2016, areas where new positions were created are similar with the exception of corporate securities and regulatory and government affairs. Among those who reported terminating a relationship with outside counsel, 19 percent created positions in these areas, significantly higher than among those who did not terminate a law firm in 2016. A slightly greater percentage of those who terminated a firm last year created positions in most other practice areas, including compliance and contracts.

Corporate securities and/or regulatory and government affairs are two practice areas with significantly more hiring by CLOs who terminated a firm in the past year compared with those who did not. Among those who report terminating a relationship with a firm or outside counsel, one in five created positions in one or both of these areas, a significantly higher proportion than among those

CLOs WHO TERMINATED FIRMS IN PAST 12 MONTHS FAR MORE LIKELY TO CREATE POSITIONS IN ...



who did not terminate a law firm in 2016 (6 percent or less).

Among those who are definitely or possibly considering replacing a current law firm or outside counsel relationship with a different one in the coming year, just 19 percent anticipate a decrease in the amount of work they send to outside providers and law firms. Another 32 percent anticipate an increase, and 46 percent predict it will stay the same. However, 50 percent of those considering replacing a firm or outside counsel with which they have a relationship expect their department's inside budget to increase, and 31 percent expect their outside budget to decrease.

LAW FIRM TERMINATIONS PAST 12 MONTHS BY ESTIMATED BUDGET ALLOCATION (OUTSOURCING)

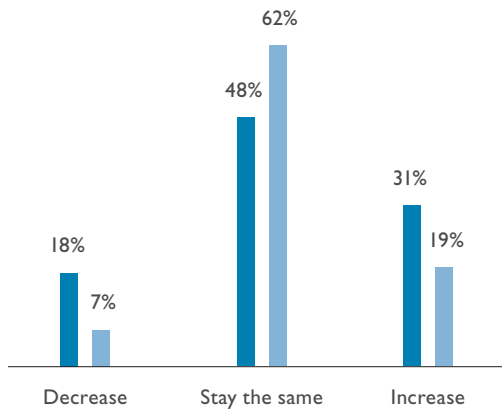
Terminated law firm/outside counsel relationship in 2016	Please estimate the percentage of your total legal budget distributed for ...		
	Inside spend (including overhead and salary expenses)	Outside spend on outside counsel	Outside spend on other service providers
Yes	47.9%	44.7%	7.4%
No	55.7%	38.1%	6.2%

EXTERNAL WORK DISTRIBUTION (OUTSOURCING)

	Outsource to law firm			Outsource to LPO or LSP		
	2015-16	2016-17	Change	2015-16	2016-17	Change
Complex litigation	90%	97%	7	1%	<1	-1
Content creation	7%	6%	-1	1%	3%	2
Contract management	2%	1%	-1	1%	1%	0
Document review	17%	13%	-4	5%	3%	-2
Document management	2%	1%	-1	2%	2%	0
Due diligence	43%	36%	-7	7%	2%	-5
E-discovery	45%	61%	16	28%	14%	-14
Legal research	45%	36%	-9	2%	1%	-1
Legal writing	29%	21%	-8	6%	<1 %	6
Patent services	63%	83%	20	28%	4%	-24
Records management	3%	3%	0	3%	3%	0

DO YOU ANTICIPATE THE AMOUNT OF WORK YOU SEND TO OUTSIDE PROVIDERS AND LAW FIRMS WILL INCREASE, STAY THE SAME, OR DECREASE IN THE NEXT 12 MONTHS?

■ Law firms ■ Outside providers



Insourcing versus outsourcing

Thirty-one percent of CLOs will increase the amount of work they outsource to outside law firms in the coming year. Eighteen percent report they will decrease the amount of work sent to firms. CLOs in companies with revenue of US \$1 billion were somewhat more likely to outsource document review, due diligence work, and legal research compared with those in companies with lower annual revenue. The exception is patent services, which are outsourced more frequently by firms with US \$99 million or less in annual company revenue.

Complex litigation is almost always outsourced to a law firm. This year, 97 percent of CLOs report they outsource this work, a 7 percentage-point increase from last year. This may account for the spending patterns seen in outside budgets as predicted for 2017. Forty-eight percent of CLOs anticipate that the amount of work they send to firms will remain the same in 2017, while 31 percent will increase the amount of work outsourced and 18 percent will decrease it. Law firms may also see an increase in e-discovery work and patent services. Both areas saw growth in the percentage who report they will outsource this work in the coming year. Patent services saw the largest increase in work to outside firms, while firm work on due diligence, and legal research and writing is decreasing.

While 28 percent of respondents reported outsourcing patent services to a legal service provider (LSP) or legal process outsourcing (LPO) company last year, this work appears to be moving to outside law firms recently, with 83 percent saying they send patent work to a law firm. Likewise, e-discovery work grew for law firms last year and shrank by a large percentage for LSPs.

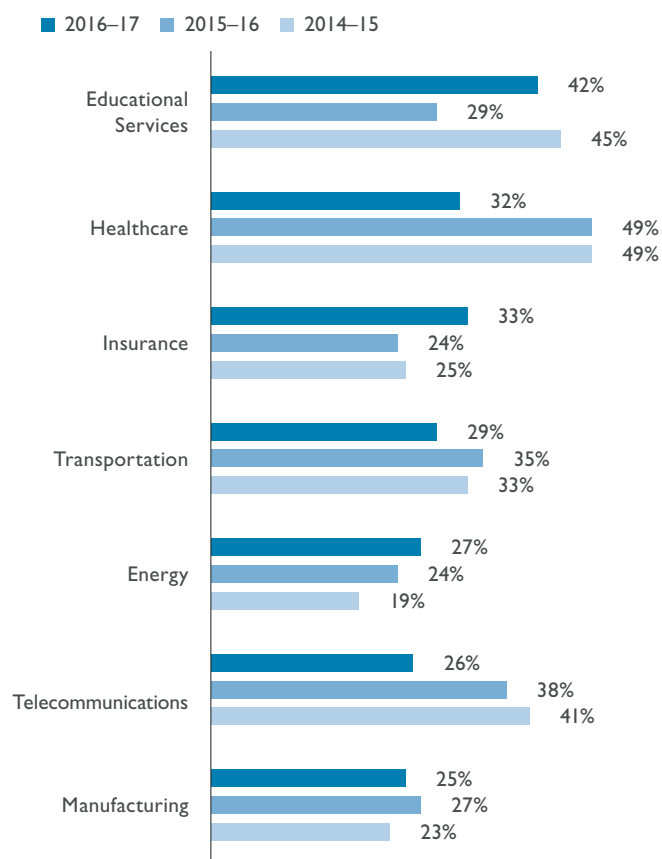
Breaches hit education and healthcare hardest

Information privacy and data breaches remain a top concern among CLOs worldwide.

In the past two years, just under one-quarter of CLOs say that their company has experienced a data breach. A much lower percentage of CLOs in the healthcare, telecommunications, and professional/scientific/technical services sectors reported experiencing a data breach than in previous years. In contrast, the percentage of CLOs reporting data breaches in the educational services, insurance, energy, and not-for-profit sectors increased over previous years.

CLOs in the Asia Pacific region, excluding Australia, have the highest percentage reporting data breaches, at 33 percent, similar to the proportion of CLOs in Europe at 34 percent. For those in healthcare and in education, this is of extreme importance likely because costs per record are much steeper than in other, less regulated industries.

EXPERIENCED A DATA BREACH IN THE PAST TWO YEARS BY INDUSTRY AND YEAR



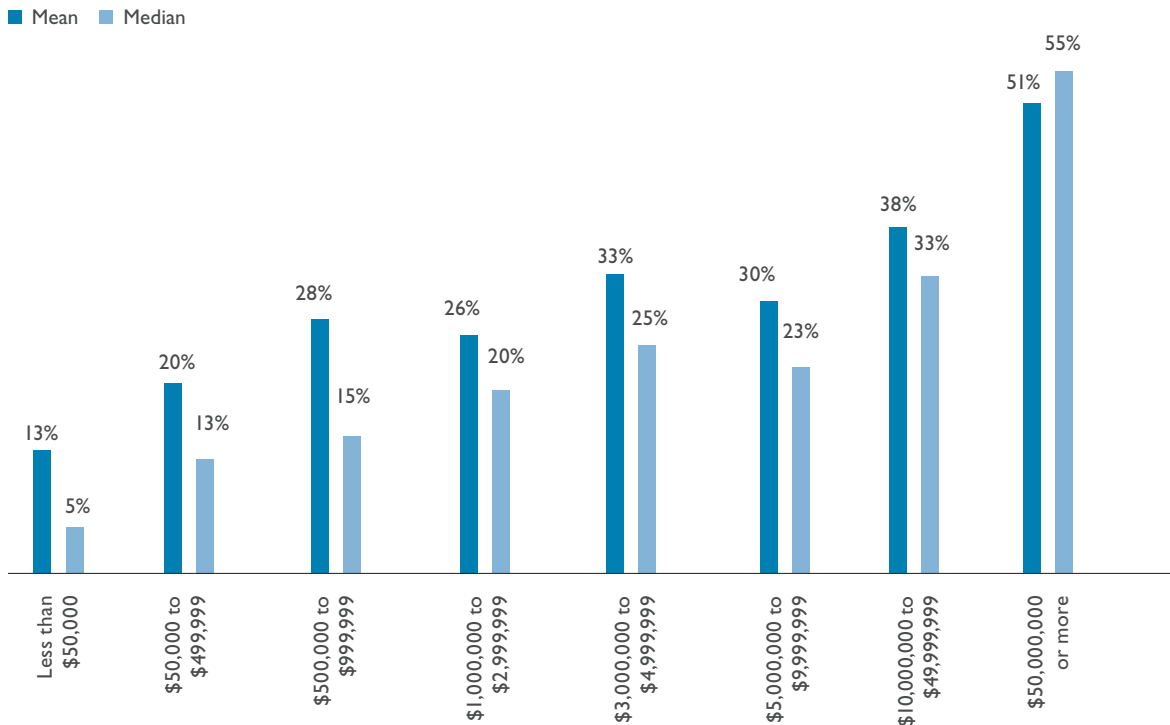
Average litigation spend at 24 percent of budget

Litigation is an unpredictable driver of time, money, and resources. CLOs report that their departments handle roughly four active litigation matters at a given time, with the top 5 percent of departments handling more than 15 litigation matters. Naturally, the amount of litigation dealt with varies by the type of industry in which a department is engaged. The healthcare industry handles the highest average number of litigation matters with 5.76 at a given time, followed by real estate (5.57) and telecommunications (5.57). Those with the lowest average number include information technology (1.67) and biotechnology/life sciences (1.95).

With more pieces of litigation comes a greater financial cost. On average, 24 percent of one's law department budget is spent on litigation. Those in the top 5 percent spend as much as 80 percent of their budget on litigation. Generally, the larger a department's budget, the greater the percentage of that budget is spent on litigation. Departments with budgets of greater than US \$50 million spend over half of their budget on litigation on average, compared with roughly 13 percent in departments with a budget of less than US \$50,000.

CLOs in Canada and Europe experience a higher average number of active pieces of litigation within their department compared to those in the US, Asia Pacific, and Australia/New Zealand.

PERCENTAGE OF LAW DEPARTMENT'S BUDGET SPENT ON LITIGATION BY DEPARTMENT BUDGET



NUMBER OF ACTIVE PIECES OF LITIGATION BEING HANDLED AT THIS TIME BY REGION

Office Region	Mean	Median
US	3.7	2
Canada	5.8	3
Europe	5.3	3
Middle East/Africa	5.0	5
Asia Pacific	3.5	2
Australia/New Zealand	3.9	2

Law department staffing

The predicted increases to law department staffing reported in previous years remained the same, with 26 percent of CLOs reporting they will add in-house lawyers to their department in the next 12 months. Among those who anticipated increasing the number of lawyers in their department last year, 9 percent of CLOs made significant increases in the number of in-house lawyers — the same percentage that predict significant increases this year. Four percent anticipate cuts to their in-house lawyers over the next 12 months. Among companies making increases, the pharmaceutical/medical device (44 percent) and insurance (39 percent) sectors stand out with the largest additions of in-house legal staff. Although overall additions to in-house legal staff were higher in companies with higher annual revenue (more than \$300 million), the most significant additions were likely to be made in companies with annual revenue less than \$300 million.

CLOs in companies with larger revenues made more cuts to in-house staffing last year. Twenty-three percent of CLOs in companies with annual revenues of \$4 billion or more reported cuts to staffing levels. Seventy-four percent of CLOs in companies with annual revenues less than \$50 million reported no cuts versus 34 percent of CLOs in companies with annual revenues of \$4 billion or higher. This trend extends to the law department budget, with 30 percent making no changes in departments with a budget of \$10 million or more compared with 3 percent in departments that report a budget of less than \$1 million.

To reduce costs, work that would traditionally be strictly assigned to in-house attorneys is now in some cases being delegated to less

expensive alternative non-legal professionals. Among the 6 percent who delegate legal operations full time, 42 percent delegate to non-lawyers. Eighty-one percent of CLOs say they use value-based staffing practices such as “assigning work to a variety of internal resources, including non-lawyers, based on complexity and risk.” This is common among all departments but is most often done in the largest of departments with 50 or more employees (85 percent). Forty-three percent of respondents report having at least one legal operations professional on the team, similar to the 48 percent reported last year.

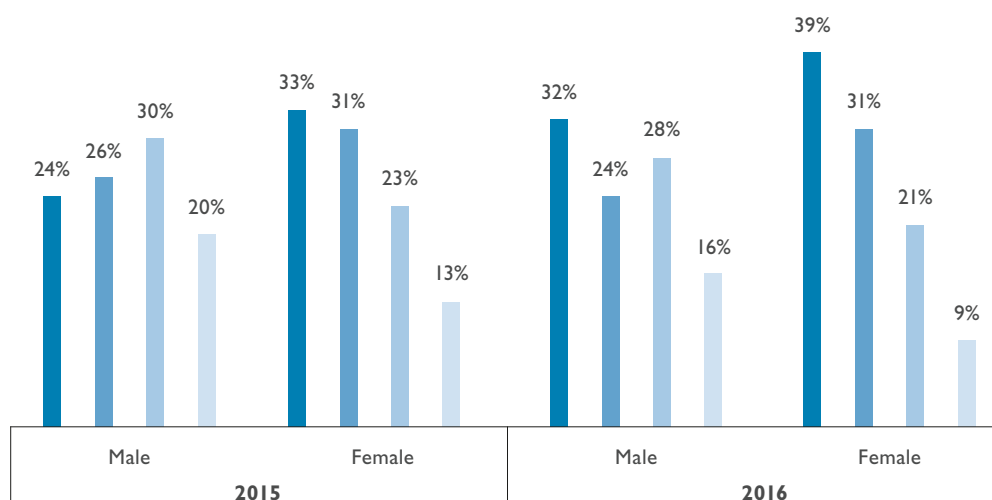
Gender gap in compensation persists

As prior ACC research has shown, a gender disparity in total compensation exists across the entire in-house profession. This is also true at the CLO level and has not changed in this year’s survey, with a higher percentage of female than male CLOs making less than \$200,000. Male CLOs are more likely than female CLOs to make \$300,000 or more. This is consistent with last year’s CLO survey.

In 2015, there was a significant difference between male and female CLOs at the lowest compensation level (less than \$200,000), with females significantly more likely than males to be in that category (27 percent to 21 percent). Males were more likely than females to be in the highest category of \$600,000 or more (22 percent to 15 percent).

COMPENSATION BY GENDER AND YEAR

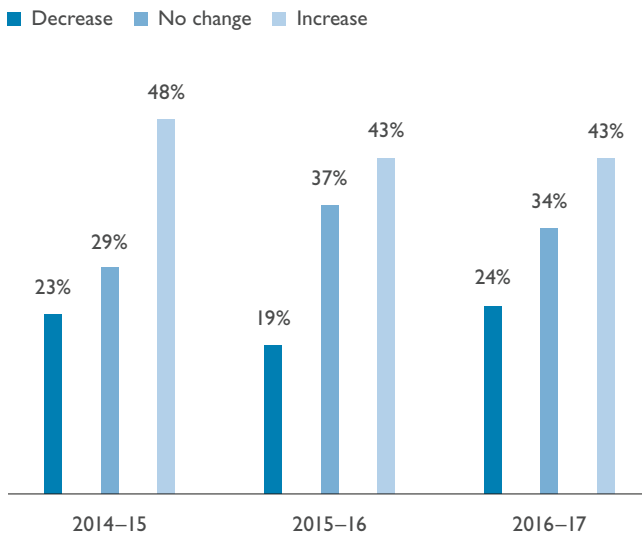
■ Less than \$200K ■ \$200K-\$299K ■ \$300K-\$599K ■ \$600K or more



Budget and spend

Law department budgets and spend continue to be a strong focal point for CLOs and their in-house teams in 2017. With increasing use of alternative fees and focus on controlling costs, the focus on value has never been greater. Forecasting costs is a key metric in demonstrating value, and CLOs are continuously testing new and innovative approaches to tactical and strategic work in a highly changeable business environment. With new non-law service providers becoming a long-term player in the legal services industry, departments have more options than ever before to resource and fund work in order to manage costs.

ESTIMATED CHANGES TO BUDGET IN THE NEXT 12 MONTHS, 2014-17



Year-over-year changes to total law department budgets were minimal, with a slightly lower percentage of respondents indicating they anticipate any increase in total budget this year compared with last year. Estimated increases to inside budgets were slightly larger than those estimated for outside budgets, with 49 percent planning at least some increase to their inside budget compared with 35 percent planning any increase to outside budgets.

CLOs in the insurance industry are apt to estimate an increase in their department's budget across the board, while in industries like IT, there is a higher likelihood they expect an increase in their inside budget than their outside budget.

Regionally, 38 percent of CLOs in both the US and Europe report that they expect an increase in their department's outside budget in the next 12 months. This is significantly higher than the 23 percent of CLOs in Australia reporting an expected increase. A similar difference is evident with expectations of the department's overall budget — 45 percent of CLOs in the US and 48 percent in Europe expect their department's total budget to change compared with 28 percent of those in Australia.

Using more effective value-based fee structures may explain the lack of change in budgets this year despite the fact that many CLOs plan to grow their departments and increase outsourcing. One may infer that more work is coming in-house versus being outsourced after the relatively significant hiring done in the past 12 months; however, 48 percent say they will continue to outsource to firms at similar pace to last year, and 62 percent will maintain their levels of outsourcing to legal service providers.

Greater control over budget and use of value-based management practices, including control of outside matters, enable better planning of work distribution and hiring, and we may finally see concrete results.

EXPECTED INCREASE IN BUDGET OVER NEXT 12 MONTHS

	Outside Budget	Inside Budget	Total Budget
Manufacturing	40%	43%	45%
IT/Software/Internet-related Services	37%	51%	43%
Finance/Banking	29%	40%	34%
Healthcare/Social Assistance	34%	47%	45%
Insurance	49%	51%	54%
Not-for-profit Organization	26%	31%	41%
Pharmaceutical/Medical Devices	38%	35%	38%
Construction/Engineering	43%	39%	47%
Real Estate/Rental and Leasing	33%	48%	37%
Telecommunications	42%	41%	42%
Energy	42%	46%	50%
Professional, Scientific, and/or Technical Services	45%	48%	48%
Retail Trade	45%	34%	45%

Sixty-seven percent of departments report using some combination of hourly rates and alternative (value-based) fee arrangements (AFAs). Thirty percent exclusively use hourly rates (including blended fees), and 4 percent use only AFAs. Smaller departments are more likely to use only hourly rates than larger departments, while larger departments are more likely to use a combination of fee structures than smaller departments. This same pattern holds when observing fee structures across department budget categories. Ninety-three percent of departments with budgets of greater than \$50 million use both hourly rates and AFAs, while only 63 percent of departments with \$50,000 or less do so. This is presumably due to a larger department's capacity to implement a wider variety of fee options than many smaller departments.

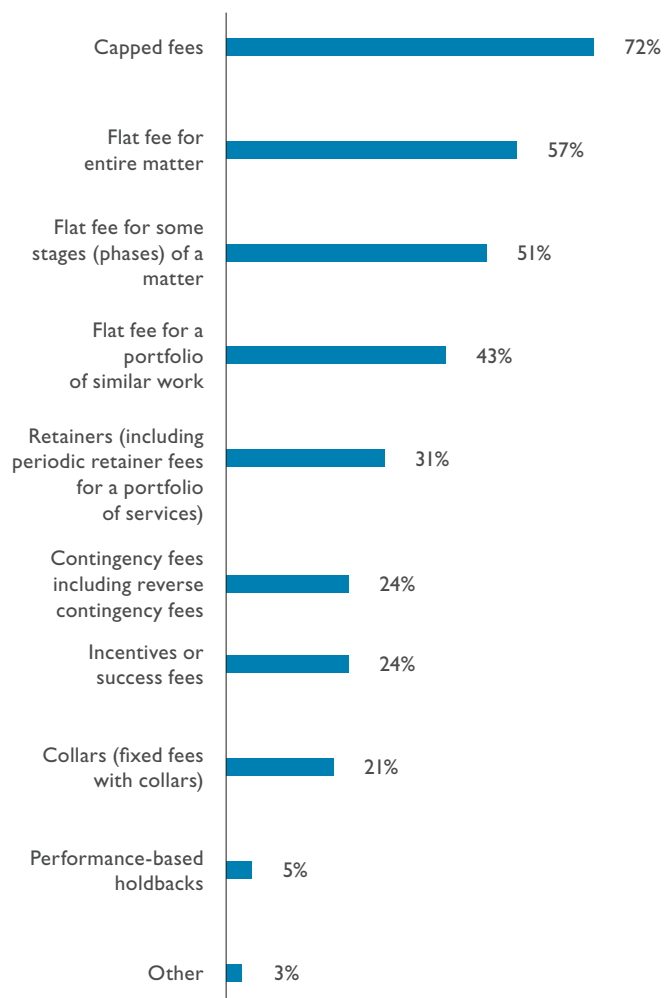
Among departments using AFAs, capped fees are by far the most common arrangement (72 percent), while performance-based holdbacks are the least common of the options provided, being used in just 5 percent of departments. Nearly all of the AFAs listed are more commonly used in larger departments, whether measured by total number of employees, department budget, or company revenue. However, the percentage of a department's outside legal spend that is based on AFAs does not present as clear of a pattern. Departments spend an overall average of just under 30 percent of their outside legal spend on AFAs, with those in the top 5 percent spending as much as 80 percent of the outside spend on AFAs. The greatest variation appears to occur across industries rather than across department sizes. For example, those with the highest average percentage spend on AFAs include the real estate (35 percent) and retail industries (33 percent). These are dramatically higher than in telecommunications, with an average of 23 percent. This may be due to spending conventions within specific industries rather than simply larger departments having a greater capacity to implement them.

CLOs in the US report an average of 26 percent of their outside spend on AFAs, the lowest of any region. In fact, according to CLOs in the Asia Pacific region, an average 44 percent of outside spend is on AFAs.

PERCENTAGE OF OUTSIDE LEGAL SPEND ON AFAs REPORTED BY REGION

Country	Mean	Median
US	25.6%	20%
Canada	33.7%	26%
Europe	37.5%	30%
Middle East/Africa	48.0%	35%
Latin America/Caribbean	42.0%	30%
Asia Pacific	44.1%	33%
Australia/New Zealand	35.5%	25%

ALTERNATIVE FEE ARRANGEMENTS USED



PERCENTAGE OF OUTSIDE LEGAL SPEND ON AFAs REPORTED BY INDUSTRY

Industry	Mean	Median
Construction/Engineering	29.9%	25%
Finance/Banking	28.7%	20%
Healthcare/Social Assistance	24.3%	20%
Information Technology	29.5%	25%
Insurance	31.6%	20%
Manufacturing	32.0%	25%
Not-for-profit Organization	28.9%	20%
Professional, Scientific, and/or Technical Services	22.6%	15%
Real Estate/Rental and Leasing	34.8%	25%
Retail Trade	32.5%	20%
Telecommunications	22.6%	20%

Evolving role of the legal department and the CLO

The role of the chief legal officer continues to evolve from a purely legal advisory position to a companywide business strategist. As the value and influence of the law department rises, CLOs have taken on a more significant role providing business and strategy guidance at the business and executive level. These CLOs are focused on early risk-assessment and partnership with business units to identify ways to foster innovation and growth while addressing legal barriers. Seventy-two percent report directly to the CEO and 79 percent are a member of their company's executive team. Two-thirds say they almost always attend board meetings. Generally, as law department size increases, CLOs frequency of attending board meetings also rises. CLOs in larger departments are also more likely to report that the executive team "almost always" seeks their input on business decisions.

Ninety-one percent of CLOs say they "almost always" or "sometimes" contribute to the organization's strategic planning efforts, and 97 percent say that the executive team "almost always" or "sometimes" seeks their input on business decisions. A large majority of CLOs are also regularly attending board of directors meetings and are meeting with other business leaders throughout the company to discuss operation issues and risk areas. Participating in these decision-making efforts occurs with even greater regularity within larger legal departments and is especially prev-

CLO REPORTING STRUCTURE BY REGION

Regions	Chief Executive Officer	Board of Directors
US	76%	17%
Canada	63%	21%
Europe	62%	13%
Middle East/Africa	95%	22%
Latin America/Caribbean	62%	23%
Asia Pacific	42%	19%
Australia/New Zealand	62%	21%

alent among CLOs in the energy and insurance industries. There is some regional variation in the role of the CLO with regards to attending board meetings as a member of the board, with CLOs in Europe twice as likely to report attending as a board member compared with those in other regions. Most CLOs attend board meetings in the role of corporate secretary and/or as a member of the executive team.

"I see the role of the CLO much more in the business' front line than in the legal issues, participating in negotiation, discussions previous to the contract, new policies, enabling the company business."

GENERAL COUNSEL, MANUFACTURING

"Going forward, CLOs will have increased responsibility for strategy and corporate / reputational risk management; less focus on legal issues; greater role in strategically managing regulatory change (more proactive, less reactive)."

GENERAL COUNSEL, INSURANCE

"CLOs are increasingly responsible for contributing to the strategic goals of the organization, and more directly for supporting revenue growth. CLOs will have to drive legal input deeper into the business units. There will be increased pressure to utilize technology and outside sources, legal and non-legal, to drive down costs and increase efficiencies. There will be similar pressure to use technology and training to push low-level legal decisions into the business units. There will be a challenge to both grow this increasing business role while maintaining the role as legal adviser and risk manager."

GENERAL COUNSEL, BROADCASTING/MEDIA

"In the future, there will be an increased focus on value-adding in making commercial or "business" decisions rather than compliance and advice. Budget constraints are leading to reduced capacity to source external advice - external firms are limited to "big ticket" items / reputational risk (where there is a material risk of prosecution)."

HEAD OF LEGAL, TRANSPORTATION/WAREHOUSING

"The CLO role will evolve as more of a coordinator of crisis management when no one else knows what to do. If there is a crisis with any legal flavor, the GC will be called upon to manage it."

GENERAL COUNSEL, MULTIPLE INDUSTRIES

"The CLO will have an increasing level of involvement in regulatory management and linkage with compliance functions. I expect a reintegration of legal and compliance, which have been separated functions for some time, and a greater focus on risk regulation. There is increasing pressure on return on capital in the banking sector, cutting costs, doing more with less, trying to boost our revenue margin, and not outsourcing."

GROUP GENERAL COUNSEL, COMPANY SECRETARY, ADVERTISING/MARKETING/PUBLIC RELATIONS

OVERALL SURVEY RESULTS

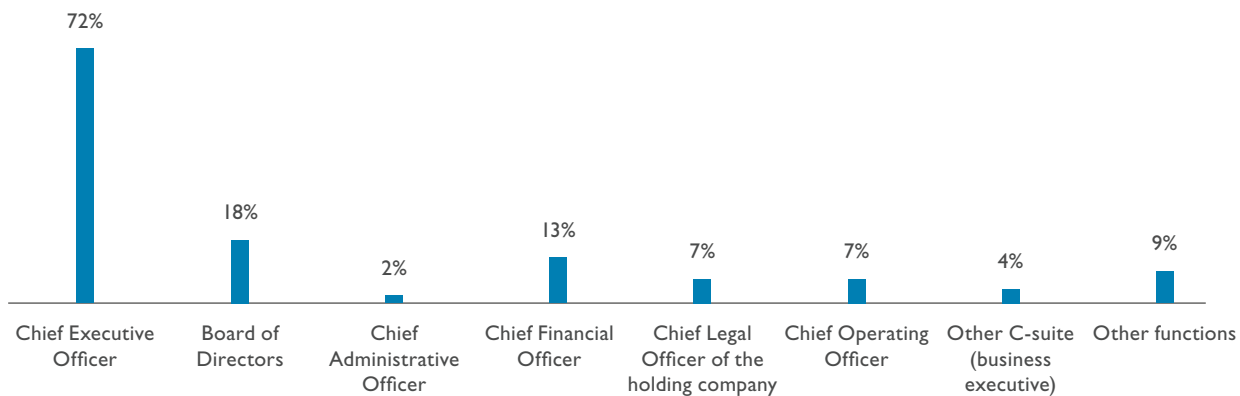
To whom do you directly report as the GC/CLO of your organization?

Though a majority of CLOs indicate that they report directly to their company's CEO (72 percent), a higher percentage of CLOs working in the US and the Middle East say so compared with lawyers in other regions.

After the CEO, the board of directors and chief financial officer (CFO) are also frequently cited as those overseeing the CLO. There were no significance differences between the percentages of male and female CLOs reporting to the CEO directly.

Respondents in the insurance, healthcare, and retail industries had above-average proportions reporting directly to the CEO. Those in insurance were significantly more likely to say they report to the CEO compared with all other industries (90 percent). Eight in 10 respondents in small law departments report to the CEO.

TO WHOM DO YOU DIRECTLY REPORT AS THE GC/CLO OF YOUR ORGANIZATION?



n=1,093

CLO REPORTING STRUCTURE BY REGION

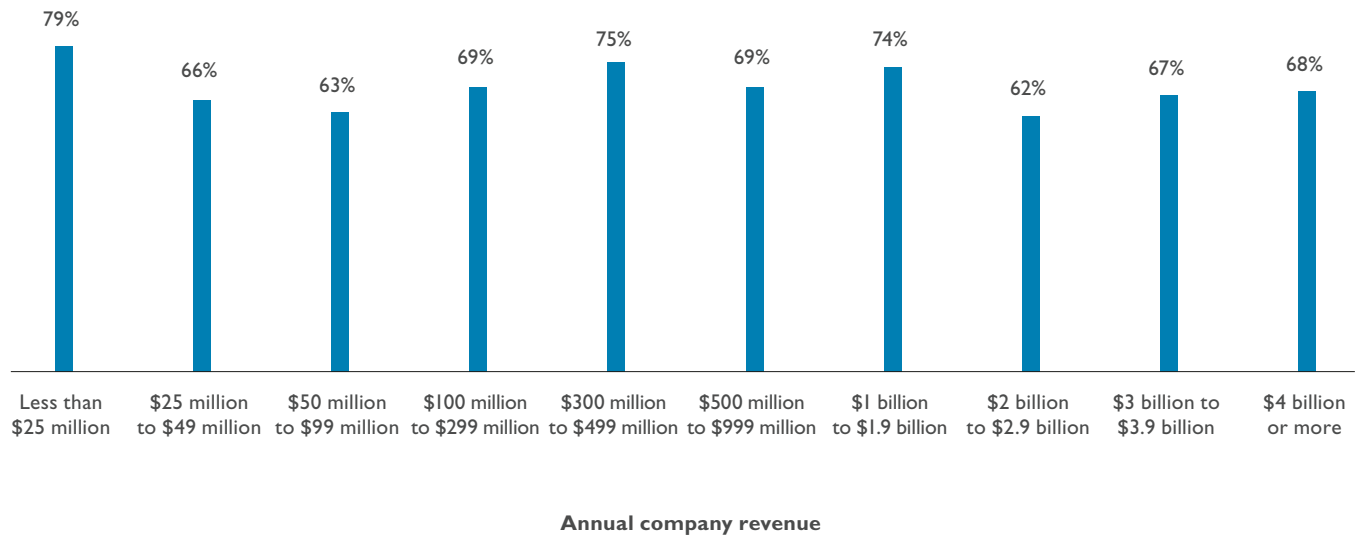
Regions	Chief Executive Officer	Board of Directors	Chief Financial Officer	Chief Legal Officer of the holding company	Chief Operating Officer	Chief Administrative Officer
US	76%	17%	11%	4%	7%	3%
Canada	63%	21%	22%	5%	2%	5%
Europe	62%	13%	17%	18%	6%	1%
Middle East/Africa	95%	22%	11%	6%	0%	0%
Latin America/Caribbean	62%	23%	8%	8%	0%	17%
Asia Pacific	42%	19%	19%	27%	3%	3%
Australia/New Zealand	62%	21%	19%	9%	6%	0%

n=1,093

PERCENTAGE OF CLOs WHO REPORT TO CEO BY INDUSTRY

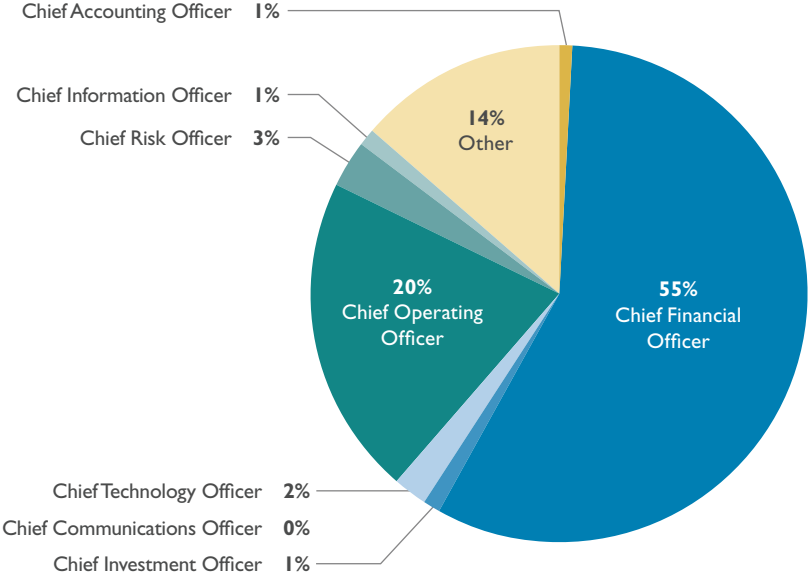
Overall	72%
Insurance	90%
Healthcare/Social Assistance	80%
Real Estate/Rental and Leasing	77%
Retail Trade	72%
Not-for-profit Organization (E.g., Charity, Environment)	72%
Finance/Banking	72%
Energy	72%
Construction/Engineering	71%
Telecommunications	68%
Other	68%
Manufacturing	68%
Pharmaceutical/Medical Devices	64%
Information Technology/Software/Internet-related Services	60%
Professional, Scientific, and/or Technical Services	56%

PERCENTAGE OF CLOs WHO REPORT DIRECTLY TO THE CEO BY ANNUAL COMPANY REVENUE

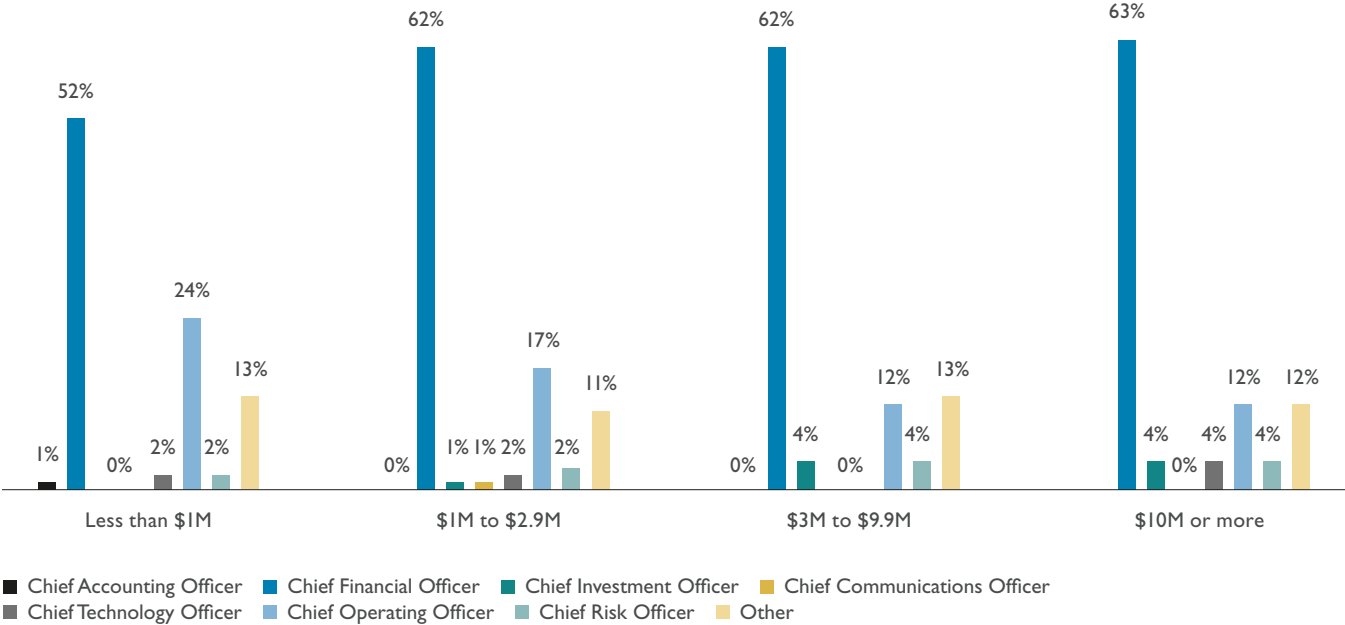


With which of the following C-suite executives do you most closely work?

A majority of CLOs report that they work most closely with the CFO compared with other non-CEO executives. CLOs in companies with lower annual company revenue are unique in that a higher percentage work more closely with the chief operating officer (COO) rather than the CFO. Fifty-two percent of those in companies with under US \$1 million in revenue work closely with the CFO versus 62 percent of lawyers in larger-revenue companies. While about 15 percent in larger-revenue companies say they work most closely with the COO, 24 percent in smaller-revenue companies said so.



C-SUITE EXECUTIVES MOST CLOSELY WORK WITH BY LAW DEPARTMENT BUDGET



CLO value and influence

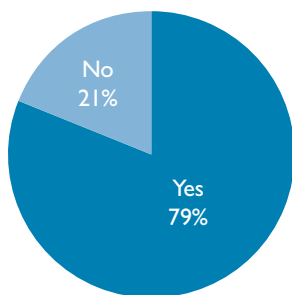
Eight in 10 CLOs report being a member of their company executive team, and most CLOs report that they provide input on business and planning efforts at least some of the time. CLOs who have a leadership role appear to be significantly more satisfied with their job, indicating that CLOs with a seat at the table find the experience positive.

CLOs in lower-revenue companies weigh in on business more frequently than those in companies with larger annual company revenue. Sixty-six percent of CLOs in companies with under US \$25 million in revenue report that the executive team almost always seeks their input on business decisions, a significantly higher percentage than found in all other company revenue groups.

Those in higher-revenue companies tend to report an executive leadership role compared with those in companies with lower revenues. Though CLOs in Europe were less likely than their North American counterparts to say they have an executive leadership role at their company, a higher percentage say they attend board meetings as a member of the board than CLOs in all other regions.

Industrywise, respondents in the insurance industry have the highest proportion of CLOs engaged in key influencing roles at the executive level. Those in insurance were by far the most likely to report that the executive team seeks their input on business decisions (81 percent) compared with the average (59 percent). Those in retail and insurance also appear to have a greater than average role in strategic planning. Seventy-one percent of respondents in insurance and 63 percent in retail say they “almost always” contribute to their organization’s strategic planning efforts compared with an average of 54 percent overall. CLOs in insurance, energy, and nonprofits have higher proportions reporting frequent board meeting attendance.

ARE YOU A MEMBER OF YOUR COMPANY'S EXECUTIVE LEADERSHIP TEAM?

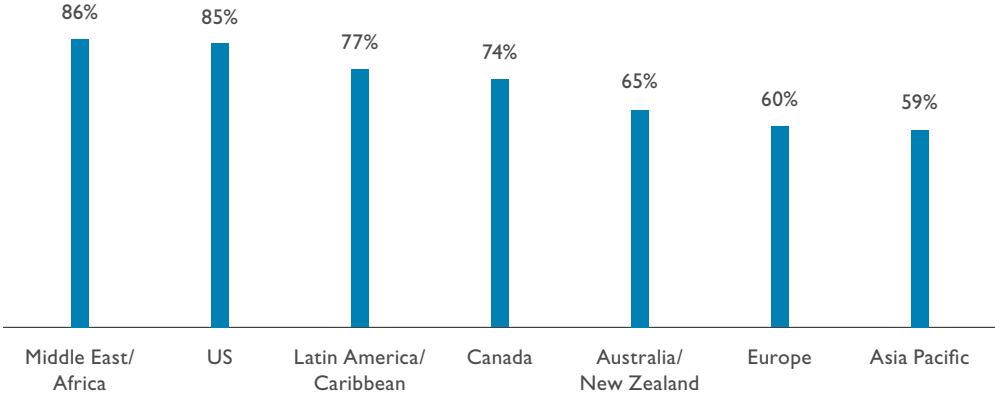


n=1,091

MEMBER OF YOUR COMPANY'S EXECUTIVE LEADERSHIP TEAM BY REGION

■ Percentage Yes

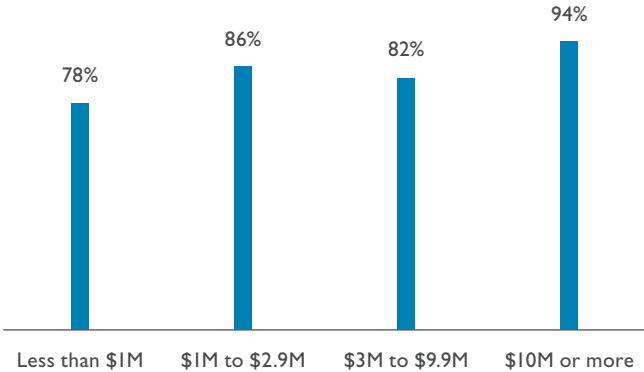
n=1,090



MEMBER OF EXECUTIVE LEADERSHIP TEAM BY DEPARTMENTAL BUDGET

■ Percentage Yes

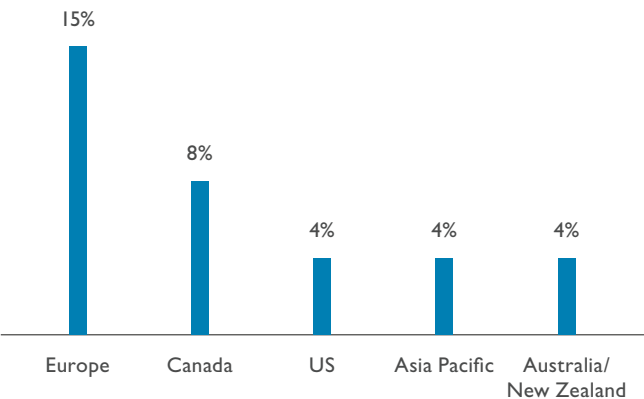
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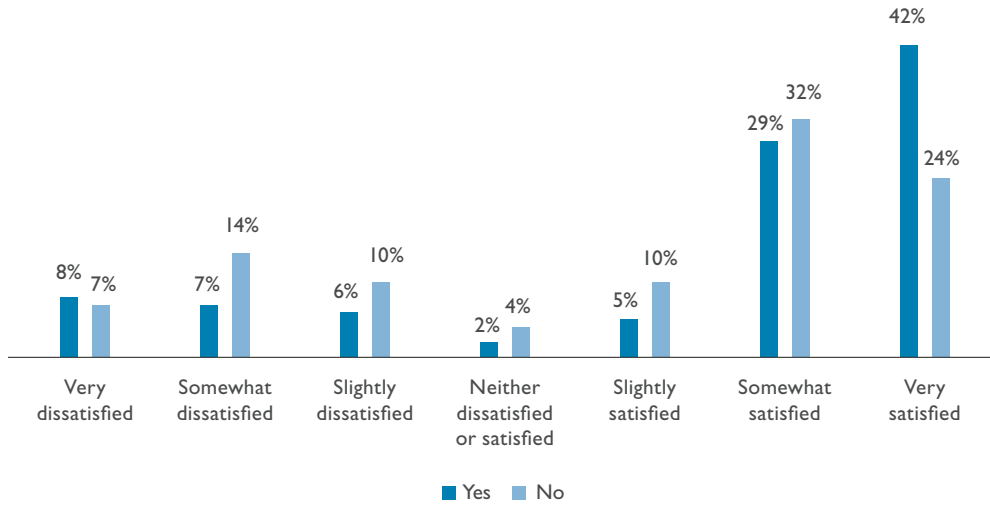
ATTENDS BOARD OF DIRECTORS MEETING AS A BOARD MEMBER BY REGION

■ Percentage Yes

n=898

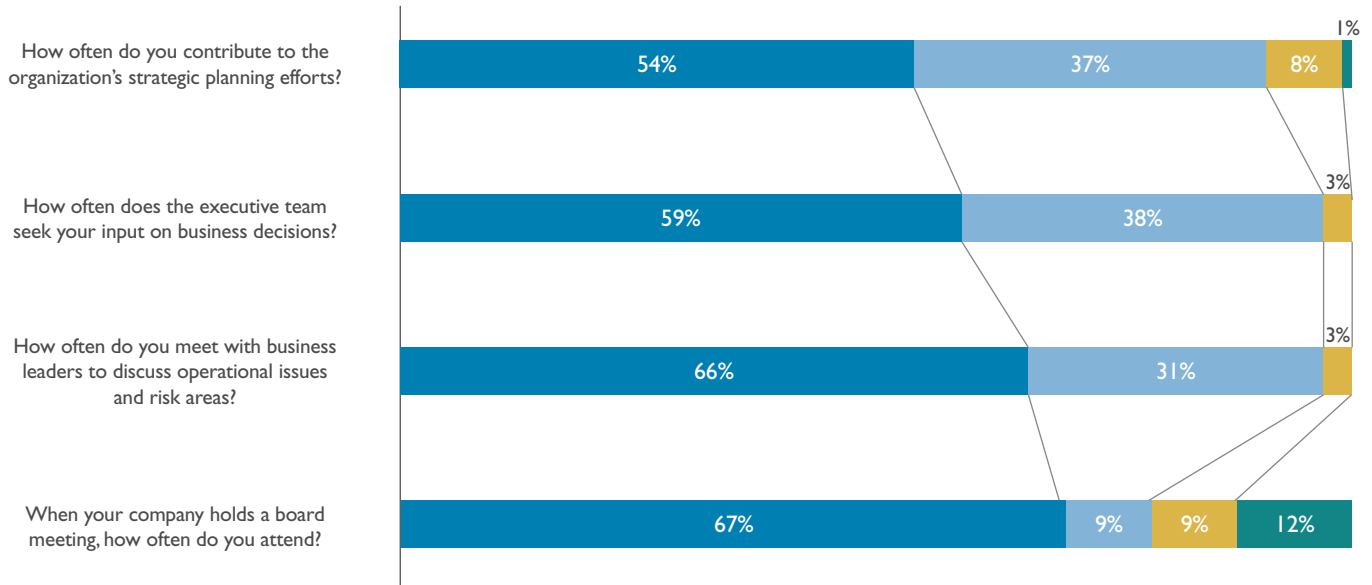


MEMBER OF COMPANY'S EXECUTIVE LEADERSHIP TEAM BY JOB SATISFACTION



CLO VALUE AND INFLUENCE

■ Almost always ■ Sometimes ■ Seldom ■ Never



CLO INFLUENCE BY DEPARTMENT SIZE

Number of employees in law department							
	Overall	1 employee	2-9 employees	10-24 employees	25-49 employees	50+ employees	
How often does the executive team seek your input on business decisions?							
n=	1,046	186	614	143	52	51	
Never	*	-	-	-	-	2%	
Seldom	3%	2%	4%	3%	2%	-	
Sometimes	38%	48%	37%	33%	31%	31%	
Almost Always	58%	49%	59%	64%	67%	65%	
How often do you meet with business leaders to discuss operational issues and risk areas?							
n=	1,045	186	613	143	52	51	
Never	-	-	-	-	-	-	
Seldom	3%	4%	3%	1%	2%	2%	
Sometimes	31%	41%	31%	22%	21%	25%	
Almost Always	67%	55%	67%	76%	77%	71%	
How often do you contribute to the organization's strategic planning efforts?							
n=	1,046	186	614	143	52	51	
Never	1%	1%	1%	-	-	-	
Seldom	8%	9%	8%	6%	8%	6%	
Sometimes	37%	45%	37%	26%	40%	27%	
Almost Always	54%	45%	54%	68%	52%	65%	
When your company holds a board meeting, how often do you attend?							
n=	1,043	184	614	143	51	51	
Never	12%	22%	10%	8%	14%	6%	
Seldom	8%	9%	10%	5%	4%	4%	
Sometimes	9%	7%	11%	5%	8%	10%	
Almost Always	67%	54%	67%	80%	71%	76%	

VALUE AND INFLUENCE BY INDUSTRY

Industry	n=	Executive team almost always seeks your input on business decisions	Almost always meet with business leaders to discuss operational issues and risk areas	Almost always contribute to the organization's strategic planning efforts	Almost always attend board meetings
Construction/Engineering	36	36%	44%	36%	64%
Energy	33	70%	76%	55%	85%
Finance/Banking	85	64%	73%	55%	65%
Healthcare/Social Assistance	55	65%	60%	55%	73%
IT/Software/Internet-related Services	107	48%	61%	44%	62%
Insurance	42	81%	76%	71%	83%
Manufacturing	114	61%	70%	56%	61%
Not-for-profit Organization (e.g., Charity, Environment)	37	43%	65%	54%	81%
Pharmaceutical/Medical Devices	36	56%	61%	53%	61%
Professional, Scientific, and/or Technical Services	33	58%	73%	36%	64%
Real Estate/Rental and Leasing	36	53%	69%	56%	58%
Retail Trade	32	59%	69%	63%	69%
Telecommunications	34	62%	56%	47%	50%

NOTE: "Almost always" shown; "sometimes," "seldom," and "never" not shown.

In the past two years, has your organization experienced ...

In the past two years, just under one-quarter of CLOs say that their company has experienced a data breach. In this year's survey, year, a much lower percentage of CLOs in the healthcare, telecommunications, and professional/scientific/technical services sectors reported experiencing a data breach than was seen in previous years. In contrast, the percentage of CLOs reporting data breaches in the educational services, insurance, energy, and not-for-profit sectors increased compared with previous years.

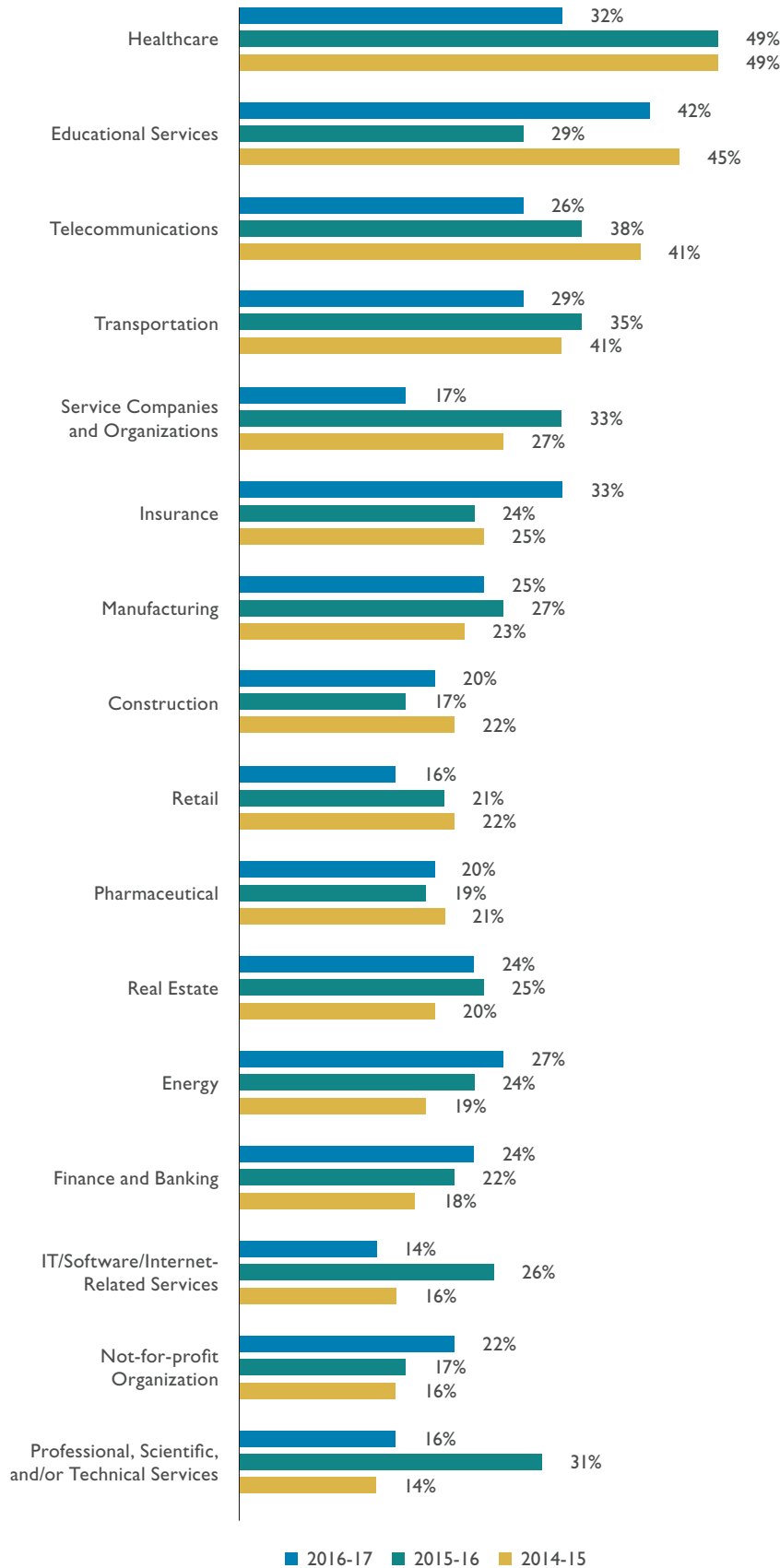
In the past two years, has your organization ...	2014-15	2015-16	2016-17
Experienced a data breach? For purposes of this question, a data breach could include events such as hacking or unauthorized disclosure of sensitive data.	27%	22%	23%
Been targeted by a regulator or other government entity for an enforcement action or investigation with respect to an alleged violation of law?	N/A	31%	28%
Been targeted for litigation by a nonpracticing entity (NPE) or patent troll?	24%	19%	17%
<i>n</i> =	1,132	1,285	1,097

In this survey, the educational services sector reports data breaches in numbers surpassing those of CLOs in the healthcare sector for the first time in three years. Conversely, respondents in the service companies and organization, telecommunications, professional/scientific/technical services, and IT/software/Internet-related services sector see a significant decrease in the proportion of CLOs reporting a data breach compared with previous years.

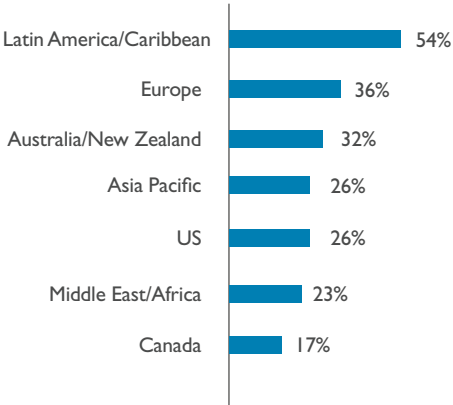
CLOs at companies with higher annual revenue are significantly more likely to indicate their organization experienced a data breach in the past two years. Fourteen percent of CLOs at companies with annual revenues below \$100 million report having a data breach within the previous two years, whereas 51 percent of CLOs in companies with \$3 billion or more in annual revenue report a recent data breach. Less than 15 percent of CLOs in companies with under \$100 million in revenue have been targeted by an NPE in the past two years compared with 37 percent of companies with \$4 billion or more in revenue.

This year, CLOs in the Asia Pacific region, excluding Australia, have the highest percentage reporting data breaches, at 33 percent, similar to the proportion of CLOs in Europe at 34 percent. Compared with CLOs in other regions, those in Latin America/Caribbean (54 percent) are far more likely to say their organization has been targeted by a regulator or other governmental entity for an enforcement action or investigation with respect to an alleged violation of a law. This is an increase of 13 percentage points from last year's report, where 41 percent of CLOs from Latin America/Caribbean said their company had been targeted by a regulator.

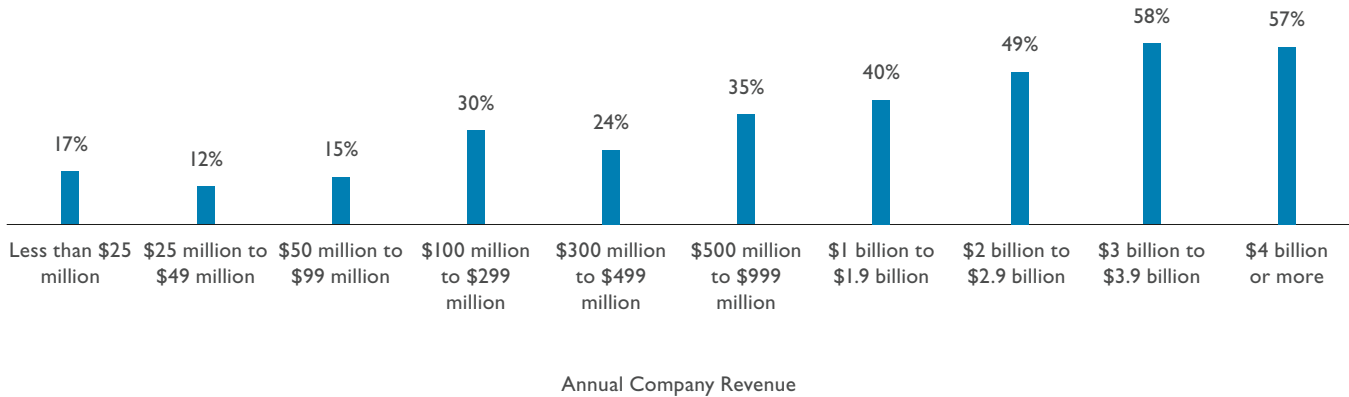
EXPERIENCED DATA BREACH IN PREVIOUS TWO YEARS BY INDUSTRY



TARGETED BY REGULATOR IN PAST TWO YEARS BY REGION



TARGETED BY A REGULATOR IN PAST TWO YEARS BY ANNUAL COMPANY REVENUE
PERCENTAGE YES



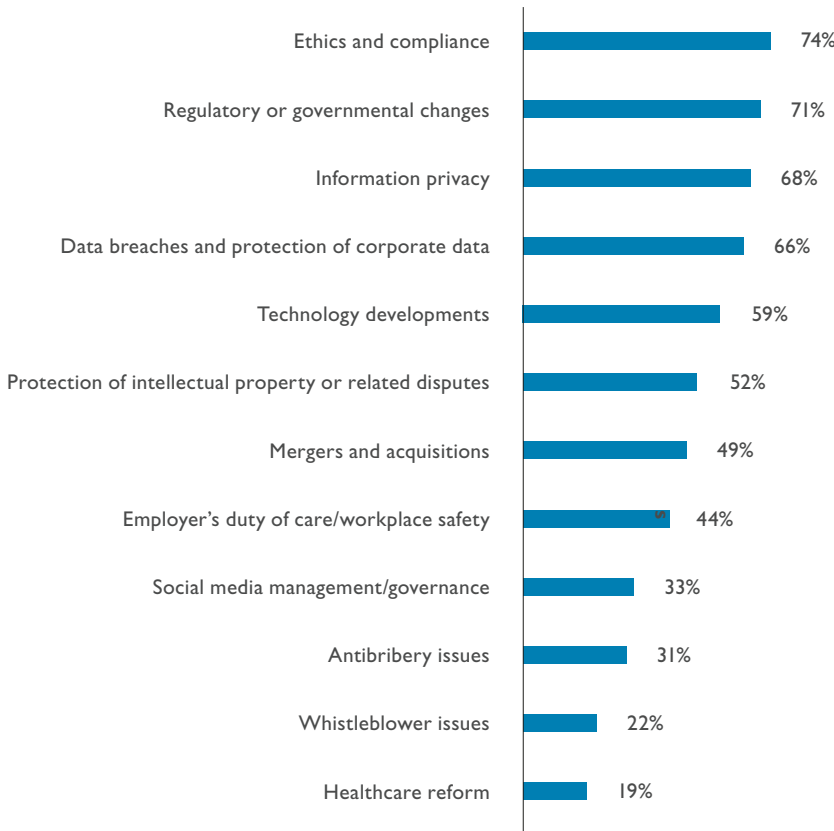
n=1,097

Please rate the level of importance you anticipate each of the following issues will hold over the next 12 months.

Ethics and compliance and regulatory or governmental changes top the list of important issues keeping CLOs up at night. Information privacy knocked out data breaches to become the third-most-important issue concerning CLOs in 2017; cybersecurity followed closely in the fourth spot.

Most of the issues keeping CLOs up at night have increased in overall importance as determined by ratings of very or extremely important. However, since the 2013-14 survey cycle, the greatest change is seen in the “extreme” importance CLOs attribute to regulatory or governmental changes and technology. The percentage of respondents who rated these of extreme importance rose considerably: Technology rose 14 percentage points, and regulatory or governmental changes rose by 8 percentage points this year compared with 2013-14. The importance of data breaches increased by 7 percentage points since the 2013-14 survey was conducted. For those in healthcare and in education, this is of extreme importance likely because of the cost associated with a breach. Recent findings from the Ponemon Institute show that the average cost per stolen record in education is \$246, the second-highest cost by industry, falling just behind healthcare at \$355 per stolen record. These costs per record are much steeper than in other, less regulated industries.

LEVEL OF IMPORTANCE YOU ANTICIPATE EACH OF THE FOLLOWING ISSUES WILL HOLD OVER THE NEXT 12 MONTHS



GROWING IMPORTANCE:



■ Percentage very or extremely important

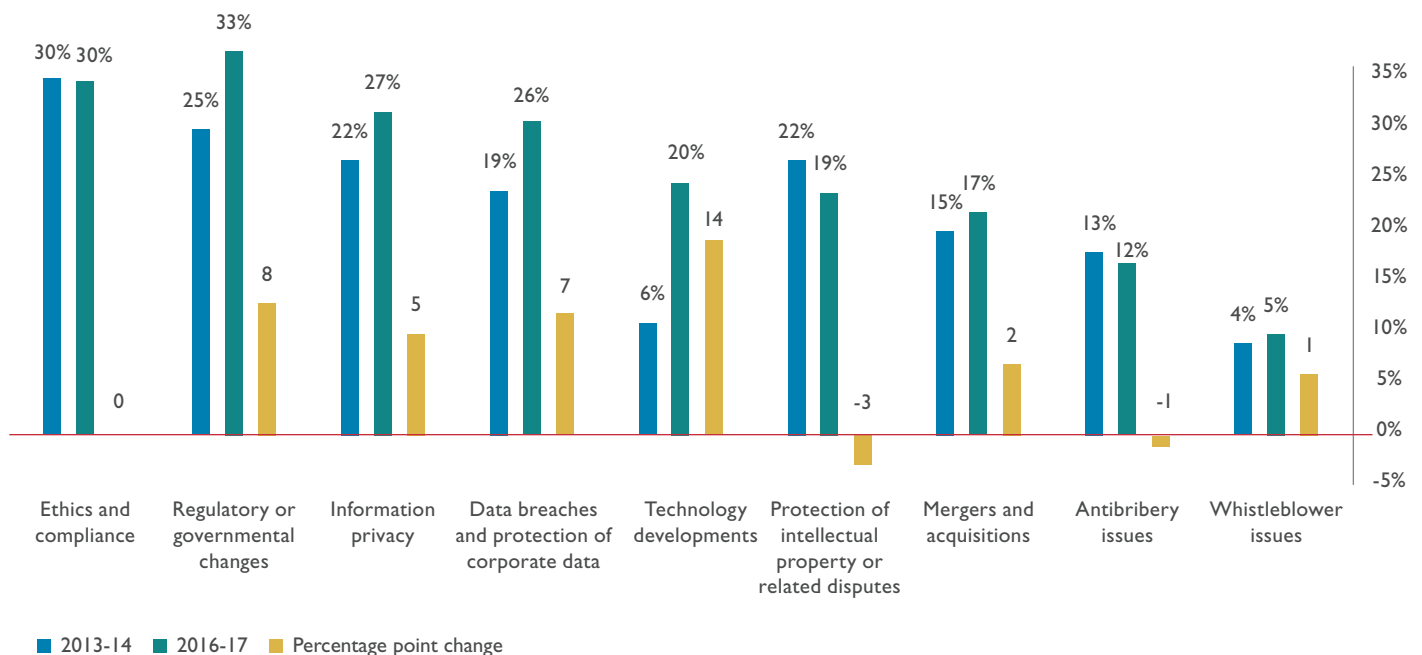
RATINGS TRENDS ON KEY ISSUES OF IMPORTANCE TO CLOs*
PERCENTAGE VERY OR EXTREMELY IMPORTANT

	2014-15	2015-16	2016-17
Ethics and compliance	66%	71%	74%
Regulatory or governmental changes	*	*	71%
Information privacy	*	*	68%
Data breaches and protection of corporate data	42%	59%	66%
Technology developments	*	*	59%
Protection of intellectual property or related disputes	24%	27%	52%
Mergers and acquisitions	49%	44%	49%
Employer's duty of care/workplace safety	*	*	44%
Social media management/governance	*	*	33%
Antibribery issues	*	*	31%
Whistleblower issues	17%	26%	22%
Healthcare reform	*	*	19%

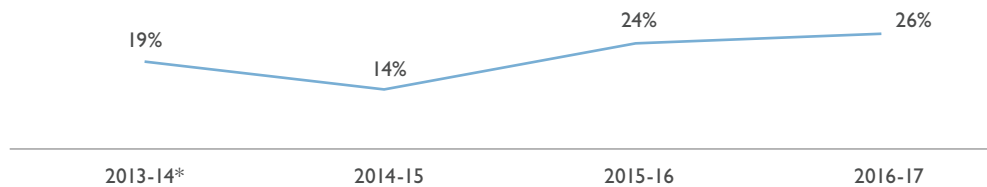
*Trend data not available for all items; questions not asked in all years; wording may have changed.

Note: Scale changed after 2014. Data shown for informational purposes and not for trending.

TOP ISSUES: FOUR-YEAR-TREND
PERCENTAGE WHO RATED ISSUES "EXTREMELY IMPORTANT" IN NEXT 12 MONTHS



ANNUAL CHANGE IN LEVEL OF IMPORTANCE OF DATA BREACHES AND PROTECTION OF CORPORATE DATA



*7-point scale used in 2013-14

■ Percentage rated "Extremely important"

ANTICIPATE THE FOLLOWING ISSUES WILL BE "EXTREMELY IMPORTANT" OVER THE NEXT 12 MONTHS BY INDUSTRY*

Industry*					
	Overall (all industries)	Retail Trade	Energy	Professional, Scientific, and/or Technical Services	Telecommunications
n=	1,038	32	33	32	34
Regulatory or governmental changes	33%	34%	42%	25%	44%
Ethics and compliance	31%	44%	42%	34%	29%
Information privacy	28%	38%	9%	31%	24%
Data breaches and protection	27%	47%	24%	31%	26%
Technology developments	20%	16%	12%	28%	35%
Protection of intellectual property or related disputes	19%	22%	12%	6%	26%
Mergers and acquisitions	17%	13%	30%	13%	18%
Employer's duty of care/workplace safety	13%	6%	24%	16%	12%
Antibribery issues	12%	19%	33%	6%	15%
Healthcare reform	8%	3%	3%	3%	15%
Social media management/governance	7%	22%	-	-	6%
Whistleblower issues	5%	6%	12%	9%	6%

*Industry n≥30

Response options included "Extremely important," "Very important," "Somewhat important," "Not at all important," "Don't know/Not sure," and "Prefer not to answer."

ANTICIPATE THE FOLLOWING ISSUES WILL BE "EXTREMELY IMPORTANT" OVER THE NEXT 12 MONTHS BY INDUSTRY*

	Industry*				
	Construction/ Engineering	Real Estate/Rental and Leasing	Not-for-profit Organization (i.e., Charity, Environment)	Pharmaceutical/ Medical Devices	Insurance
n=	35	33	37	33	42
Regulatory or governmental changes	17%	18%	16%	27%	58%
Ethics and compliance	20%	30%	30%	39%	43%
Information privacy	9%	6%	35%	6%	64%
Data breaches and protection	3%	9%	27%	12%	52%
Technology developments	11%	9%	11%	6%	29%
Protection of intellectual property or related disputes	11%	9%	11%	27%	12%
Mergers and acquisitions	14%	12%	-	21%	14%
Employer's duty of care/workplace safety	43%	18%	-	3%	5%
Antibribery issues	20%	3%	5%	21%	10%
Healthcare reform	6%	3%	8%	27%	17%
Social media management/ governance	3%	6%	16%	6%	5%
Whistleblower issues	3%	-	8%	6%	5%

*Industry n≥30

Response options included "Extremely important," "Very important," "Somewhat important," "Not at all important," "Don't know/Not sure," and "Prefer not to answer."

ANTICIPATE THE FOLLOWING ISSUES WILL BE "EXTREMELY IMPORTANT" OVER THE NEXT 12 MONTHS BY INDUSTRY*

	Industry*			
	Healthcare/Social Assistance	Finance/Banking	IT/Software/Internet- related Services	Manufacturing
n=	52	84	107	109
Regulatory or governmental changes	58%	61%	21%	18%
Ethics and compliance	35%	49%	22%	31%
Information privacy	52%	41%	52%	14%
Data breaches and protection	39%	41%	45%	15%
Technology developments	19%	21%	36%	15%
Protection of intellectual property or related disputes	8%	7%	33%	25%
Mergers and acquisitions	29%	8%	19%	20%
Employer's duty of care/workplace safety	12%	2%	4%	15%
Antibribery issues	6%	8%	9%	20%
Healthcare reform	65%	2%	2%	1%
Social media management/ governance	10%	7%	5%	3%
Whistleblower issues	10%	8%	4%	4%

*Industry n≥30

Response options included "Extremely important," "Very important," "Somewhat important," "Not at all important," "Don't know/Not sure," and "Prefer not to answer."

TOP ISSUES BY REGION: LEVEL OF IMPORTANCE YOU ANTICIPATE EACH OF THE FOLLOWING ISSUES WILL HOLD OVER THE NEXT 12 MONTHS

	Regions	Not at all important	Somewhat important	Very important	Extremely important
Regulatory or governmental changes	US	3%	29%	36%	32%
	Canada	2%	17%	55%	26%
	Europe	2%	28%	34%	36%
	Middle East/Africa*	5%	14%	48%	33%
	Latin America/Caribbean*	0%	0%	67%	33%
	Asia Pacific	0%	18%	53%	29%
Ethics and compliance	US	2%	26%	43%	30%
	Canada	5%	29%	45%	21%
	Europe	2%	22%	35%	41%
	Middle East/Africa*	0%	10%	81%	10%
	Latin America/Caribbean*	0%	8%	42%	50%
	Asia Pacific	0%	12%	55%	33%
Data breaches and protection	US	5%	28%	41%	27%
	Canada	7%	26%	50%	17%
	Europe	4%	28%	39%	29%
	Middle East/Africa*	0%	48%	38%	14%
	Latin America/Caribbean*	25%	25%	25%	25%
	Asia Pacific	0%	21%	41%	38%
Information and privacy	US	5%	27%	41%	28%
	Canada	5%	29%	43%	24%
	Europe	6%	27%	40%	27%
	Middle East/Africa*	0%	33%	48%	19%
	Latin America/Caribbean*	17%	33%	33%	17%
	Asia Pacific	0%	29%	35%	35%
Protection of intellectual property or related disputes	US	14%	36%	32%	18%
	Canada	19%	45%	17%	19%
	Europe	10%	32%	34%	25%
	Middle East/Africa*	5%	43%	33%	19%
	Latin America/Caribbean*	17%	25%	33%	25%
	Asia Pacific	0%	29%	50%	21%

TOP ISSUES BY REGION: LEVEL OF IMPORTANCE YOU ANTICIPATE EACH OF THE FOLLOWING ISSUES WILL HOLD OVER THE NEXT 12 MONTHS

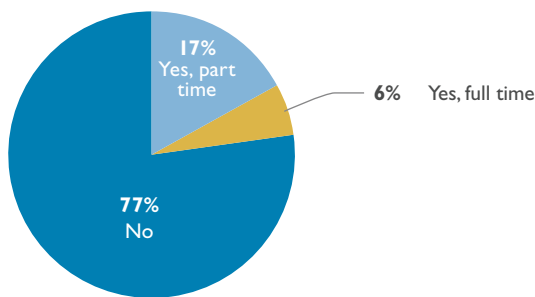
	Regions	Not at all important	Somewhat important	Very important	Extremely important
Mergers and acquisitions	US	24%	30%	30%	15%
	Canada	29%	29%	24%	19%
	Europe	12%	26%	37%	26%
	Middle East/Africa*	14%	29%	43%	14%
	Latin America/ Caribbean*	8%	33%	33%	25%
	Asia Pacific	6%	24%	53%	18%
Antibribery issues	US	41%	35%	15%	9%
	Canada	50%	29%	14%	7%
	Europe	12%	27%	38%	23%
	Middle East/Africa*	5%	33%	43%	19%
	Latin America/ Caribbean*	8%	17%	42%	33%
	Asia Pacific	6%	26%	21%	47%
Whistleblower issues	US	37%	44%	14%	4%
	Canada	29%	45%	21%	5%
	Europe	20%	51%	22%	6%
	Middle East/Africa*	14%	57%	29%	0%
	Latin America/ Caribbean*	17%	33%	17%	33%
	Asia Pacific	9%	35%	41%	15%
Technology developments	US	7%	37%	38%	18%
	Canada	12%	36%	24%	29%
	Europe	4%	34%	40%	22%
	Middle East/Africa*	5%	52%	19%	24%
	Latin America/ Caribbean*	17%	25%	42%	17%
	Asia Pacific	3%	21%	59%	18%
Social media management/governance	US	15%	53%	25%	7%
	Canada	12%	45%	36%	7%
	Europe	13%	47%	32%	8%
	Middle East/Africa*	24%	48%	19%	10%
	Latin America/ Caribbean*	0%	58%	33%	8%
	Asia Pacific	6%	35%	50%	9%
Employer's duty of care/ workplace safety	US	15%	46%	28%	11%
	Canada	20%	32%	39%	10%
	Europe	12%	46%	31%	12%
	Middle East/Africa*	5%	38%	43%	14%
	Latin America/ Caribbean*	8%	42%	42%	8%
	Asia Pacific	6%	27%	48%	18%
Healthcare reform	US	44%	36%	12%	9%
	Canada	86%	7%	5%	2%
	Europe	60%	24%	12%	4%
	Middle East/Africa*	81%	14%	5%	0%
	Latin America/ Caribbean*	67%	8%	17%	8%
	Asia Pacific	29%	32%	32%	6%

*Low n size: Latin America n=12, Middle East n=21

Do you delegate operational management of the law department full time, part time, or not at all?

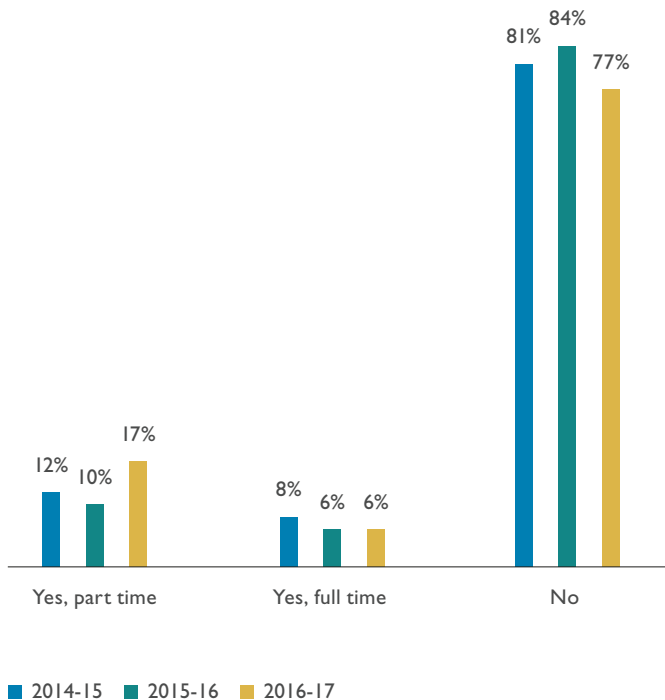
There is a significant increase in proportion of CLOs/GC who report they delegate operational management of their law department part time. The proportion increased 7 percentage points since last year. In contrast, this increase was not seen among those delegating full time. As seen in the 2016 report, most CLOs did not delegate operational management of the law department (84 percent); however, this percentage dropped to 77 percent this year.

PERCENTAGE OF CLOs WHO REPORTED DELEGATING OPERATIONAL MANAGEMENT OF THE LAW DEPARTMENT LAST YEAR



n=1,095

PERCENTAGE OF CLOs WHO REPORTED DELEGATING OPERATIONAL MANAGEMENT OF THE LAW DEPARTMENT

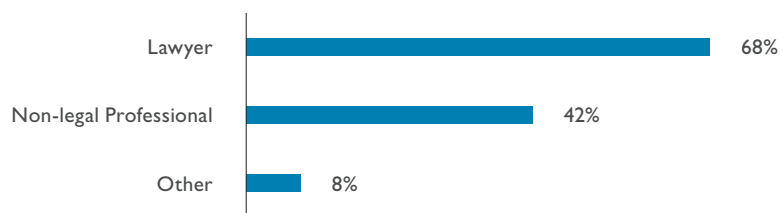


n=1,095



To whom do you delegate operational management full time?

TO WHOM DO YOU DELEGATE?



Do you anticipate the amount of work you send to outside providers and law firms will increase, stay the same, or decrease in the next 12 months?

Most CLOs maintain their prediction that the amount of work sent to outside providers will remain the same in the next 12 months. Fewer CLOs (48 percent versus 62 percent) anticipate the amount of work sent to outside law firms will remain the same, with 31 percent predicting this amount will increase, up from 28 percent who reported an increase last year.

Often CLOs in the construction and engineering, pharmaceutical/medical device, and real estate sectors are more likely than those in other industries to anticipate decreases to the amount of work sent to outside providers and vendors (15 percent to 16 percent). A higher proportion of retail trade and telecommunication industry CLOs anticipate decreases in work sent to outside law firms (29 and 28 percent, respectively).

CLOs in companies with 50 or more employees are significantly more likely to say they anticipate work sent to outside providers (26 percent) will increase than those in departments with fewer employees (20 percent). A slightly greater percentage of CLOs in the smallest departments (less than 50 employees) say that they expect the amount of work sent to outside firms to increase (29 to 33 percent).

In the US (21 percent) and Asia Pacific (24 percent), CLOs were more likely to report expected increases in the work sent to outside providers and vendors. CLOs working in Australia and New Zealand are much more likely to report expected decreases in work sent to outside law firms (26 percent) compared with other regions.

DO YOU ANTICIPATE THE AMOUNT OF WORK YOU SEND TO OUTSIDE PROVIDERS AND LAW FIRMS WILL INCREASE, STAY THE SAME, OR DECREASE IN THE NEXT 12 MONTHS?

		Decrease	Stay the same	Increase	Don't know/Not sure
Law firms	2016	24%	46%	28%	3%
	2017	18%	48%	31%	3%
Outside providers	2016	13%	61%	15%	11%
	2017	7%	62%	19%	11%

Where do you primarily direct the following functions/responsibilities?

Most CLOs report insourcing administration and department operations, contract management and document management (over 90 percent), and other internal functions. Complex litigation is commonly outsourced, according to 97 percent of respondents. A greater proportion of CLOs this year (83 percent) report that they now outsource patent services. Eighteen percent of CLOs report that content creation is “not applicable” in terms of where they direct this function, an increase of 7 percentage points from last year.

CLOs in the pharmaceutical/medical device industry were notably more likely than CLOs in other industries to outsource due diligence, whereas not-for-profit CLOs were much more likely to report directing due diligence in-house.

CLOS in the Middle East/Africa were much more likely to report outsourcing content creation (27 percent) compared with less than 20 percent in all other regions.

WHERE DO YOU PRIMARILY DIRECT THE FOLLOWING FUNCTIONS/RESPONSIBILITIES?

	Insource (in-house)	Outsource to law firm	Outsource to LPO/LSP	Other
Administration/operations	99%	<1%	<1%	1%
Complex litigation	3%	97%	<1%	<1%
Content creation	88%	6%	3%	3%
Contract management	97%	1%	1%	2%
Document review	82%	13%	3%	1%
Document management	95%	1%	2%	2%
Due diligence	60%	36%	2%	2%
E-discovery	24%	61%	14%	2%
Legal research	62%	36%	1%	1%
Legal writing	77%	21%	<1%	1%
Patent services	9%	83%	4%	3%
Records management	89%	3%	3%	5%

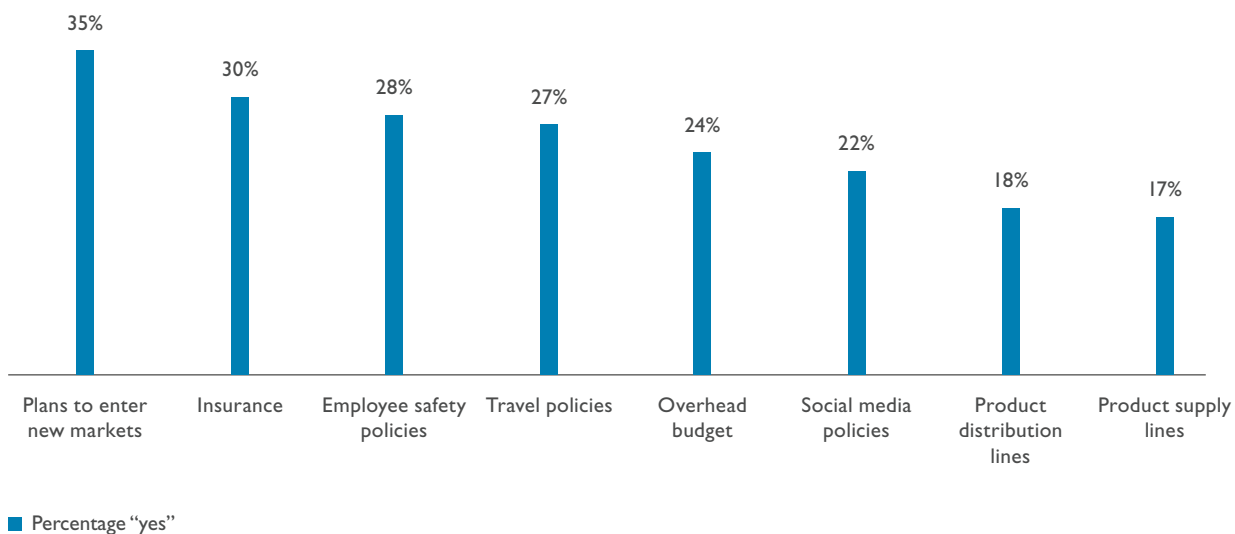
In the past year, has your company made any changes to the following as a result of geopolitical events (e.g., changes in government leadership, conflict, natural disaster)?

From employee safety to product development, companies have changed how they approach business, according to respondents. As a strategic adviser and risk manager, the CLO is tasked with navigating in a constantly shifting business and regulatory climate that mirrors political and naturally occurring events locally. This is especially clear when examining plans for growth or expansion. One in three say their company has changed plans to enter new markets in the next year as result of geopolitical events.

Overall, one in three respondents (n=731) say their company made changes in at least one of the areas listed as a result of the geopolitical climate. Global events affected plans to enter new markets and insurance most significantly, say CLOs surveyed.

Industry-based analysis indicates that overall last year, geopolitical events most heavily affected plans to enter new markets. There were some unique patterns by industry, however. A significantly high percentage (54 percent) of respondents in the construction and engineering industry say their company made changes to insurance and plans to enter new markets last year. Four in 10 CLOs in manufacturing report changes in travel policies, more than any other industry. Four in 10 healthcare CLOs surveyed say their company made changes to employee safety policies. Social media policies and overall budget saw greater changes in the healthcare and not-for-profit industries compared with other industries. The pharmaceutical and medical devices industry and manufacturing industries saw the highest percentage report changes to product supply lines and product distribution lines.

IN THE PAST YEAR, HAS YOUR COMPANY MADE ANY CHANGES TO THE FOLLOWING AS A RESULT OF GEOPOLITICAL EVENTS? PERCENTAGE "YES"



n=749

**IN THE PAST YEAR, HAS YOUR COMPANY MADE ANY CHANGES TO THE FOLLOWING AS A RESULT OF
GEOPOLITICAL EVENTS?**
PERCENTAGE "YES"

	Region (office location)						
	Europe	Middle East/ Africa	Latin America/ Caribbean	Asia Pacific	Australia/ New Zealand	US	Canada
Plans to enter new markets	58%	53%	44%	68%	35%	29%	30%
Insurance	34%	20%	11%	32%	25%	30%	44%
Employee safety policies	37%	13%	22%	36%	28%	26%	26%
Travel policies	53%	53%	22%	56%	24%	21%	26%
Overhead budget	34%	33%	33%	52%	25%	20%	38%
Social media policies	24%	20%	33%	48%	24%	20%	30%
Product distribution lines	34%	47%	22%	44%	17%	13%	15%
Product supply lines	39%	40%	22%	44%	14%	12%	15%

COMPANY CHANGES AS A RESULT OF GEOPOLITICAL EVENTS BY INDUSTRY

In the past year, has your company made any changes to the following as a result of geopolitical events?										
Industry	n=	Plans to enter new markets	Travel policies	Product supply lines	Product distribution lines	Insurance	Overhead budget	Social media policies	Employee safety policies	
Overall		35%	27%	17%	18%	30%	24%	22%	28%	
Manufacturing	77	36%	40%	36%	32%	30%	21%	22%	32%	
IT/ Software/Internet-related Services	75	35%	29%	12%	15%	24%	21%	19%	13%	
Finance and Banking	57	37%	19%	11%	16%	26%	28%	25%	18%	
Healthcare/Social Assistance	36	33%	22%	8%	17%	44%	43%	39%	44%	
Insurance	27	41%	26%	22%	30%	26%	26%	30%	20%	
Not-for-profit Organization (e.g., Charity, Environment)	20	30%	19%	5%	5%	33%	45%	35%	29%	
Pharmaceutical/Medical Devices	20	40%	30%	40%	30%	25%	15%	25%	20%	
Construction/Engineering	26	54%	42%	27%	27%	50%	38%	19%	42%	
Real Estate/Rental and Leasing	21	38%	15%	0%	5%	48%	24%	29%	24%	
Telecommunications	19	42%	32%	21%	21%	21%	21%	26%	26%	
Energy	24	33%	25%	8%	0%	21%	21%	4%	29%	
Professional, Scientific, and/or Technical Services	22	41%	23%	0%	9%	32%	27%	18%	18%	
Retail Trade	24	33%	33%	25%	21%	25%	17%	21%	21%	

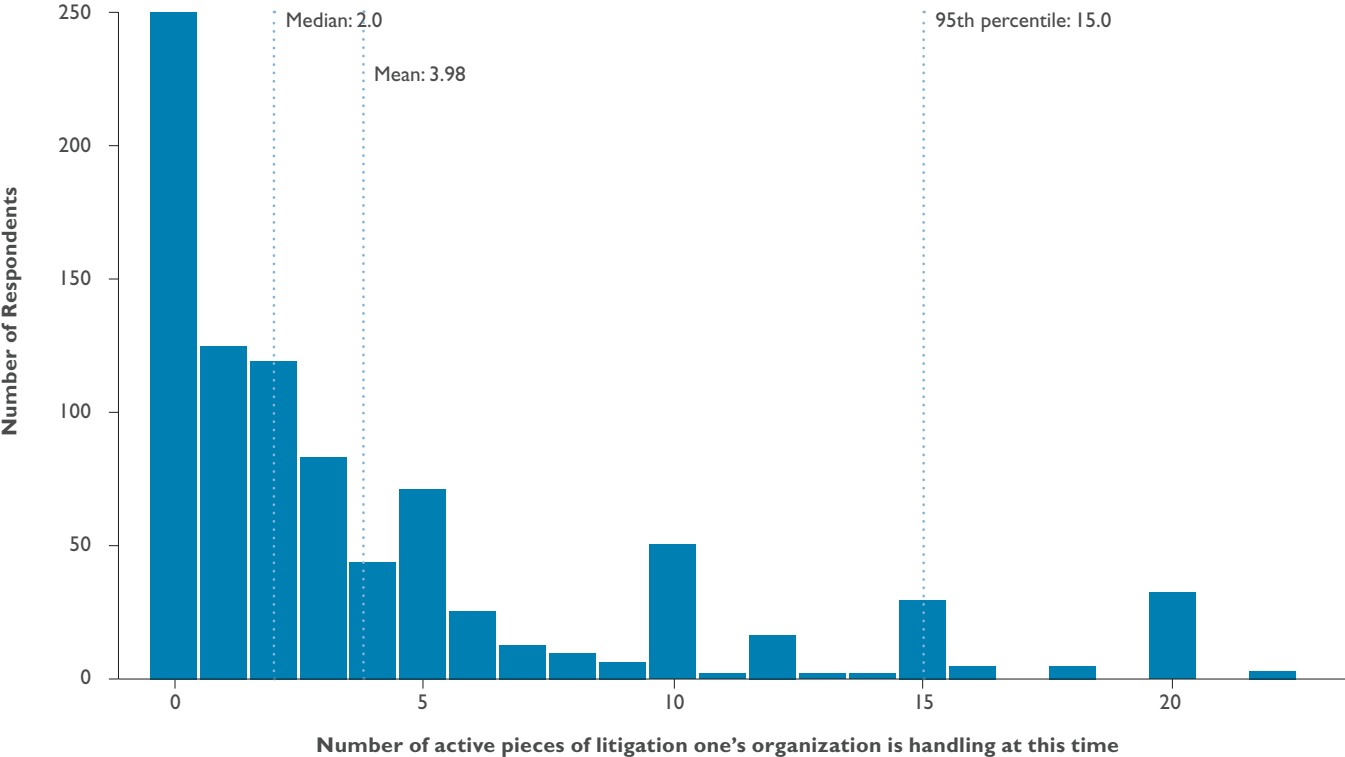
How many active pieces of litigation is your organization handling at this time?

The histogram below shows the overall distribution of responses with key statistical summary points. The distribution is right-skewed, with nearly 250 respondents reporting zero active litigation matters. Respondents report an average of just under four active litigation matters being handled, with a median of two. The top 5 percent are currently handling at least 15 litigation matters.

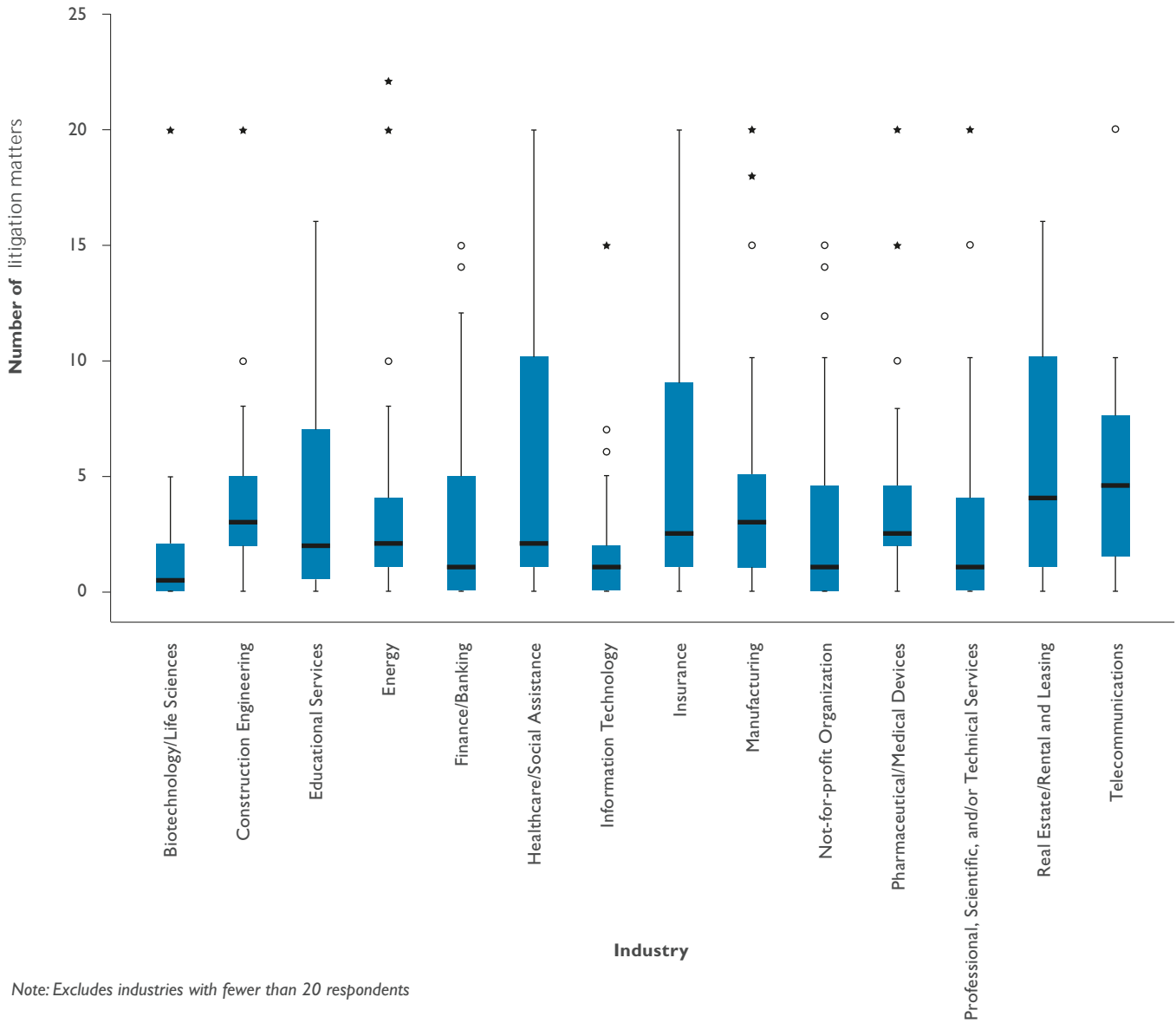
The boxplot provides a visual representation of the variation across industries. The industries with the highest average number of active litigation matters are healthcare/social assistance (5.76), real estate (5.57), and telecommunications (5.29). Those with the lowest average include information technology (1.67) and biotechnology/life sciences (1.95).

In general, larger law departments, as measured by the total number of employees, lawyers, and budget size, tend to report a higher average number of active litigation matters.

NUMBER OF LITIGATION MATTERS: OVERALL SUMMARY



NUMBER OF LITIGATION MATTERS REPORTED BY INDUSTRY



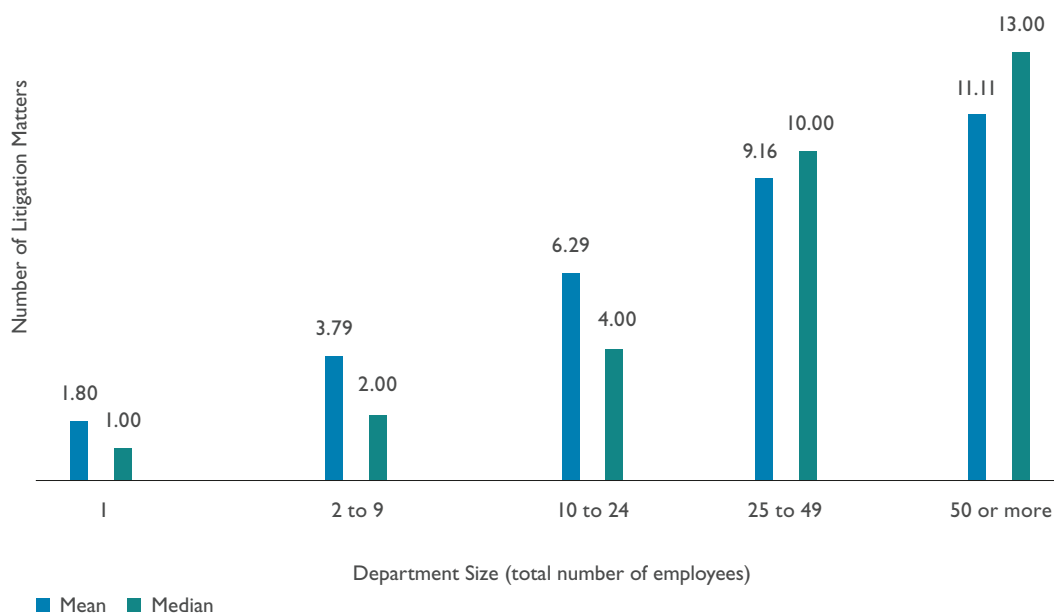
Note: Excludes industries with fewer than 20 respondents

NUMBER OF LITIGATION MATTERS REPORTED BY INDUSTRY (RAW DATA)

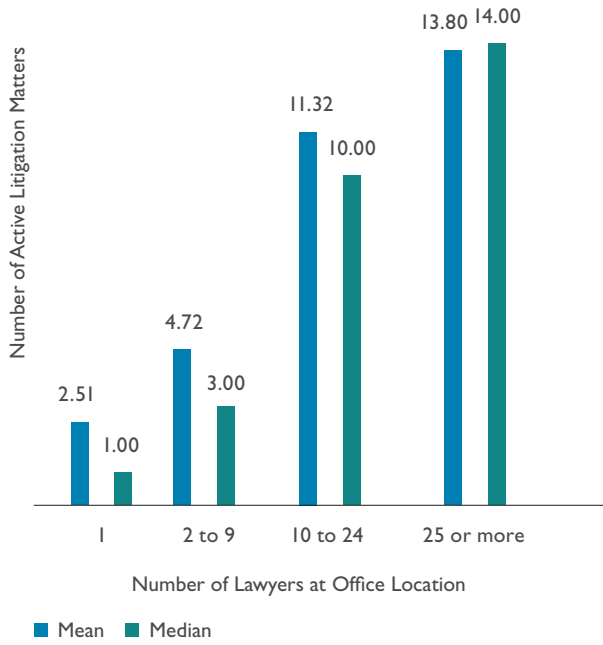
	25th Percentile	Mean	Median	75th Percentile	95th Percentile
Telecommunications	1.25	5.29	4.50	7.75	20.00
Real Estate/Rental and Leasing	1.00	5.57	4.00	10.00	15.55
Professional, Scientific and/or Technical Services	0.00	4.18	1.00	4.50	20.00
Pharmaceutical/Medical Devices	2.00	4.50	2.50	4.75	18.75
Not-for-profit Organization	0.00	3.00	1.00	5.00	14.20
Manufacturing	1.00	4.66	3.00	5.25	17.55
Insurance	1.00	5.04	2.50	10.00	20.00
Information Technology	0.00	1.67	1.00	2.00	6.00
Healthcare Social Assistance	1.00	5.76	2.00	10.50	20.00
Finance/Banking	0.00	3.21	1.00	5.00	12.90
Energy	1.00	4.26	2.00	5.00	21.20
Educational Services	0.00	4.13	2.00	9.00	14.28
Construction/Engineering	2.00	4.70	3.00	5.25	20.00
Biotechnology/Life Sciences	0.00	1.95	.50	2.00	19.25

Note: Excludes industries with fewer than 20 respondents

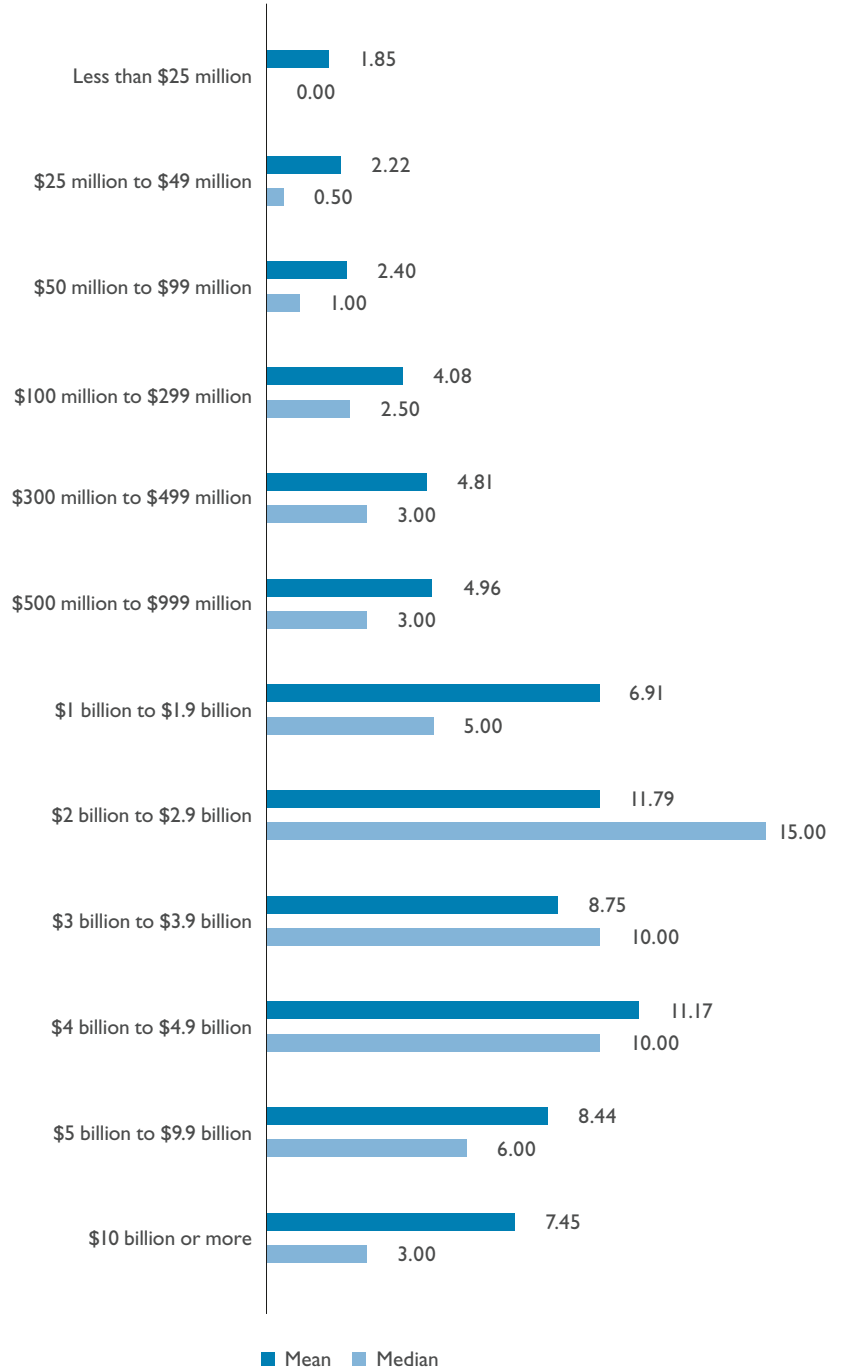
NUMBER OF LITIGATION MATTERS BY DEPARTMENT SIZE



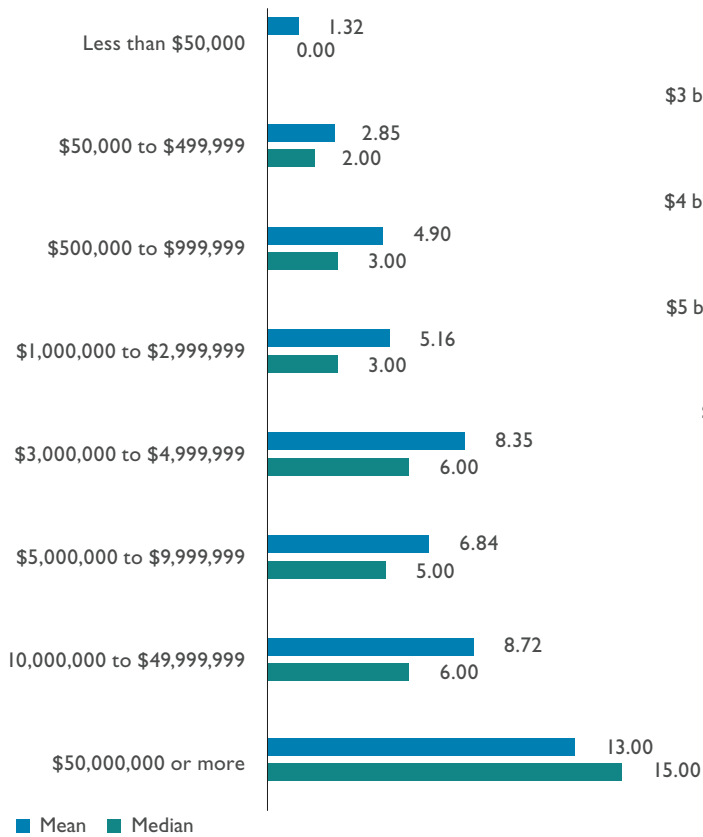
NUMBER OF LITIGATION MATTERS BY THE NUMBER OF LAWYERS AT ONE'S OFFICE LOCATION



NUMBER OF LITIGATION MATTERS BY COMPANY REVENUE



NUMBER OF LITIGATION MATTERS BY DEPARTMENT BUDGET



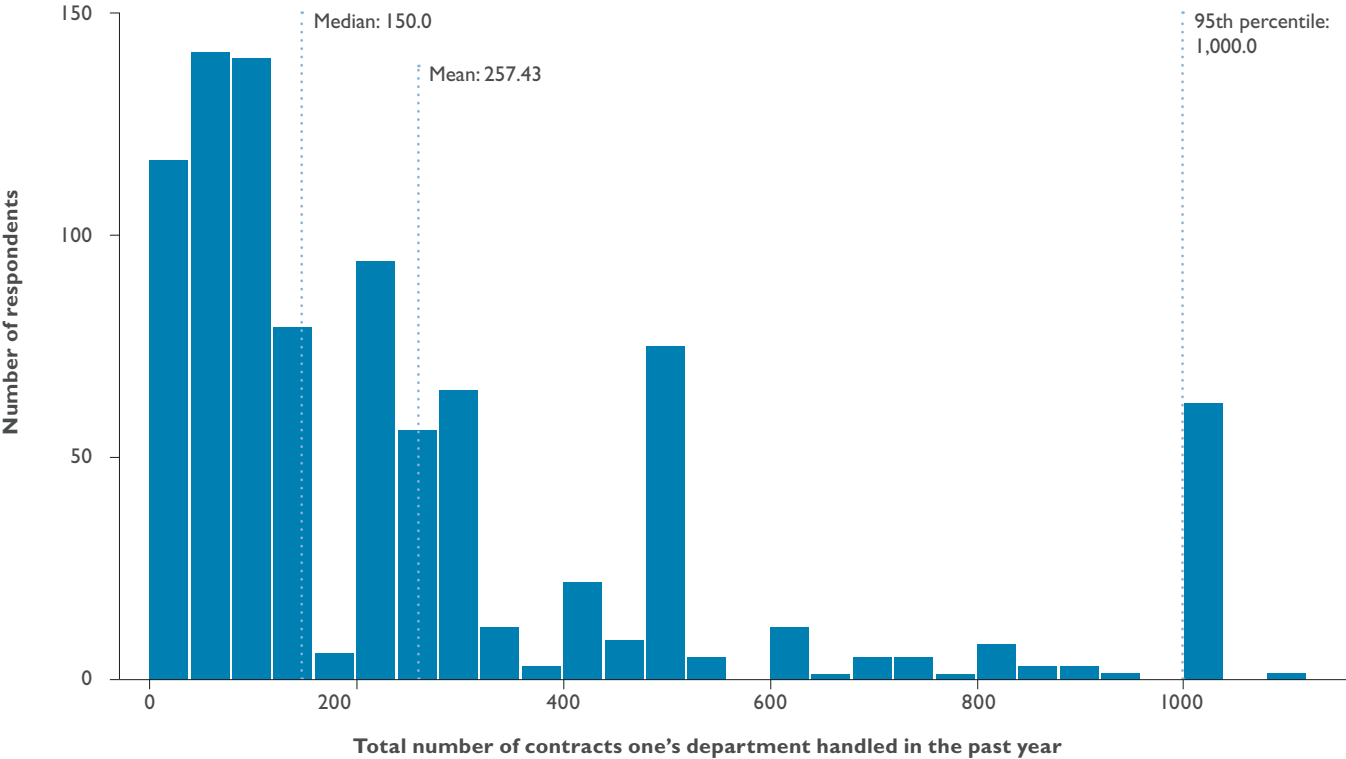
Total number of contracts your department handled in the past year?

The histogram below shows the overall distribution of responses with key statistical summary points. The distribution is right-skewed, with respondents reporting an average of 257 contracts handled in the past year in their law department and a median of 150 contracts. The top 5 percent handled over 1,000 contracts over the past year.

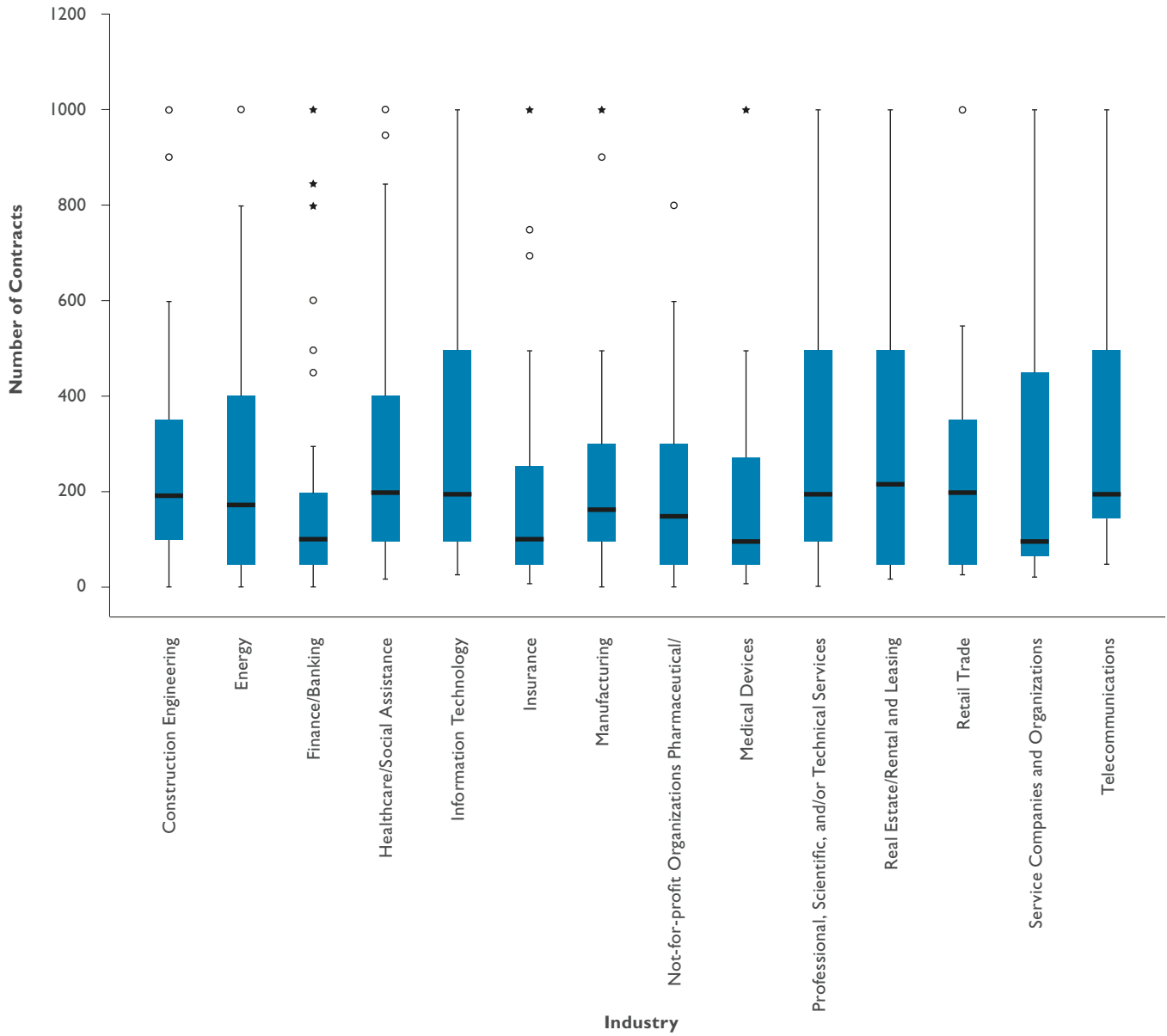
The boxplot provides a visual representation of the variation across industries. The industries with the highest average number of contracts are telecommunications (360.42) and real estate (342.52). Those with the lowest average include finance and banking (167.41), insurance (196.82), and not-for-profits (199.70).

In general, larger law departments, as measured by the total number of employees, lawyers, and budget size, tend to report a higher average number of contacts handled in the past year.

NUMBER OF CONTRACTS: OVERALL SUMMARY



NUMBER OF CONTRACTS BY INDUSTRY



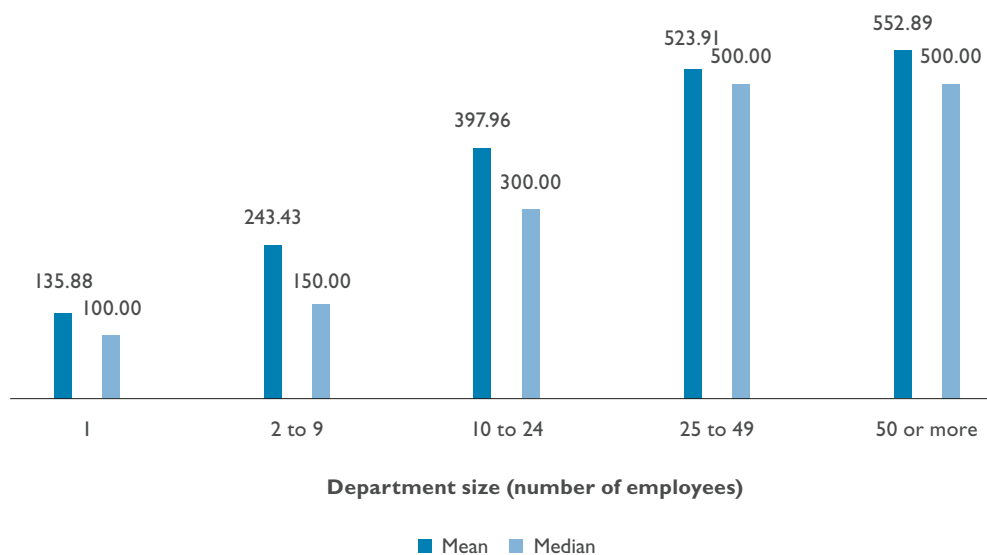
Note: Excludes industries with fewer than 20 respondents

NUMBER OF CONTRACTS REPORTED BY INDUSTRY (RAW DATA)

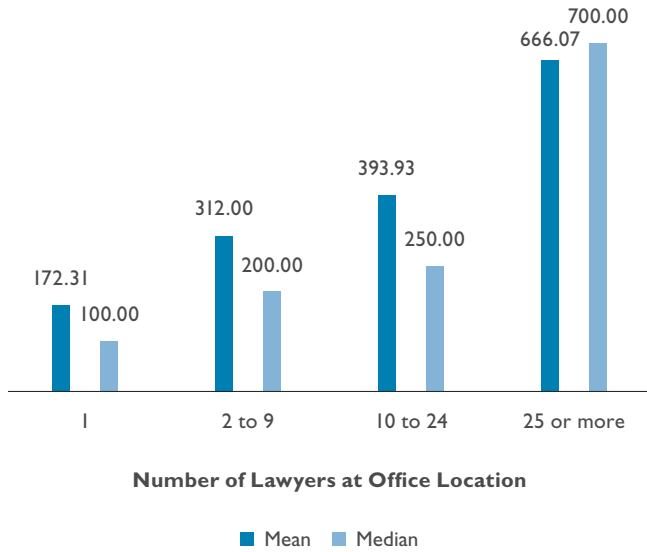
	25th Percentile	Mean	Median	75th Percentile	95th Percentile
Construction/Engineering	100.00	291.03	193.50	375.00	1000.00
Energy	50.00	273.36	175.00	450.00	1000.00
Finance/Banking	44.00	167.41	100.00	200.00	640.00
Healthcare/Social Assistance	100.00	294.03	200.00	400.00	1000.00
Information Technology	100.00	312.32	200.00	500.00	1000.00
Insurance	50.00	196.82	100.00	262.50	762.50
Manufacturing	95.00	248.29	162.50	300.00	1000.00
Not-for-profit Organization	50.00	199.70	150.00	300.00	660.00
Pharmaceutical/Medical Devices	50.00	213.83	100.00	287.50	1000.00
Professional, Scientific, and/or Technical Services	100.00	318.96	200.00	500.00	1000.00
Real Estate/Rental and Leasing	50.00	342.52	225.00	500.00	1000.00
Retail Trade	50.00	248.22	200.00	350.00	910.00
Service Companies and Organizations	65.00	259.55	100.00	475.00	980.00
Telecommunications	150.00	360.42	200.00	500.00	1000.00

Note: Excludes industries with fewer than 20 respondents

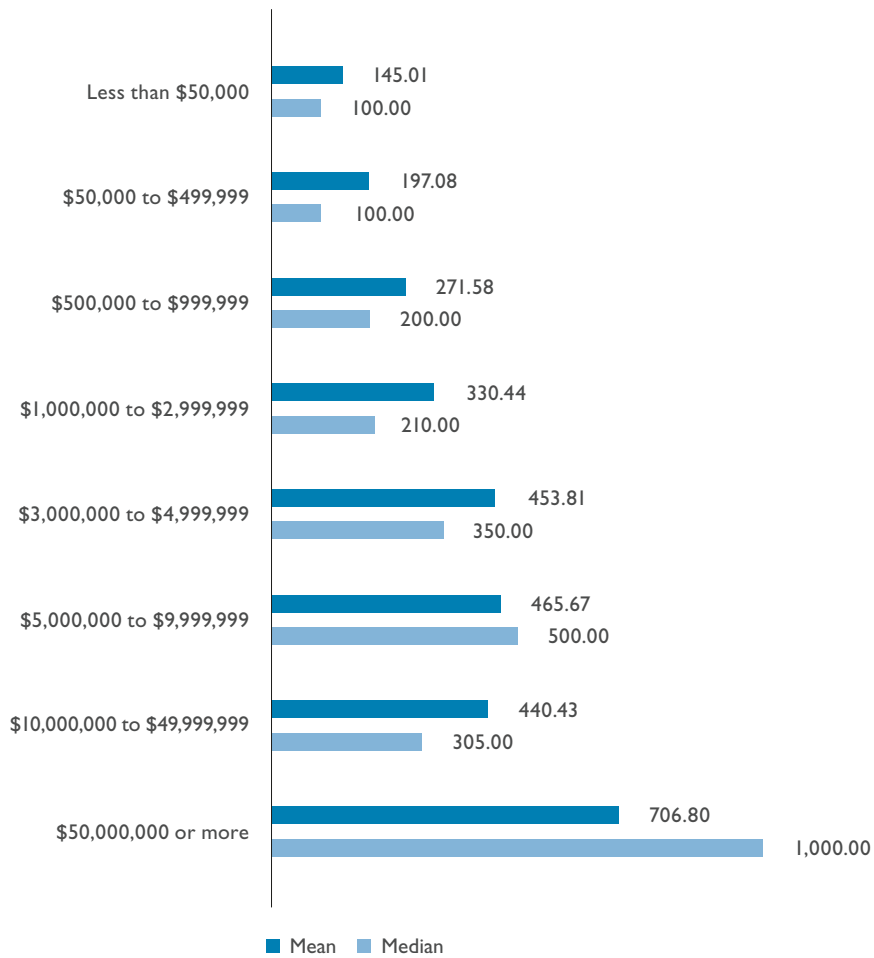
NUMBER OF CONTRACTS HANDLED IN THE PAST YEAR BY DEPARTMENT SIZE



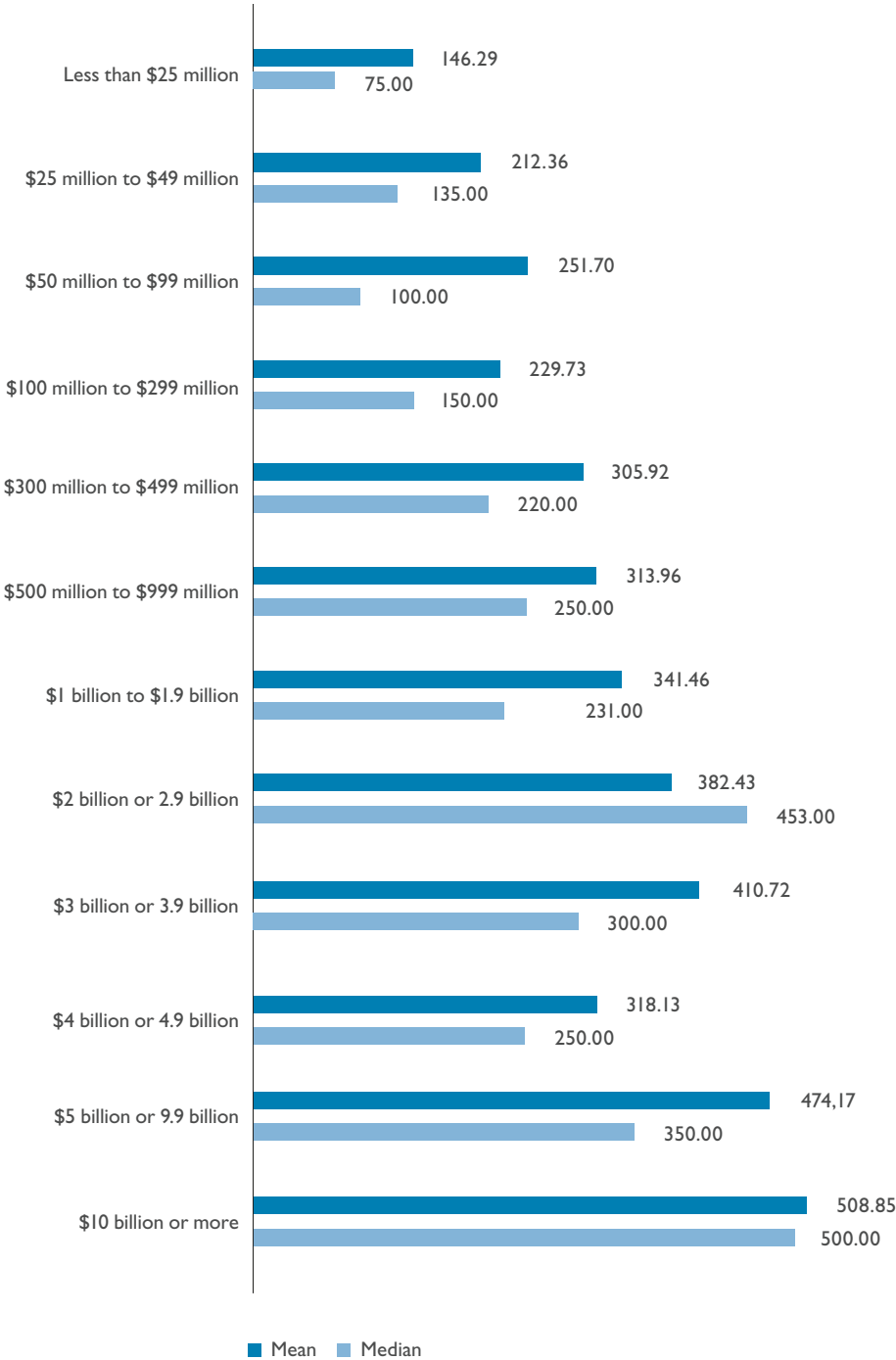
NUMBER OF CONTRACTS HANDLED IN THE PAST YEAR BY THE NUMBER OF LAWYERS AT ONE'S OFFICE LOCATION



NUMBER OF CONTRACTS HANDLED IN THE PAST YEAR BY DEPARTMENT BUDGET



NUMBER OF CONTRACTS HANDLED IN THE PAST YEAR BY COMPANY REVENUE



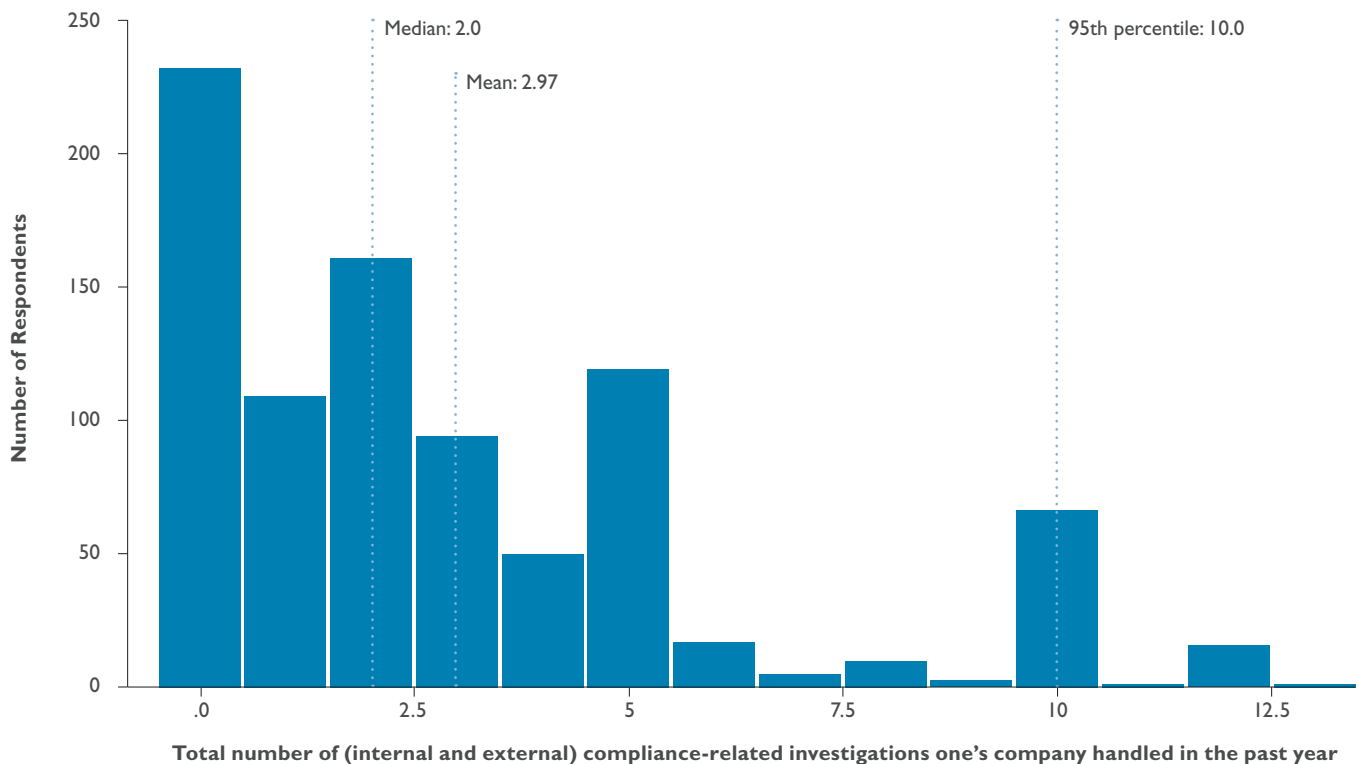
What is the total number of (internal and external) compliance-related investigations your company handled in the past year?

The histogram below shows the overall distribution of responses with key statistical summary points. The distribution is right-skewed, with nearly 230 respondents reporting zero compliance-related investigations. Respondents report an average of just under three investigations, with a median of two. The top 5 percent handled at least 10 investigations over the past year.

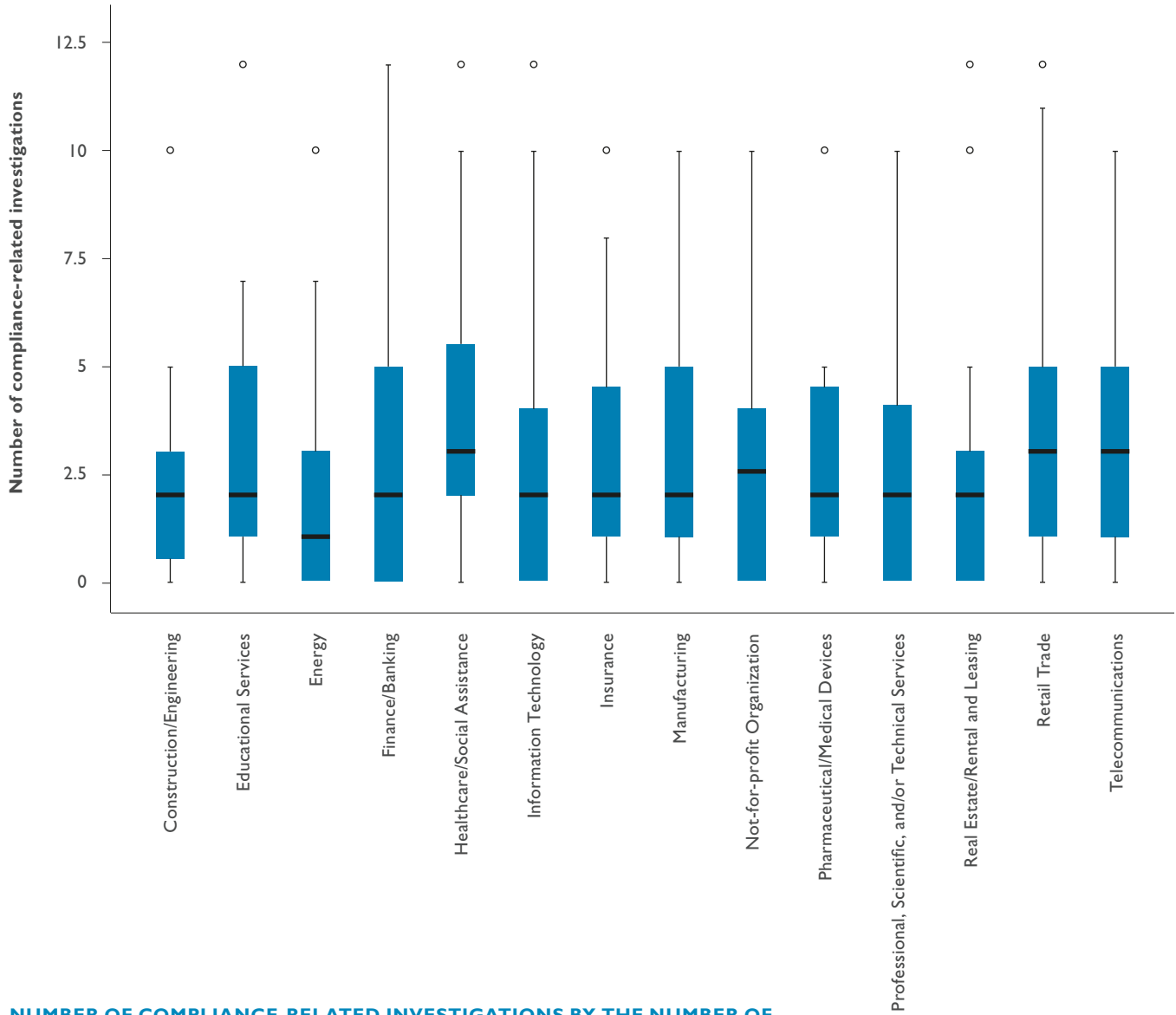
The boxplot provides a visual representation of the variation across industries. The industries with the highest average number of compliance-related investigations are healthcare/social assistance (4.46) and retail trade (4.36). Those with the lowest average include construction/engineering (2.16), energy (2.30), and information technology (2.39).

In general, larger law departments, as measured by the total number of employees, lawyers, and budget size, tend to report a higher average number of compliance-related investigations.

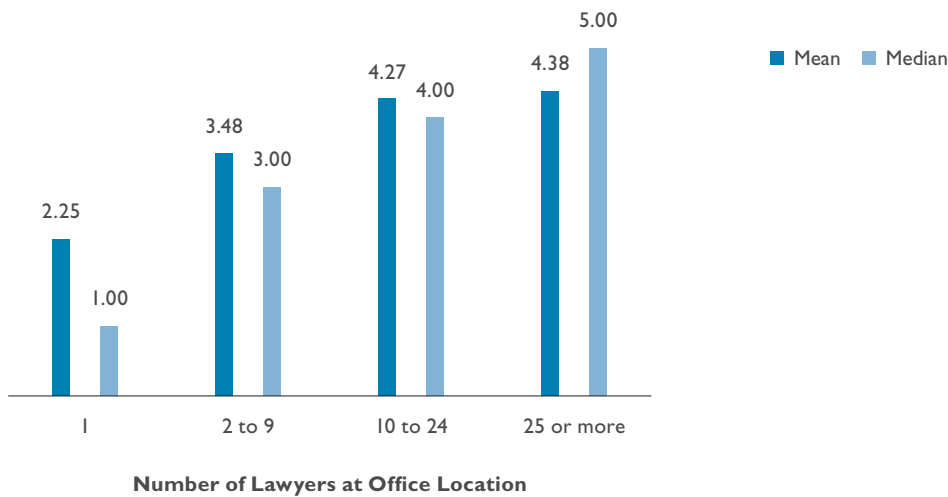
NUMBER OF COMPLIANCE-RELATED INVESTIGATIONS: OVERALL SUMMARY



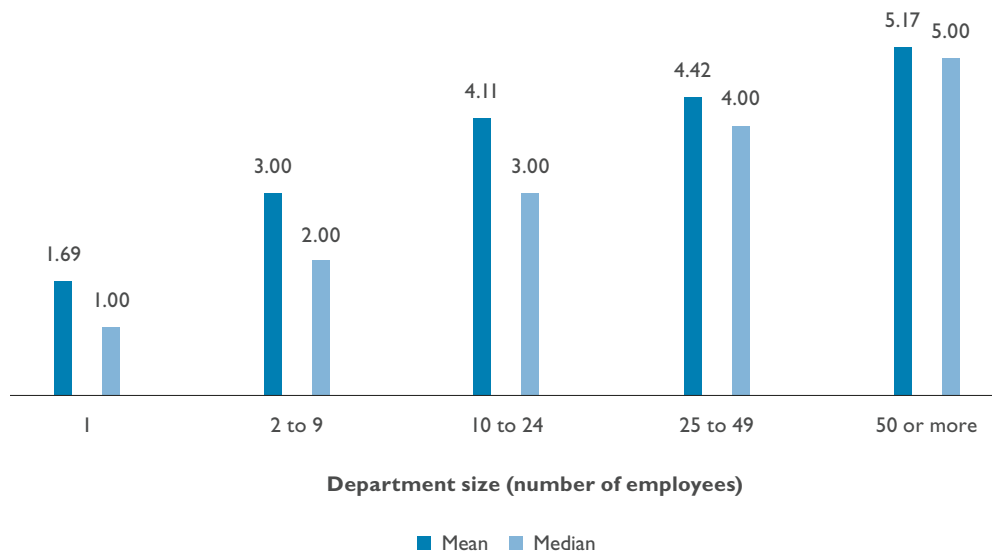
NUMBER OF COMPLIANCE-RELATED INVESTIGATIONS BY INDUSTRY



NUMBER OF COMPLIANCE-RELATED INVESTIGATIONS BY THE NUMBER OF LAWYERS AT ONE'S OFFICE LOCATION



NUMBER OF COMPLIANCE-RELATED INVESTIGATIONS BY DEPARTMENT SIZE

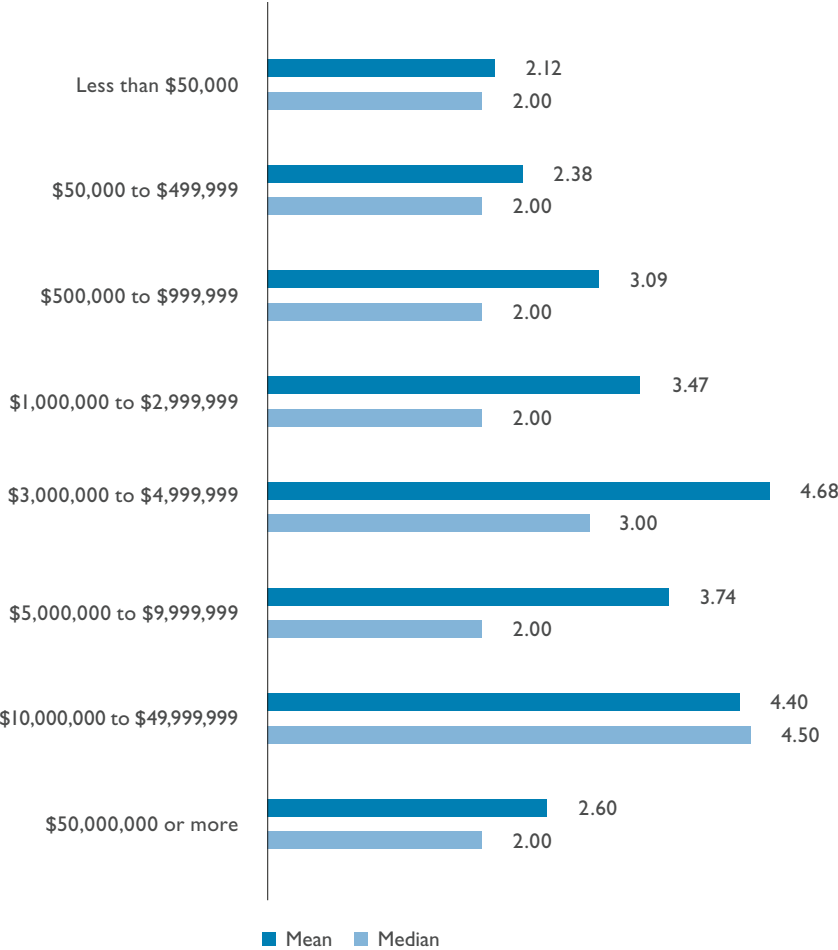


NUMBER OF COMPLIANCE-RELATED INVESTIGATIONS REPORTED BY INDUSTRY (RAW DATA)

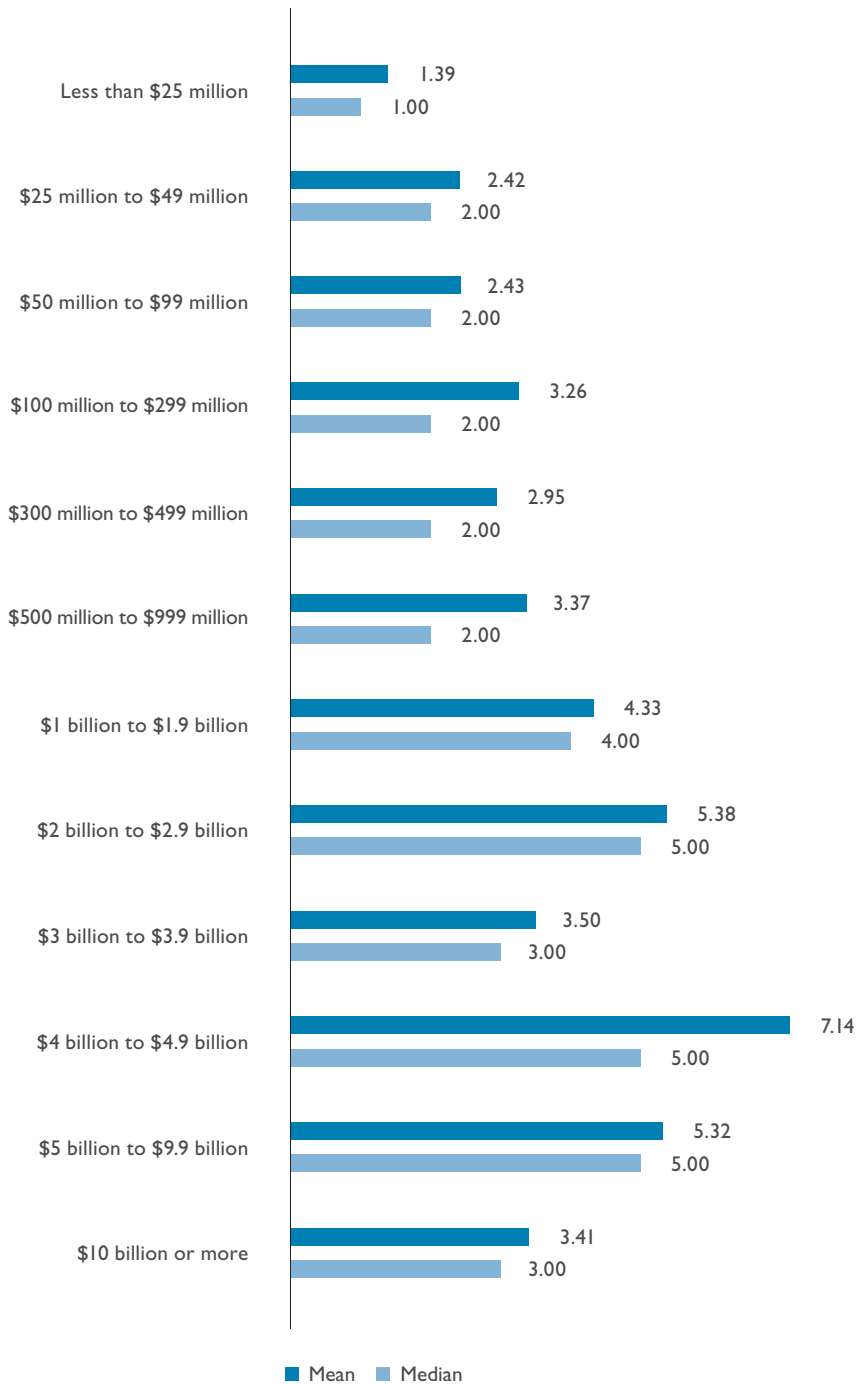
	25th Percentile	Mean	Median	75th Percentile	95th Percentile
Construction/Engineering	0.00	2.16	2.00	3.00	7.00
Educational Services	1.00	3.18	2.00	5.00	11.25
Energy	0.00	2.30	1.00	3.00	10.00
Finance/Banking	0.00	2.92	2.00	5.00	11.60
Healthcare/Social Assistance	2.00	4.46	3.00	5.75	11.10
Information Technology	0.00	2.39	2.00	4.00	10.00
Insurance	1.00	2.88	2.00	4.75	8.70
Manufacturing	1.00	3.43	2.00	5.00	10.00
Not-for-profit Organization	0.00	2.72	2.50	4.00	10.00
Pharmaceutical/Medical Devices	1.00	3.26	2.00	5.00	10.00
Professional, Scientific, and/or Technical Services	0.00	2.59	2.00	5.00	9.20
Real Estate/Rental and Leasing	0.00	2.52	2.00	3.00	10.80
Retail Trade	1.00	4.36	3.00	7.50	12.00
Telecommunications	1.00	3.48	3.00	5.00	10.00

Note: Excludes industries with fewer than 20 respondents

NUMBER OF COMPLIANCE-RELATED INVESTIGATIONS BY DEPARTMENT BUDGET



NUMBER OF COMPLIANCE-RELATED INVESTIGATIONS BY COMPANY REVENUE



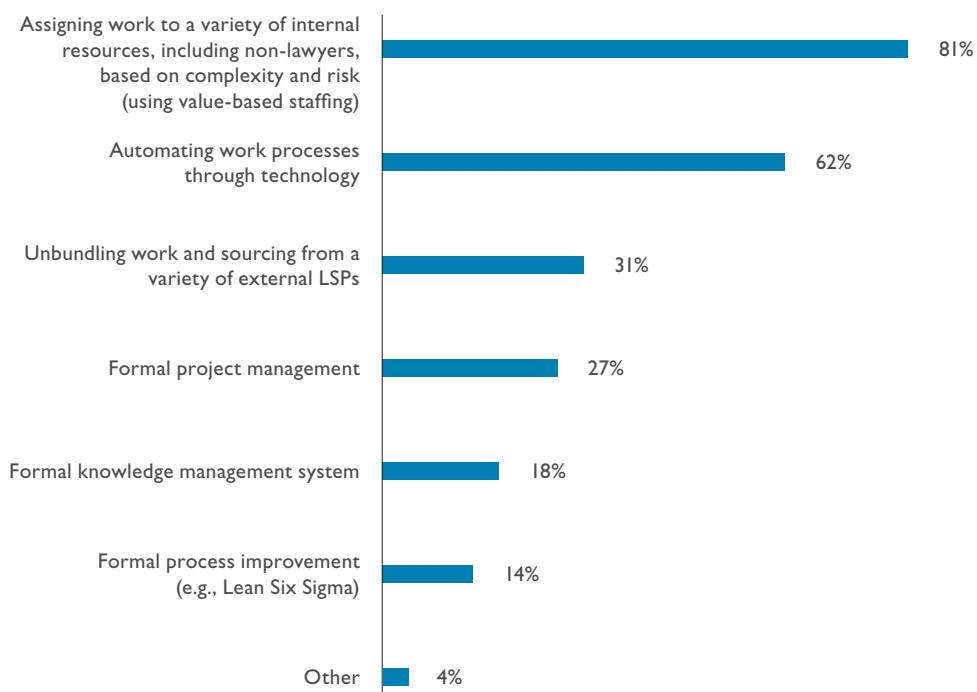
What management practices are you employing to improve efficiency in your department? (Select all that apply)

The most common efficiency-focused management practice used in the law departments surveyed is value-based staffing (81 percent), followed by automating work processes through technology (62 percent). Only 14 percent of respondents say they use a formal process improvement system. However, use of these practices varies widely across departments.

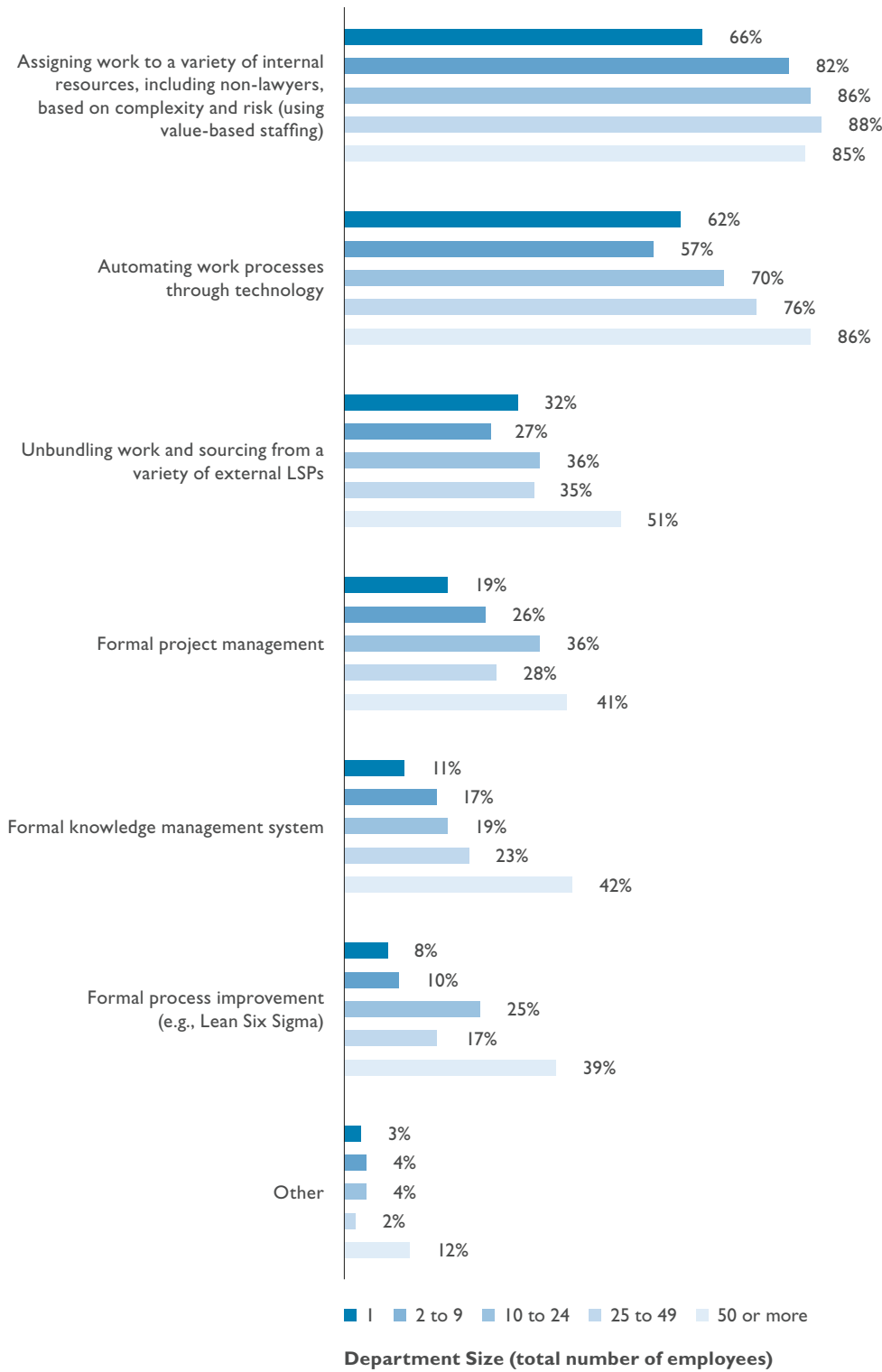
Law departments with 50 or more employees are generally more likely to use each of the management practices listed below than smaller departments. Thirty-nine percent of respondents in departments of 50 or more say they use a formal process improvement system compared with only 8 percent in departments with a single employee.

There is also variation in the use of these practices across department budget and company revenue levels. Departments with larger annual budgets are more likely to use any one of these practices than those with smaller budgets. The same pattern holds for companies with a larger annual revenue. This makes sense given that these indicators would allow for the capacity to put these management practices in place.

MANAGEMENT PRACTICES



MANAGEMENT PRACTICES BY DEPARTMENT SIZE



MANAGEMENT PRACTICES BY LAW DEPARTMENT BUDGET

	Law Department Budget							
	Less than \$50,000	\$50,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 to \$4,999,999	\$5,000,000 to \$9,999,999	\$10,000,000 to \$49,999,999	\$50,000,000 or more
Assigning work to a variety of internal resources, including non-lawyers, based on complexity and risk (using value-based staffing)	78%	79%	81%	80%	85%	89%	92%	73%
Automating work processes through technology	57%	55%	64%	63%	77%	74%	74%	79%
Unbundling work and sourcing from a variety of external LSPs	15%	25%	27%	36%	33%	32%	59%	33%
Formal project management	16%	24%	29%	29%	36%	24%	36%	43%
Formal knowledge management system	13%	16%	20%	15%	26%	22%	31%	29%
Formal process improvement (e.g., Lean Six Sigma)	16%	8%	15%	14%	19%	24%	31%	36%
Other	3%	3%	2%	7%	6%	0%	5%	0%

MANAGEMENT PRACTICES BY COMPANY REVENUE

	Company Revenue											
	Less than \$25 million	\$25 million to \$49 million	\$50 million to \$99 million	\$100 million to \$299 million	\$300 million to \$499 million	\$500 million to \$999 million	\$1 billion to \$1.9 billion	\$2 billion to \$2.9 billion	\$3 billion to \$3.9 billion	\$4 billion to \$4.9 billion	\$5 billion to \$9.9 billion	\$10 billion or more
Assigning work to a variety of internal resources, including non-lawyers, based on complexity and risk (using value-based staffing)	77%	71%	82%	81%	84%	88%	85%	86%	74%	83%	83%	85%
Automating work processes through technology	47%	73%	64%	63%	46%	60%	65%	70%	67%	92%	62%	74%
Unbundling work and sourcing from a variety of external LSPs	24%	24%	22%	31%	35%	23%	37%	30%	22%	17%	52%	49%
Formal project management	20%	18%	29%	22%	28%	20%	41%	27%	44%	50%	28%	34%
Formal knowledge management system	15%	17%	18%	12%	12%	12%	23%	24%	22%	33%	31%	50%
Formal process improvement (e.g., Lean Six Sigma)	10%	13%	9%	14%	12%	7%	15%	19%	17%	50%	31%	37%
Other	2%	4%	1%	4%	6%	6%	3%	3%	0%	8%	7%	11%

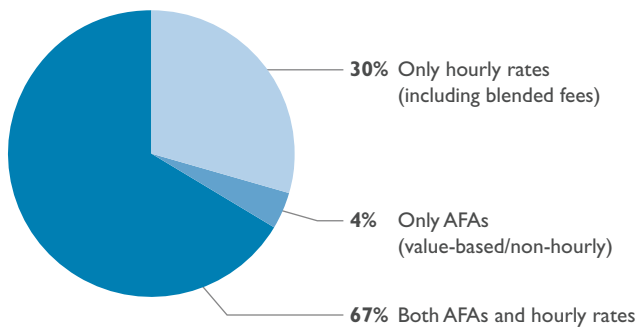
Which of the following fee arrangements do you use?

The majority of law departments use some combination of AFAs and hourly rates for their fee structures (67 percent). Thirty percent report using only hourly rates, and 4 percent use only AFAs.

Smaller law departments are more likely to use only hourly rates for their fee structure than larger departments. Thirty-eight percent of departments with one employee use only hourly rates compared with just 12 percent of departments with 25 to 49 employees. Larger departments are more likely to use a combination of AFAs and hourly rates than smaller departments. This is the case for 87 percent of departments with 25 to 49 employees compared with 58 percent of departments with one employee.

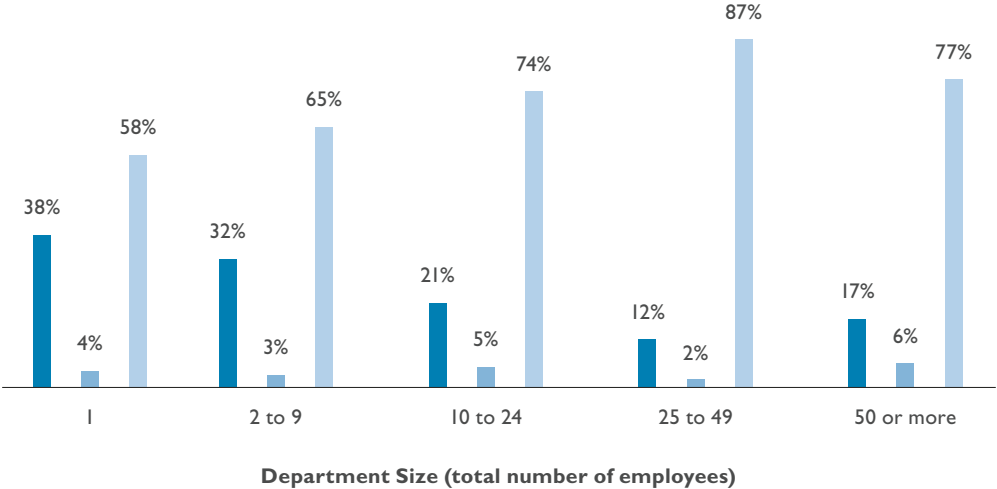
A similar pattern holds across department budget and company revenue levels. Departments with larger budgets and in companies with higher revenues are more likely to use a combination of AFAs and hourly rates rather than only hourly rates.

FEE ARRANGEMENTS



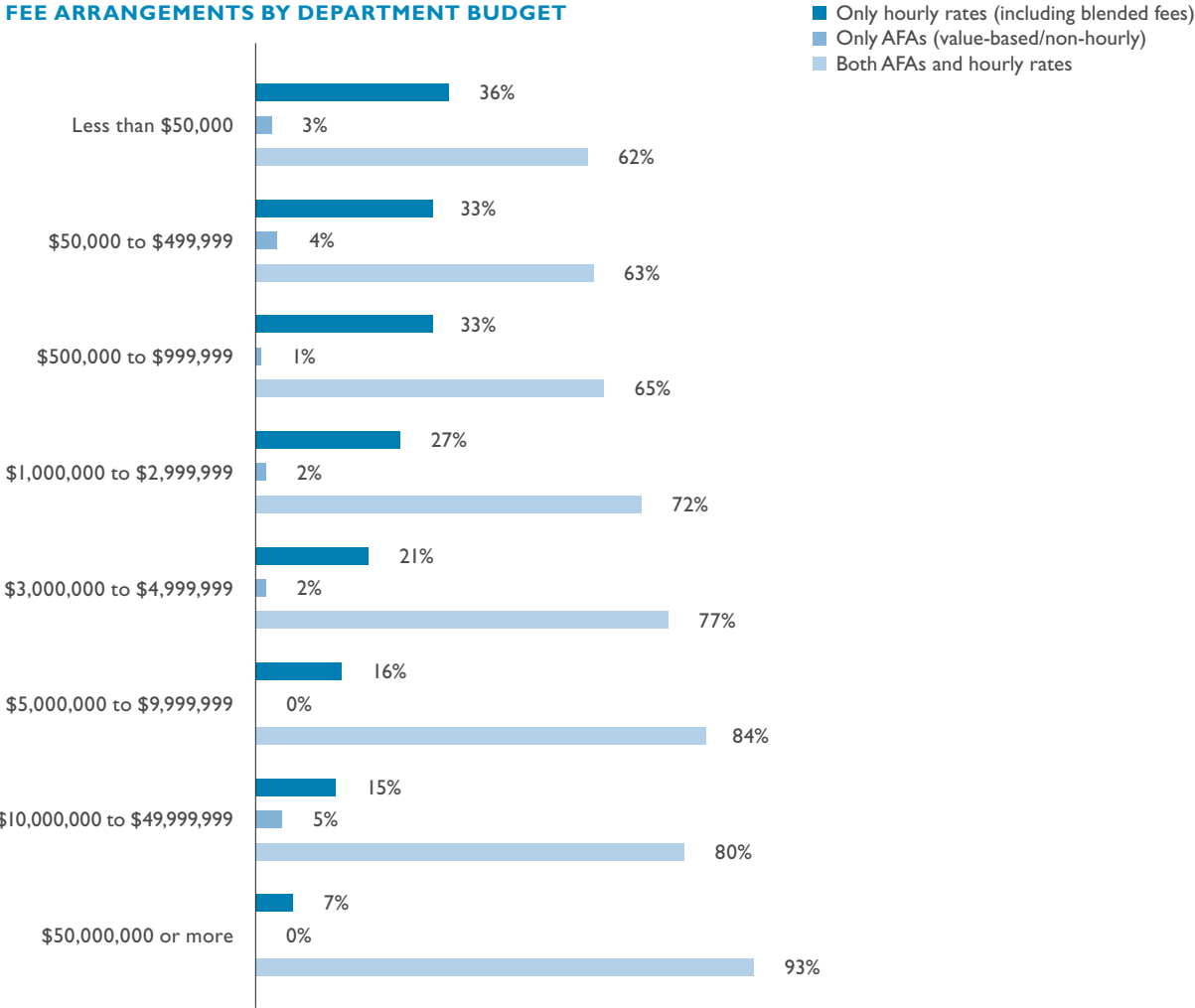
n=1,057

FEE ARRANGEMENTS BY DEPARTMENT SIZE



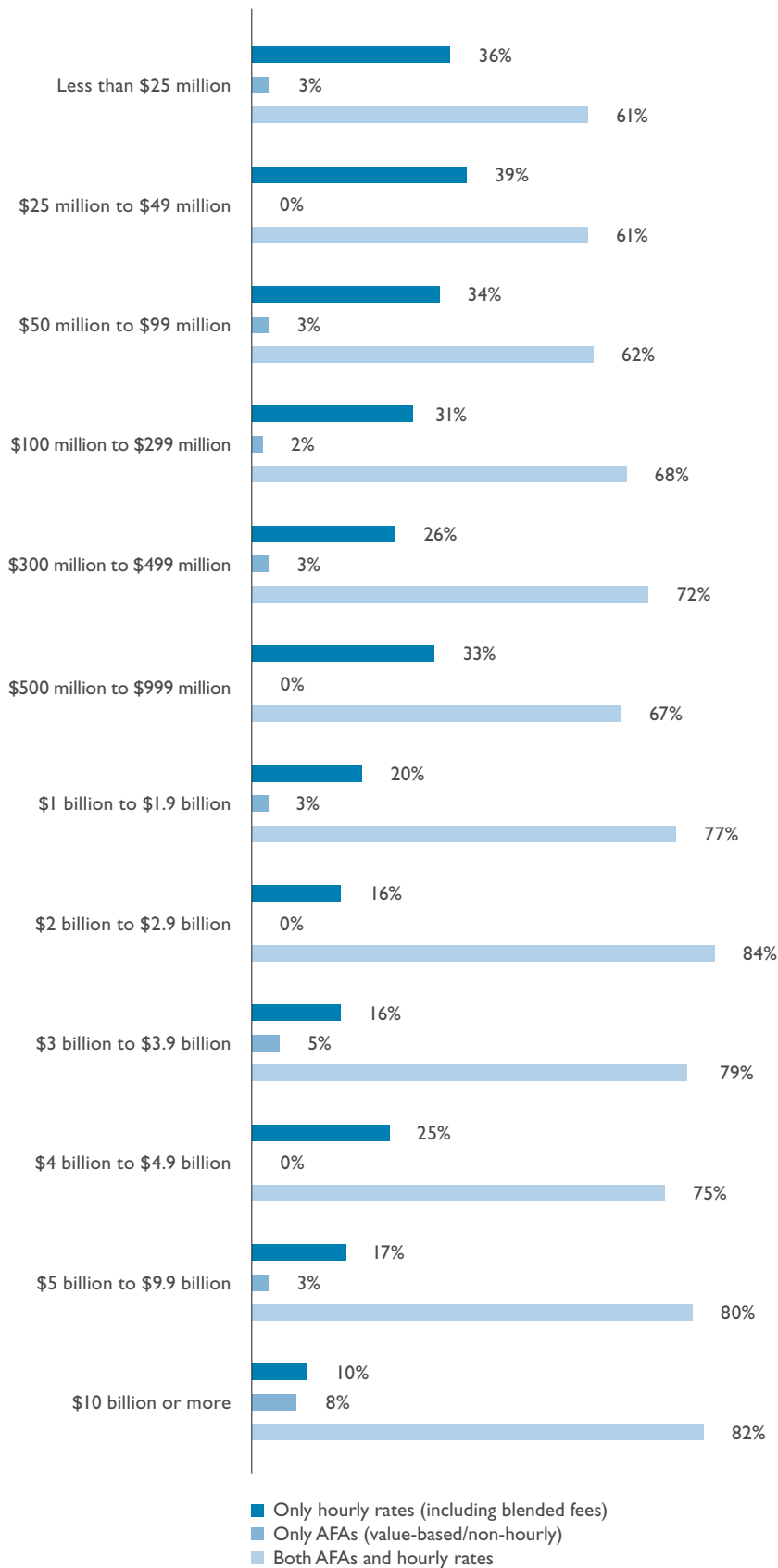
- Only hourly rates (including blended fees)
- Only AFAs (value-based/non-hourly)
- Both AFAs and hourly rates

FEE ARRANGEMENTS BY DEPARTMENT BUDGET



- Only hourly rates (including blended fees)
- Only AFAs (value-based/non-hourly)
- Both AFAs and hourly rates

FEE ARRANGEMENTS BY COMPANY REVENUE

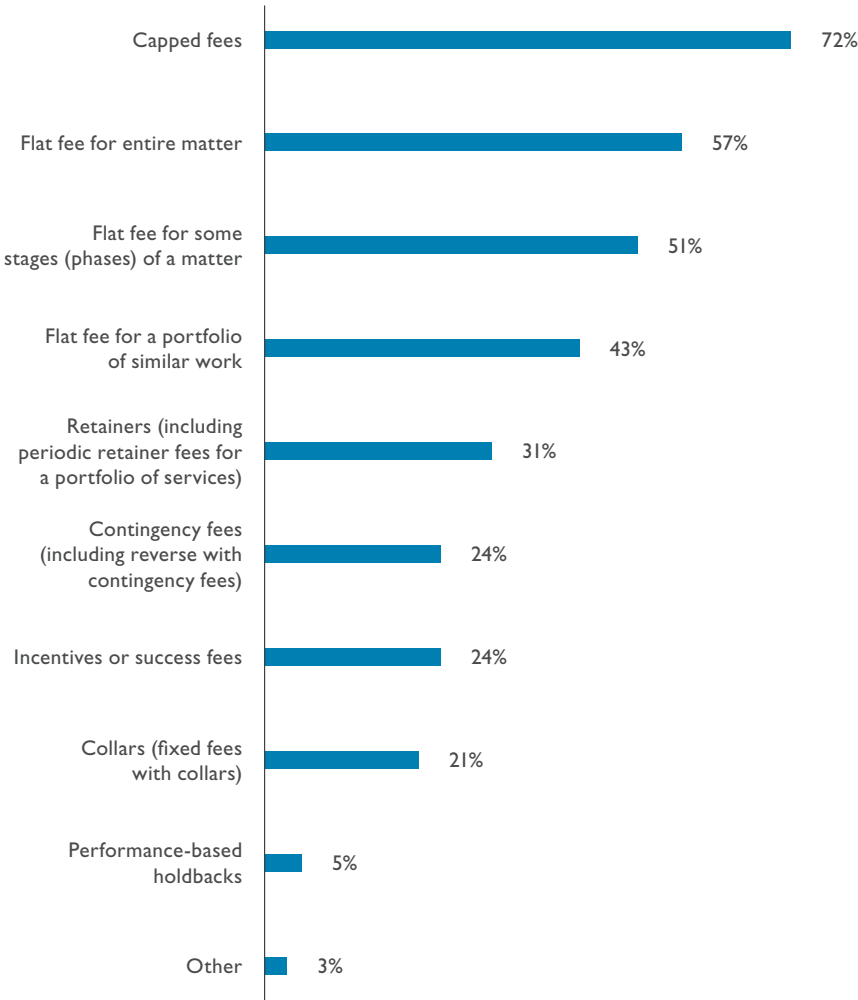


Which of the following AFAs (value-based/non-hourly) do you use? (Select all that apply. Asked only of those who report using AFAs.)

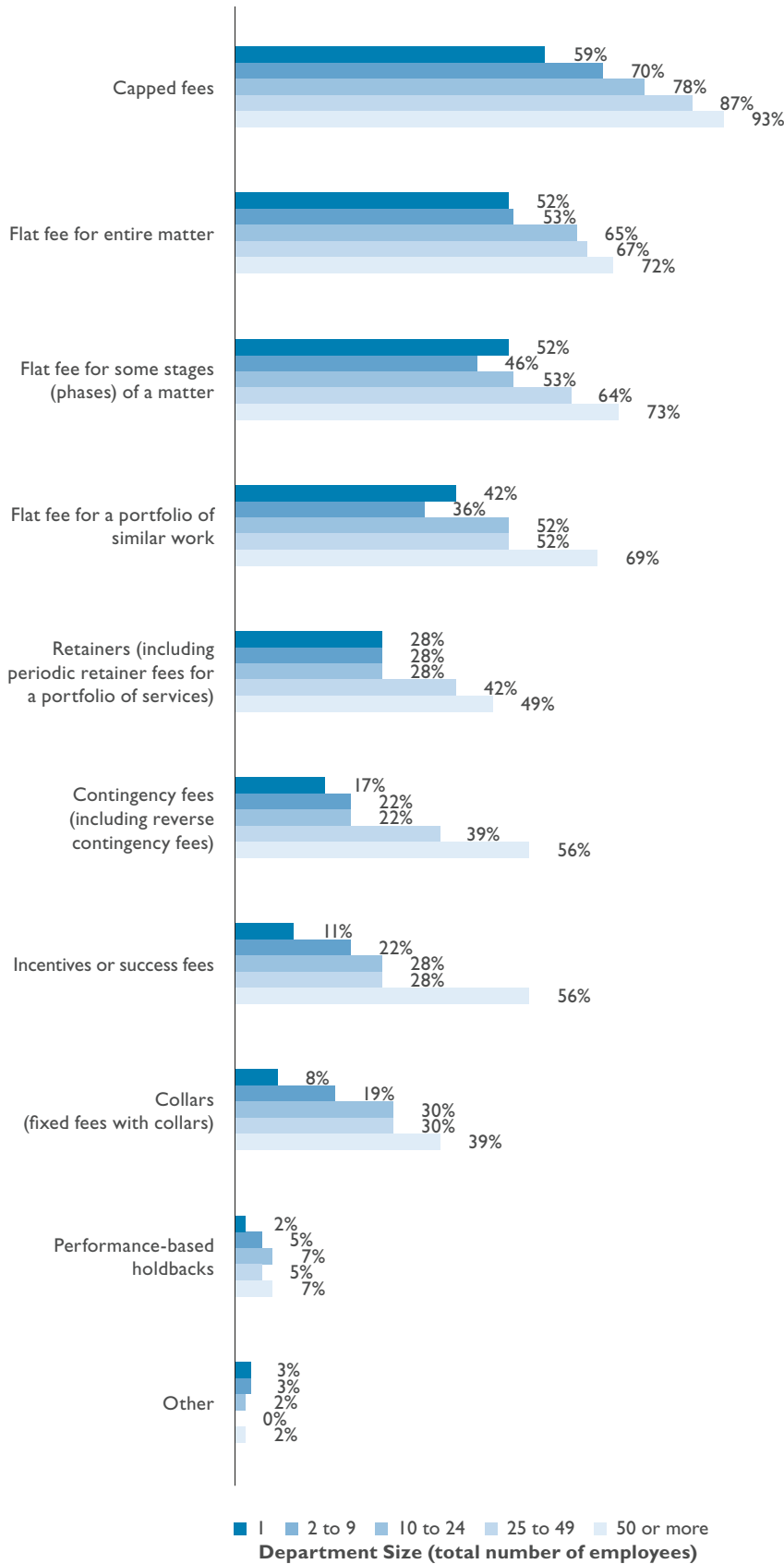
Capped fees are, by far, the most common AFA reported (72 percent), followed by using flat fees for an entire matter with 57 percent. Only 5 percent of respondents report using performance-based holdbacks.

Larger law departments are more likely to use each of the AFAs listed than smaller departments, and in some cases there are dramatic differences in usage across department size, department budget, and company revenue levels. Fifty-six percent of departments with 50 or more employees report using incentives or success fees compared with just 11 percent in departments with one employee. Generally, a higher percentage of departments with larger budgets and companies with higher revenues use AFAs. Every respondent working in a department with a budget of \$50 million or more and 91 percent of respondents in companies with \$10 billion or more in revenue report using capped fees.

ALTERNATIVE FEE ARRANGEMENTS



AFA's BY DEPARTMENT SIZE



AFA's BY LAW DEPARTMENT BUDGET

	Law Department Budget							
	Less than \$50,000	\$50,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 to \$4,999,999	\$5,000,000 to \$9,999,999	\$10,000,000 to \$49,999,999	\$50,000,000 or more
Capped fees	52%	67%	71%	75%	83%	88%	79%	100%
Flat fee for entire matter	57%	56%	49%	58%	58%	56%	74%	79%
Flat fee for some stages (phases) of a matter	35%	54%	44%	52%	53%	41%	85%	77%
Flat fee for a portfolio of similar work	44%	33%	41%	46%	56%	62%	62%	38%
Retainers (including periodic retainer fees for a portfolio of services)	33%	28%	27%	32%	37%	31%	32%	69%
Contingency fees (including reverse contingency fees)	10%	16%	24%	27%	29%	25%	47%	62%
Incentives or success fees	14%	16%	26%	27%	17%	28%	35%	57%
Collars (fixed fees with collars)	6%	10%	26%	27%	36%	28%	35%	46%
Performance-based holdbacks	6%	3%	3%	8%	6%	3%	9%	8%
Other	4%	2%	1%	3%	0%	0%	3%	0%

AFA's BY COMPANY REVENUE

	Company Revenue											
	Less than \$25 million	\$25 million to \$49 million	\$50 million to \$99 million	\$100 million to \$299 million	\$300 million to \$499 million	\$500 million to \$999 million	\$1 billion to \$1.9 billion	\$2 billion to \$2.9 billion	\$3 billion to \$3.9 billion	\$4 billion to \$4.9 billion	\$5 billion to \$9.9 billion	\$10 billion or more
Capped fees	56%	62%	63%	72%	64%	70%	90%	87%	75%	78%	80%	91%
Flat fee for entire matter	54%	60%	57%	62%	48%	54%	60%	55%	88%	44%	48%	77%
Flat fee for some stages (phases) of a matter	51%	41%	39%	55%	49%	47%	56%	45%	69%	67%	52%	74%
Flat fee for a portfolio of similar work	35%	46%	34%	39%	36%	42%	48%	39%	53%	67%	64%	68%
Retainers (including periodic retainer fees for a portfolio of services)	34%	31%	24%	28%	30%	21%	33%	19%	40%	44%	32%	53%
Contingency fees (including reverse contingency fees)	13%	7%	12%	24%	30%	31%	29%	35%	31%	11%	40%	59%
Incentives or success fees	19%	10%	16%	19%	26%	19%	37%	42%	27%	33%	28%	43%
Collars (fixed fees with collars)	8%	15%	12%	17%	24%	24%	25%	29%	40%	67%	36%	41%
Performance-based holdbacks	3%	5%	0%	4%	4%	0%	6%	16%	13%	0%	0%	12%
Other	2%	0%	5%	3%	4%	3%	2%	0%	0%	0%	0%	3%

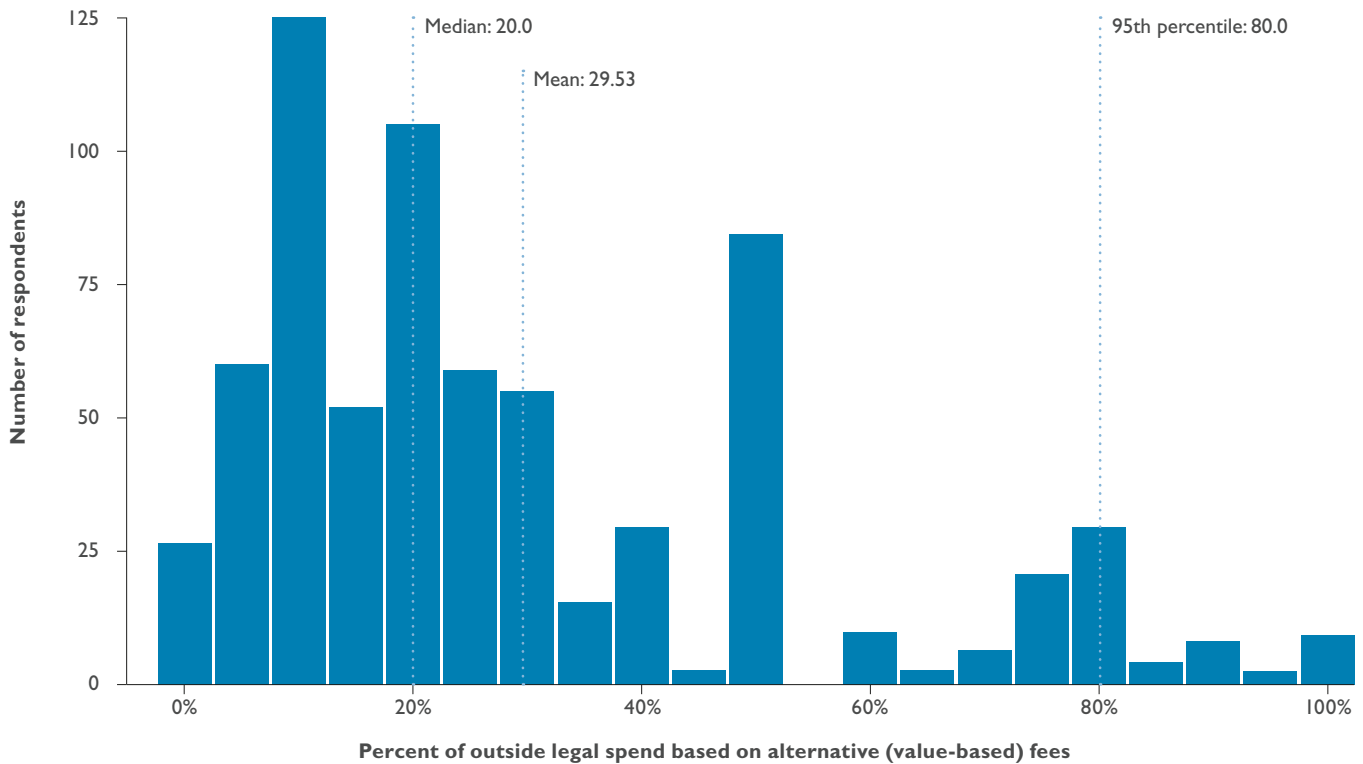
What percentage of your outside legal spend is based on alternative (value-based) fees?

The histogram below shows the overall distribution of responses with key statistical summary points. The distribution is right-skewed, with 25 respondents reporting that zero percent of their outside legal spend is on AFAs. Respondents report an average of just under 30 percent of their outside legal spend on AFAs with a median of 20 percent. The top 5 percent are using 80 percent or more of their outside spend on AFAs.

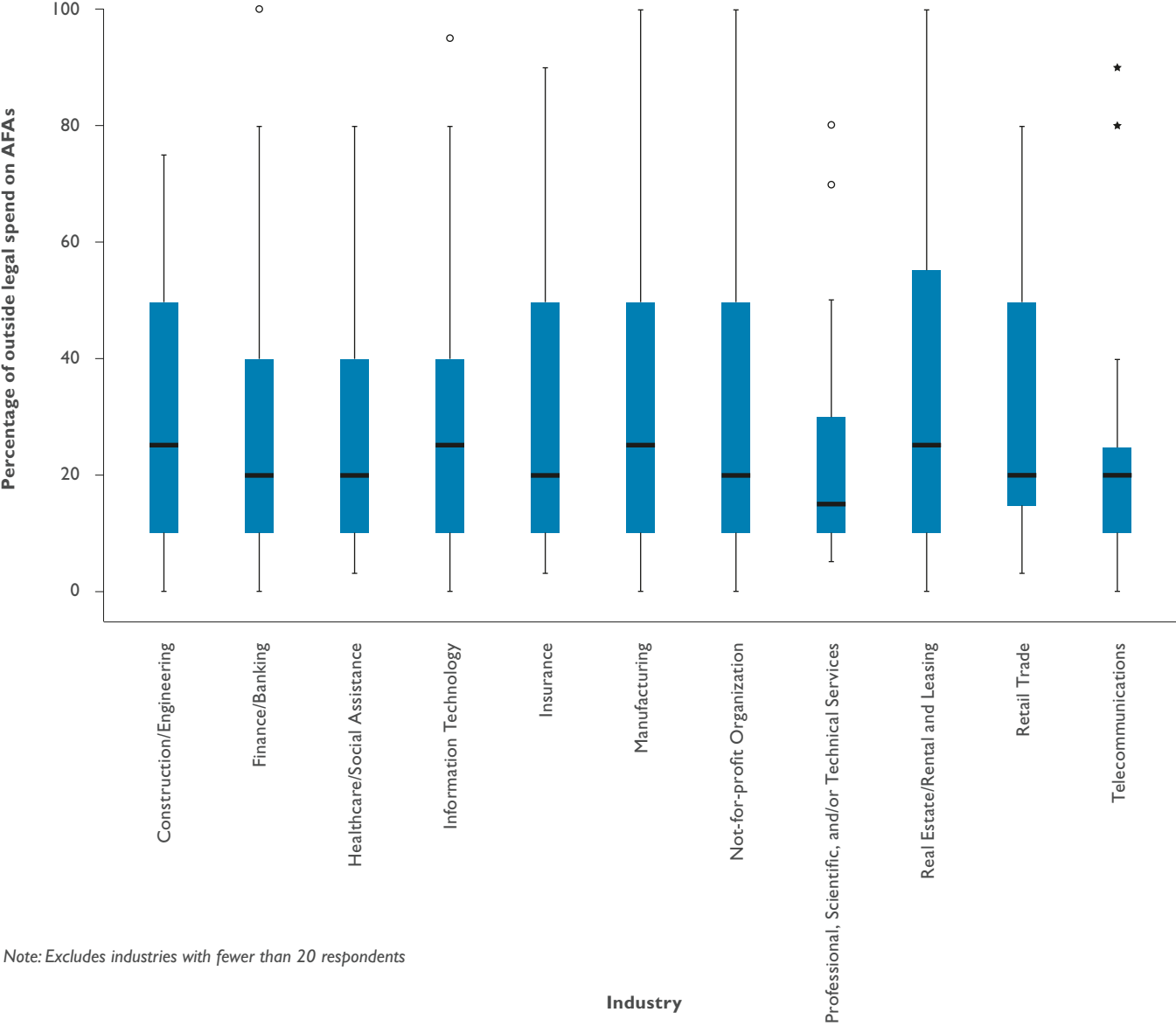
The boxplot provides a visual representation of the variation across industries. The industries with the highest average percentage of outside legal spend on AFAs include real estate (34.78 percent) and retail trade (32.52 percent). Those with the lowest average include telecommunications (22.62 percent) and professional, scientific, and/or technical services (22.62 percent).

There is not a sizable difference in the percentage spend across department sizes except for departments with 50 or more employees. These departments have a significantly higher average percentage of their outside legal spend on AFAs than smaller departments. This is also true for law departments in companies with at least \$5 billion in annual revenue.

PERCENTAGE OF OUTSIDE LEGAL SPEND ON AFAs: OVERALL SUMMARY



PERCENTAGE OF OUTSIDE LEGAL SPEND ON AFAs BY INDUSTRY



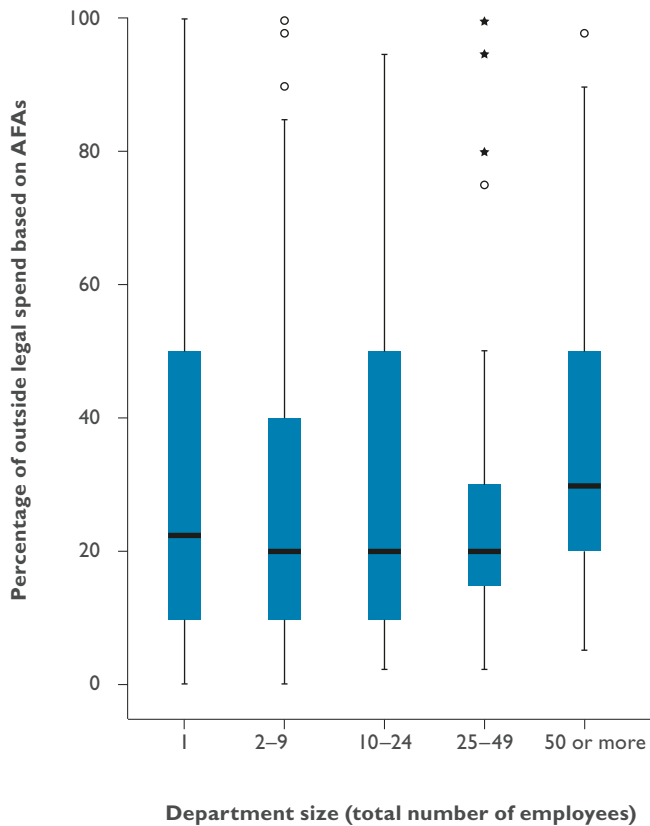
Note: Excludes industries with fewer than 20 respondents

PERCENTAGE OF OUTSIDE LEGAL SPEND ON AFAs REPORTED BY INDUSTRY (RAW DATA)

	25th Percentile	Mean	Median	75th Percentile	95th Percentile
Construction/Engineering	10.00%	29.90%	25.00%	50.00%	75.00%
Finance/Banking	10.00%	28.69%	20.00%	40.00%	80.00%
Healthcare/Social Assistance	10.00%	24.31%	20.00%	40.00%	60.50%
Information Technology	10.00%	29.49%	25.00%	40.00%	75.00%
Insurance	10.00%	31.63%	20.00%	50.00%	84.50%
Manufacturing	10.00%	31.96%	25.00%	50.00%	89.00%
Not-for-profit Organization	10.00%	28.90%	20.00%	50.00%	98.00%
Professional, Scientific, and/or Technical Services	10.00%	22.62%	15.00%	30.00%	79.00%
Real Estate/Rental and Leasing	10.00%	34.78%	25.00%	60.00%	96.00%
Retail Trade	15.00%	32.52%	20.00%	50.00%	80.00%
Telecommunications	10.00%	22.62%	20.00%	26.25%	86.50%

Note: Excludes industries with fewer than 20 respondents

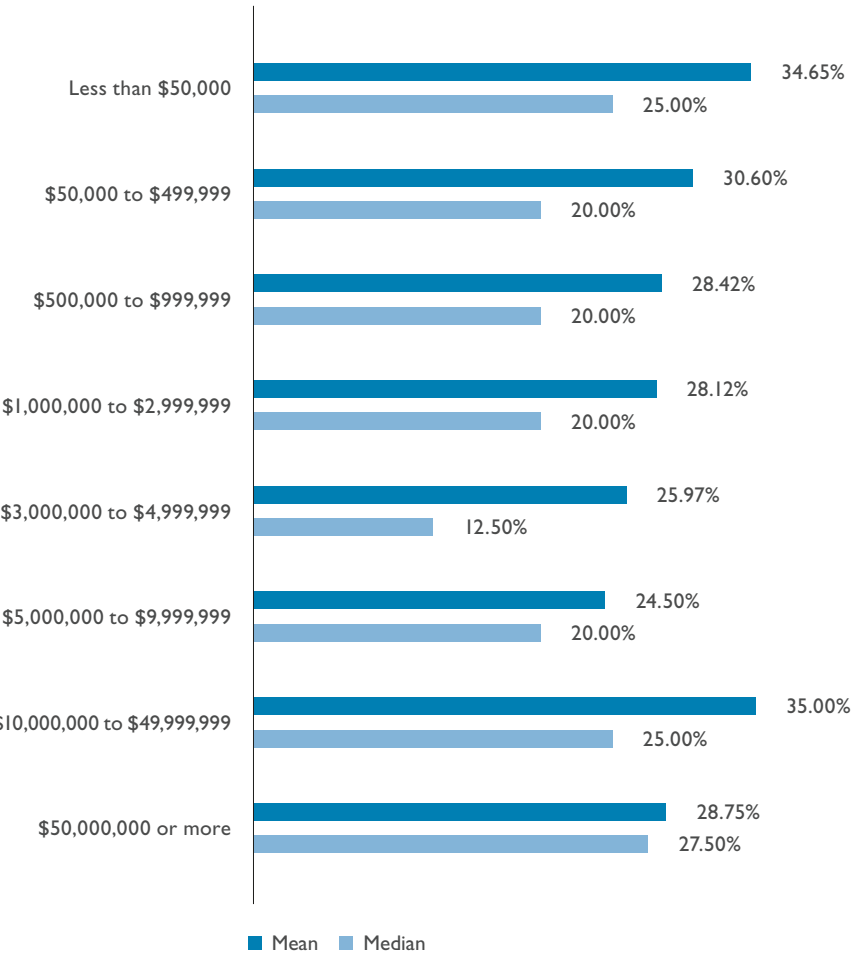
PERCENTAGE OF OUTSIDE LEGAL SPEND BASED ON AFAs BY DEPARTMENT SIZE



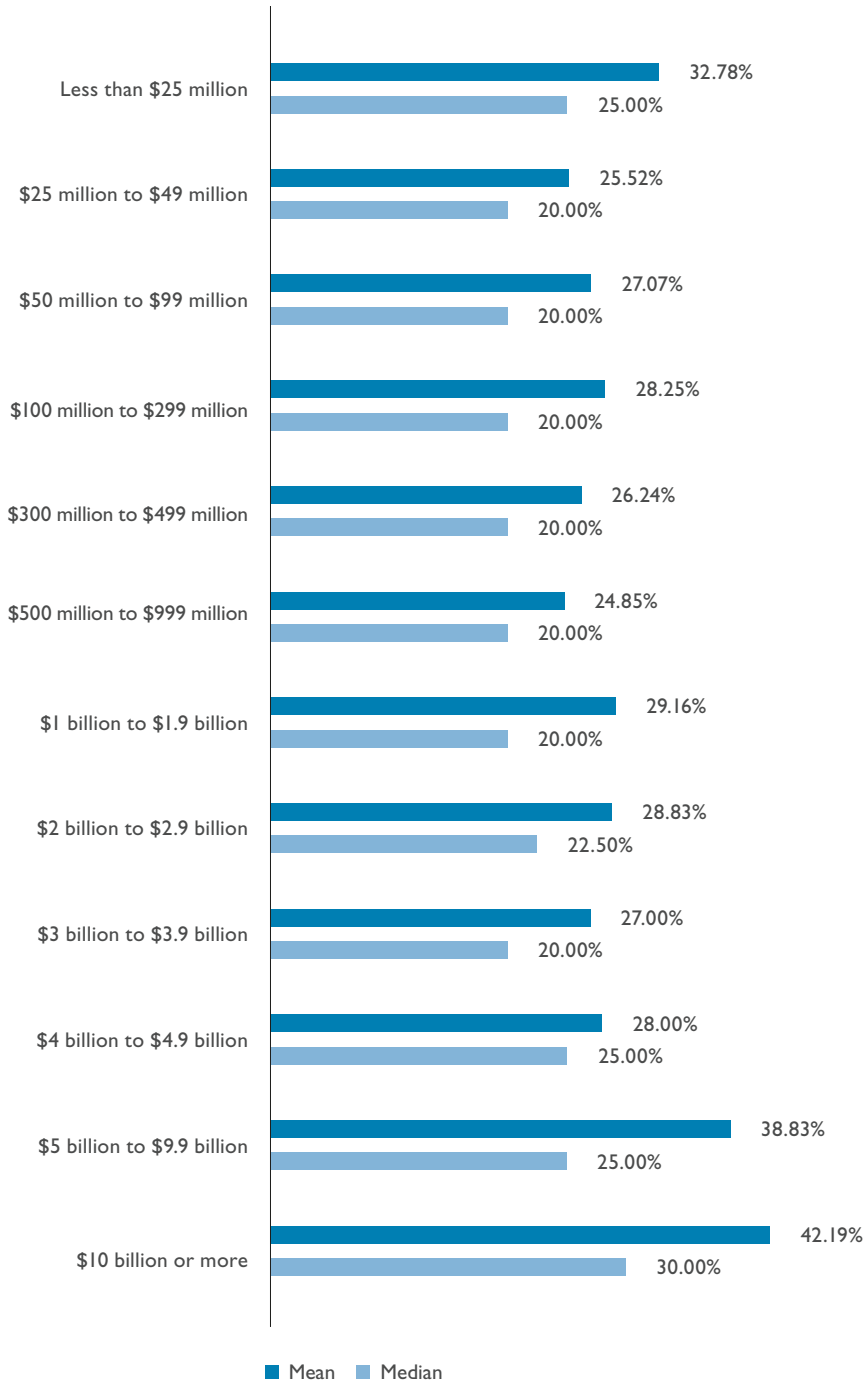
PERCENTAGE OF OUTSIDE LEGAL SPEND BASED ON AFA_s BY DEPARTMENT SIZE (RAW DATA)

	25th Percentile	Mean	Median	75th Percentile	95th Percentile
1 employee	10.00%	29.12%	22.50%	50.00%	80.00%
2 to 9 employees	10.00%	28.70%	20.00%	40.00%	80.00%
10 to 24 employees	10.00%	30.12%	20.00%	50.00%	88.75%
25 to 49 employees	15.00%	27.25%	20.00%	30.00%	91.25%
50 or more employees	20.00%	37.50%	30.00%	50.00%	89.75%

PERCENTAGE OF OUTSIDE LEGAL SPEND ON AFA_s BY DEPARTMENT BUDGET



PERCENTAGE OF OUTSIDE LEGAL SPEND ON AFAs BY COMPANY REVENUE



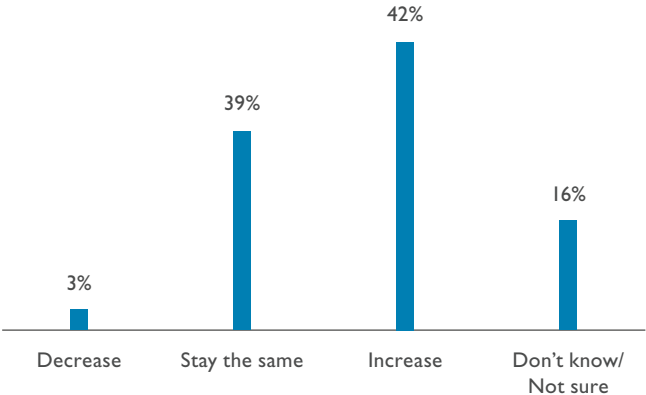
Do you anticipate your department's use of alternative (value-based) fees to increase, stay the same, or decrease in the next year?

Forty-two percent of respondents expect their use of AFAs to increase next year, while only 3 percent expect their use to decrease. There is a high degree of variation in anticipated use of AFAs across department sizes, department budgets, and company revenue levels.

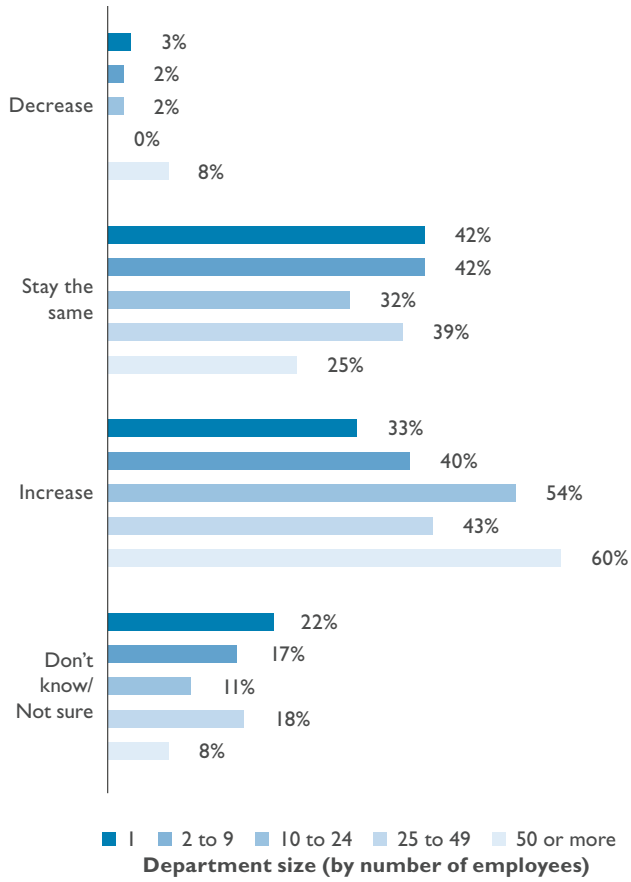
Sixty percent of respondents in departments with 50 or more employees expect their use of AFAs to increase next year compared with just 33 percent of those in departments with one employee. There is also more uncertainty in their future use in smaller departments than in larger departments.

Sixty percent of respondents in departments with budgets of \$50 million or more expect their use of AFAs to increase compared with 41 percent in departments with budgets of less than \$50,000. Seventy-nine percent of respondents in companies with annual revenues between \$3 billion and \$3.9 billion expect their use of AFAs to increase compared with just 33 percent of those in companies with revenues of less than \$25 million.

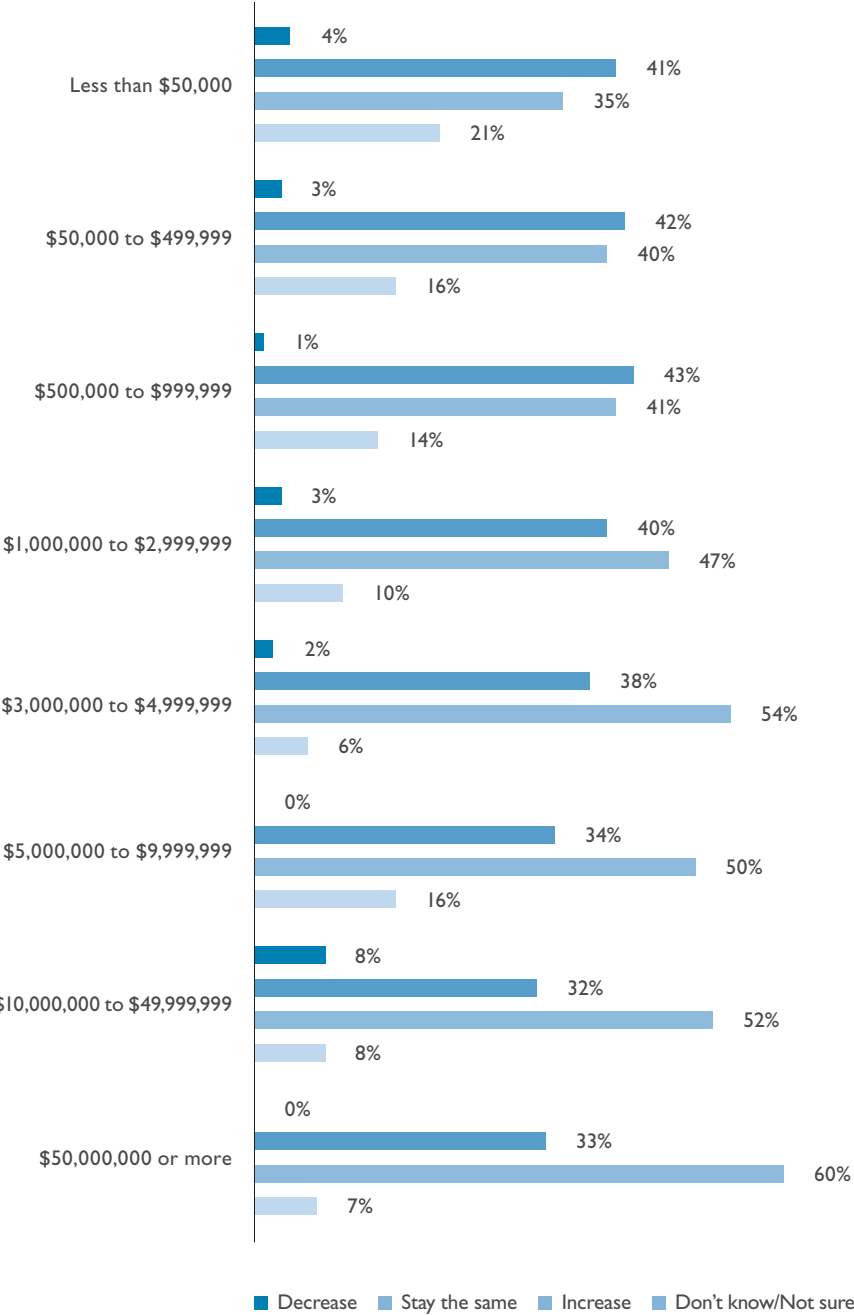
DO YOU ANTICIPATE YOUR DEPARTMENT'S USE OF ALTERNATIVE (VALUE-BASED) FEES TO INCREASE, STAY THE SAME, OR DECREASE IN THE NEXT YEAR?



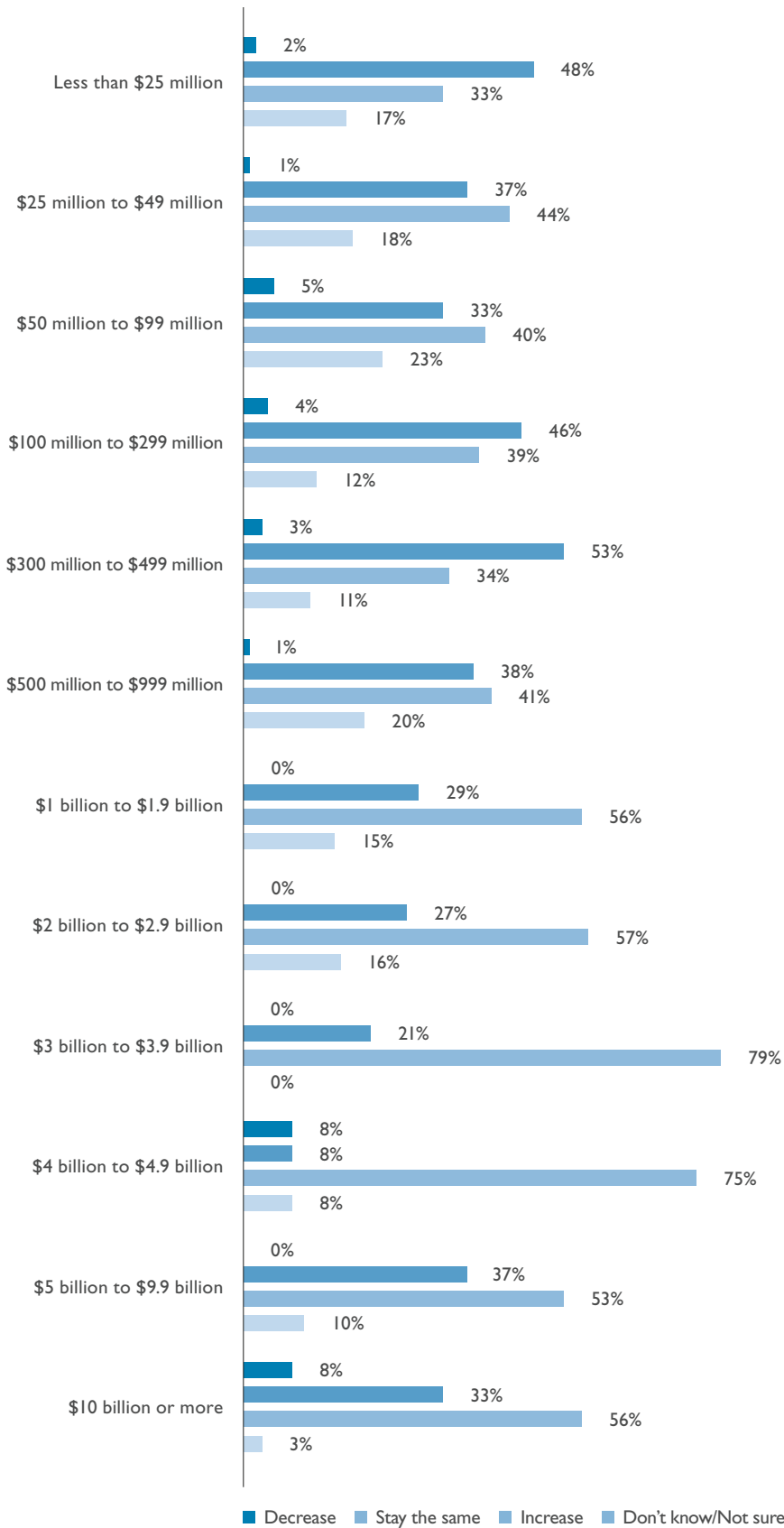
ANTICIPATED USE OF AFAs NEXT YEAR BY DEPARTMENT SIZE



ANTICIPATED USE OF AFAs NEXT YEAR BY DEPARTMENT BUDGET



ANTICIPATED USE OF AFA_s NEXT YEAR BY COMPANY REVENUE

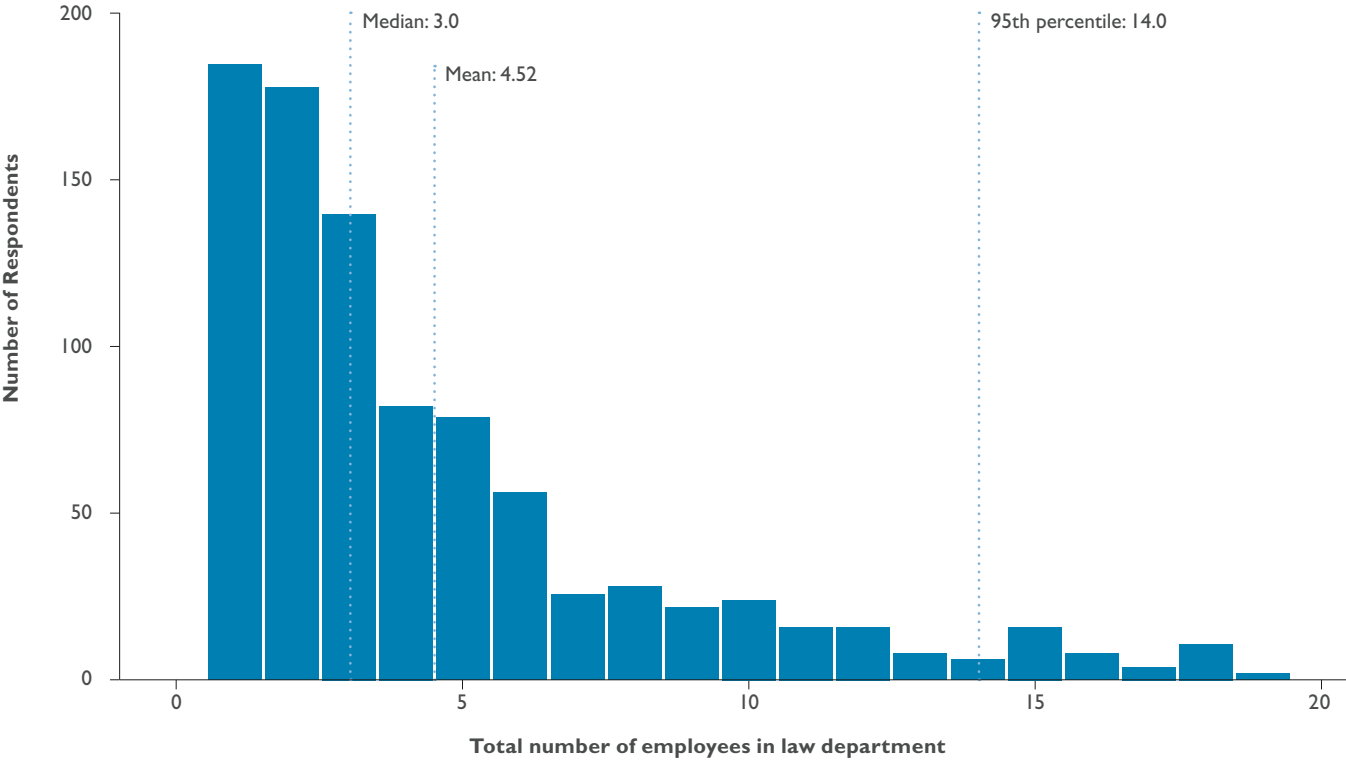


What is the total number of employees in your law department, including all departments and locations?

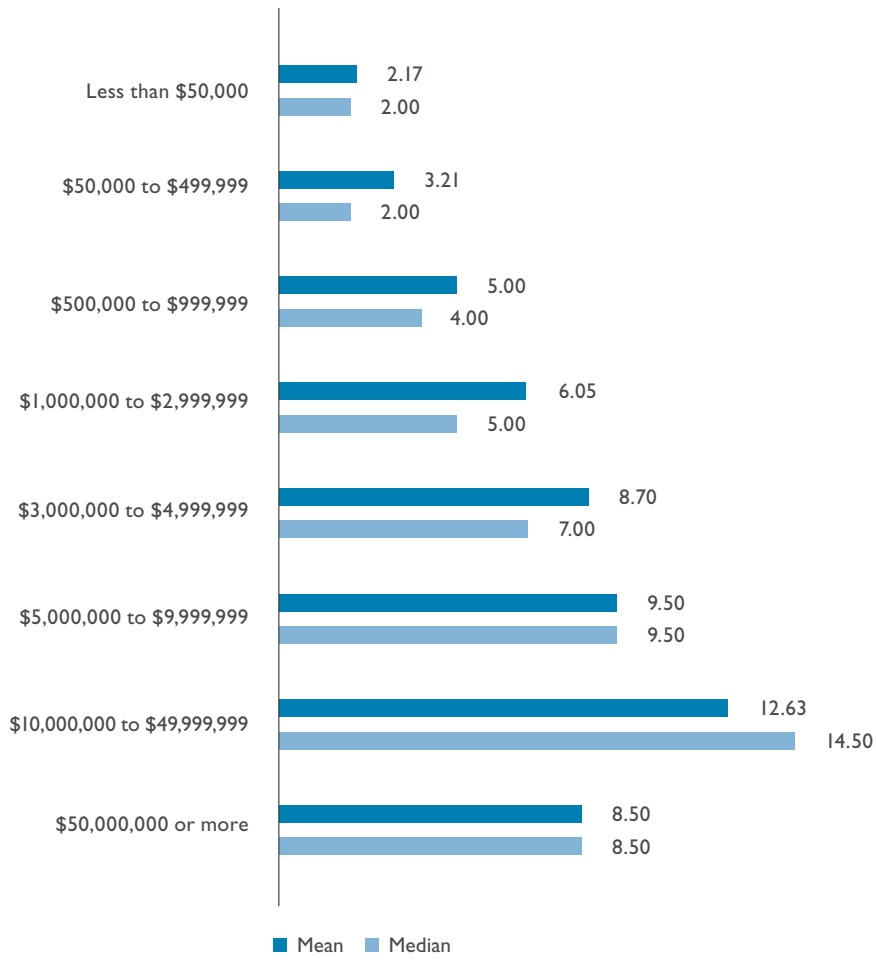
The histogram below shows the overall distribution of responses with key statistical summary points. Respondents report an average of 4.52 employees with a median of three. The top 5 percent have at least 14 employees in the department.

In general, law departments with larger budgets and companies with larger revenues tend to have more employees in their law departments.

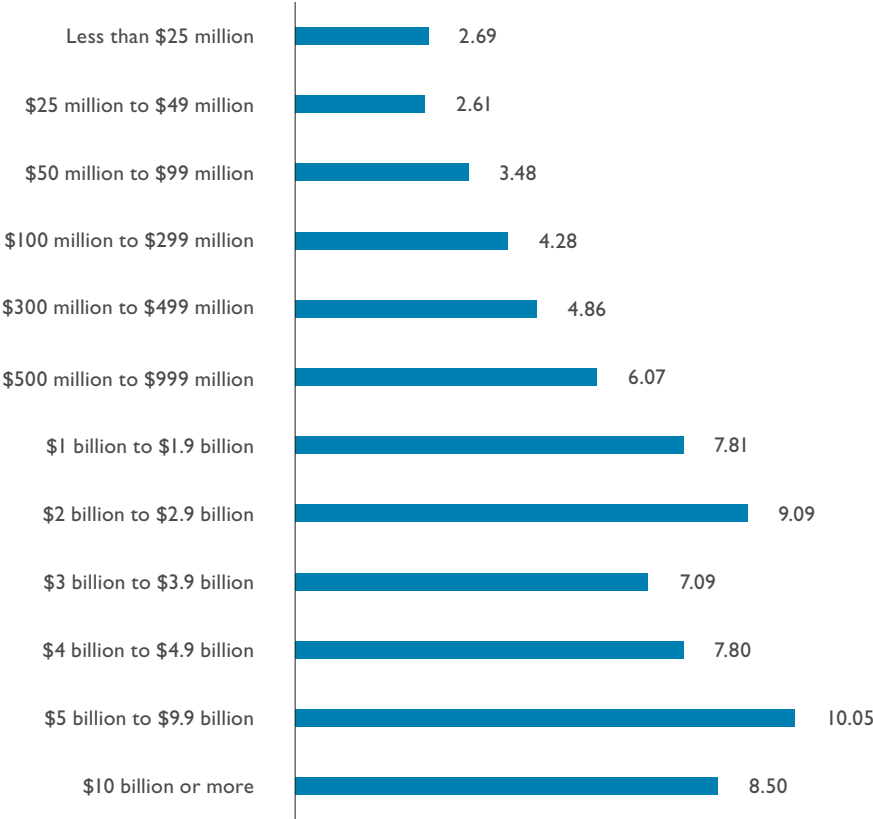
NUMBER OF EMPLOYEES IN LAW DEPARTMENT: OVERALL SUMMARY



NUMBER OF LAW DEPARTMENT EMPLOYEES BY DEPARTMENT BUDGET



AVERAGE NUMBER OF LAW DEPARTMENT EMPLOYEES BY COMPANY REVENUE

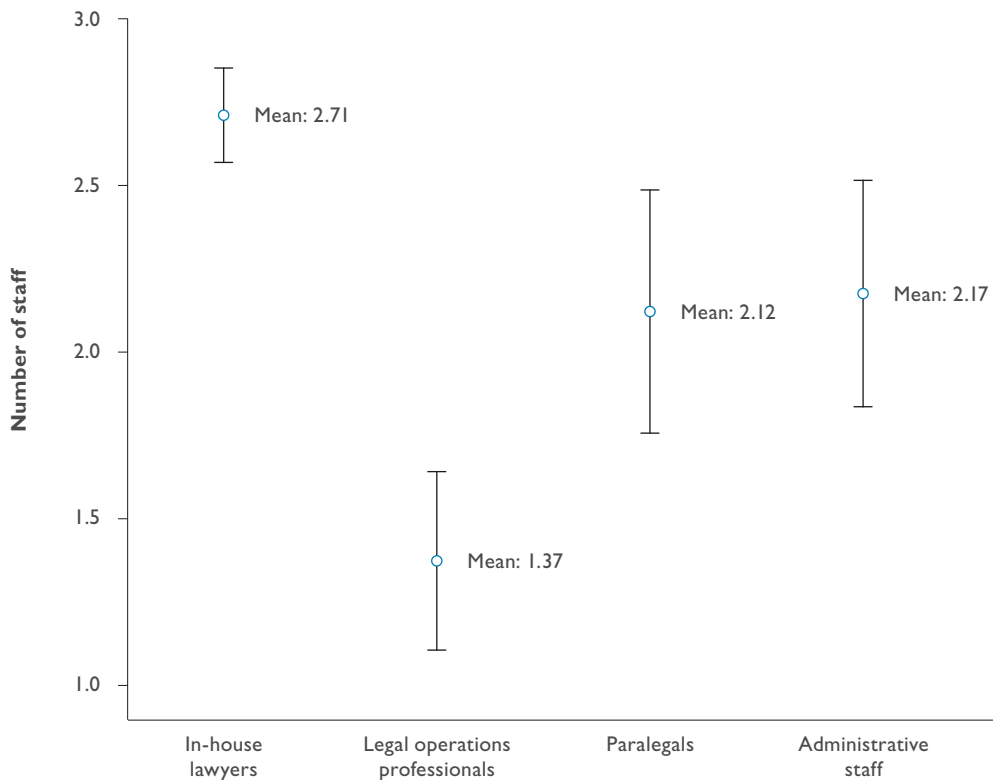


How many of the following work in your law department, including all departments and locations? In-house lawyers, legal operations professionals, paralegals, and administrative staff.

The chart below shows an overall statistical summary of law department position types. The open circles in the chart represent the average number of staff in that position category. The lines moving through the open circles represent the 95 percent confidence intervals. On average, respondents report 2.71 in-house lawyers, 1.37 legal operations professionals, 2.12 paralegals, and 2.17 administrative staff.

As expected, the number of staff do vary widely by law department budget and company revenue. The charts below provide the mean and median number of staff by budget and company revenue categories.

AVERAGE NUMBER OF STAFF BY POSITION TYPE



NUMBER OF STAFF BY POSITION TYPE (RAW DATA)

	Mean	Median	95th Percentile
In-house Lawyers	2.71	2.00	8.00
Legal Operations Professionals	1.37	0.00	7.10
Paralegals	2.12	1.00	8.00
Administrative Staff	2.17	1.00	10.00

STAFF PERCENTAGES BY POSITION TYPE AND YEAR

	Number of Positions						
		0	1-9	10-24	25-49	50-99	100+
In-house Lawyers	2016-17	1%	86%	8%	3%	1%	2%
	2015-16	3%	80%	10%	3%	1%	2%
	2014-15	5%	80%	9%	4%	5%	2%
	2013-14	11%	76%	9%	2%	1%	1%
	2012-13	9%	76%	9%	3%	<1%	2%
Legal Operations*	2016-17	57%	39%	3%	1%	<1%	<1%
	2015-16	51%	43%	3%	1%	1%	<1%
	2014-15	79%	20%	1%	<1%	<1%	<1%
Paralegals	2016-17	33%	63%	3%	1%	<1%	1%
	2015-16	35%	61%	3%	1%	<1%	<1%
	2014-15	39%	57%	3%	<1%	<1%	<1%
	2013-14	37%	60%	2%	1%	<1%	0%
	2012-13	39%	58%	2%	1%	1%	<1%
Administrative Staff**	2016-17	28%	67%	4%	1%	1%	<1%

*Not asked prior to 2014-15

**Not asked prior to 2016-17

NUMBER OF STAFF BY POSITION TYPE AND COMPANY REVENUE

	In-house Lawyers		Legal Operations Professionals		Paralegals		Administrative Staff	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Less than \$25 million	1.78	1.00	0.45	0.00	0.48	0.00	0.77	1.00
\$25 million to \$49 million	1.70	1.00	1.30	0.00	0.96	.50	1.47	1.00
\$50 million to \$99 million	2.17	2.00	0.56	0.00	0.95	1.00	0.82	1.00
\$100 million to \$299 million	2.55	2.00	0.73	0.00	1.07	1.00	1.21	1.00
\$300 million to \$499 million	3.07	3.00	0.70	0.00	1.52	1.00	1.31	1.00
\$500 million to \$999 million	3.58	3.00	1.31	0.00	1.96	1.00	1.69	1.00
\$1 billion to \$1.9 billion	3.98	3.00	1.47	1.00	2.88	1.00	2.24	1.00
\$2 billion to \$2.9 billion	5.00	5.00	2.55	1.00	3.97	3.00	3.39	2.00
\$3 billion to \$3.9 billion	4.45	4.00	1.90	1.50	3.07	2.00	3.53	3.00
\$4 billion to \$4.9 billion	4.80	4.00	3.50	.50	3.83	4.00	7.89	5.00
\$5 billion to \$9.9 billion	6.30	7.00	6.67	3.00	7.91	5.00	6.04	3.00
\$10 billion or more	5.83	5.50	5.13	3.00	13.39	7.00	15.03	10.00

NUMBER OF STAFF BY POSITION TYPE AND DEPARTMENT BUDGET

	In-house Lawyers		Legal Operations Professionals		Paralegals		Administrative Staff	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Less than \$50,000	1.59	1.00	0.37	0.00	0.46	0.00	0.53	0.00
\$50,000 to \$499,999	1.99	1.00	0.73	0.00	0.90	1.00	0.93	1.00
\$500,000 to \$999,999	2.88	2.00	0.81	0.00	1.17	1.00	1.50	1.00
\$1,000,000 to \$2,999,999	3.61	3.00	1.17	1.00	2.88	1.00	2.33	1.00
\$3,000,000 to \$4,999,999	4.67	4.50	2.39	1.00	3.19	2.00	3.38	2.00
\$5,000,000 to \$9,999,999	5.50	5.00	2.17	1.00	3.03	2.00	3.21	2.00
\$10,000,000 to \$49,999,999	7.00	8.00	3.57	2.00	10.11	5.50	10.97	5.00
\$50,000,000 or more	5.50	5.50	8.91	5.00	6.57	3.00	14.33	15.00

Staffing changes in past 12 months

Twenty-three percent of CLOs in companies with annual revenues of US \$4 billion or more report cuts to staffing levels. Seventy-four percent of CLOs in companies with annual revenues of less than \$50 million report no cuts versus 34 percent in companies with annual revenues of \$4 billion or higher. This trend extends to law department budget, with 30 percent making no changes in departments with a budget of US \$10 million or more versus 3 percent in departments that report a budget of less than \$1 million.

Within companies with annual revenues of less than \$300 million, CLOs are less likely to report the addition of in-house lawyers in the past year. However, among those who report the hiring of in-house staff, the additions are more likely to be significant than among CLOs in companies with higher annual revenues, who are more likely to report additional in-house staff overall.

Last year saw a decrease in the percentage of CLOs from Asia Pacific who made moderate to significant cuts in in-house lawyers, 3 percent versus 12 percent. CLOs in the US (27 percent) and Canada (23 percent) report a lower percentage of adds to in-house lawyers last year than in Asia Pacific (47 percent) and Australia/New Zealand (40 percent).

Among CLOs reporting increases to staffing in the past 12 months, the pharmaceutical/medical device and insurance sectors stand out with the largest additions of in-house legal staff. CLOs in pharmaceutical companies are also most likely to report they added legal operations staff in the past 12 months. CLOs in the real estate/rental/leasing sector report no cuts made to in-house lawyer positions last year, compared with 16 percent of CLOs in construction and engineering, the highest proportion reporting cuts to in-house lawyers along with those in energy (10 percent). The pharmaceutical/medical device sector (44 percent) along with insurance (39 percent) saw the greatest additions to in-house lawyers last year.

PLEASE ESTIMATE YOUR DEPARTMENT'S STAFFING CHANGES IN THE PAST 12 MONTHS FOR THE FOLLOWING POSITIONS

	Significant increase +(over 10%)	Moderate increase +(6 to 10%)	Minimal increase +(1 to 5%)	No change	Minimal decrease -(1 to 5%)	Moderate decrease -(6 to 10%)	Significant decrease -(over 10%)
Administrative staff	3%	4%	6%	79%	3%	2%	3%
Paralegals	5%	3%	6%	83%	2%	1%	2%
Contract lawyers	3%	4%	6%	85%	1%	<1%	2%
In-house lawyers	15%	6%	8%	64%	1%	2%	4%
Legal operations staff	3%	2%	3%	89%	1%	<1%	1%

**In past years, additions and cuts to past staffing levels over the past 12 months were asked separately. In 2016-17, they were combined; therefore, they cannot be compared directly.*

Predicted staffing trends next 12 months

The year-over-year increases in staffing levels reported in previous years have slowed this year, with such changes predicted in most categories remaining similar to past years. Twenty-six percent of CLOs will add in-house lawyers to their department in the coming year, tracking with last year's expected increases.

Nine percent of CLOs estimate that their in-house lawyer numbers will increase significantly compared with 8 percent who predicted significant adds last year. Fourteen percent will increase the number of contract lawyers, 18 percent will add paralegals and administrative staff, and 10 percent will add legal operations staff.

CLOs in larger companies (by revenue) and departments predict increases in the number of contract lawyers over the next 12 months. Twenty-two percent of CLOs in companies with greater than \$4 billion in revenue and 26 percent in departments with \$10 million or more in department budget estimate increases to contract lawyers next year, far greater than CLOs in companies with less than \$4 billion in revenue or department budget.

PLEASE ESTIMATE YOUR DEPARTMENT'S STAFFING CHANGES IN THE NEXT 12 MONTHS

		2017 Staffing Predictions						
		Significantly decrease -(over 10%)	Moderately decrease -(6 to 10%)	Minimally decrease -(1 to 5%)	No change	Minimally increase +(1 to 5%)	Moderately increase +(6 to 10%)	Significantly increase +(over 10%)
Administrative staff	2016-17	1%	<1%	2%	79%	10%	3%	5%
	2015-16	1%	1%	2%	83%	8%	3%	2%
	2014-15	1%	1%	2%	82%	9%	3%	3%
Paralegals	2016-17	1%	1%	1%	79%	8%	4%	6%
	2015-16	1%	1%	1%	80%	11%	4%	4%
	2014-15	1%	<1%	2%	78%	10%	4%	5%
Contract lawyers	2016-17	1%	1%	1%	83%	8%	3%	2%
	2015-16	1%	1%	1%	87%	7%	2%	1%
	2014-15	2%	1%	1%	87%	6%	2%	1%
In-house lawyers	2016-17	2%	1%	1%	71%	11%	6%	9%
	2015-16	2%	1%	2%	69%	12%	6%	8%
	2014-15	1%	2%	2%	66%	13%	7%	9%
Legal operations	2016-17	1%	1%	1%	89%	6%	2%	2%
	2015-16	1%	<1%	1%	90%	5%	2%	1%
	2014-15	1%	<1%	<1%	92%	4%	1%	1%

In the past 12 months, has your law department created new legal positions in the following practice areas? (Check all that apply)

Compliance and contracts continue to top the list of new positions created. In fact, there appears to be a surge in the percentage of CLOs who created positions in these areas last year. Four in 10 created positions in compliance and or contracts this past year. Last year, fewer than one in five created a position in any specific area. This question was asked among only a sample of respondents, but the demographic profile matches the profile of previous respondent groups, indicating that the surge of new positions is a reality.

CLOs in all regions report creating new positions in compliance and contracts. Notably, three-quarters of Canadian CLOs reported new positions created within compliance but none in contracts. We see the opposite trend in Latin America and the Caribbean: fewer new positions in compliance and a greater focus on creating new positions in contracts. Compared with all other regions represented, the proportion of CLOs in Latin America and the Caribbean reporting new positions created in contracts is significantly higher, 67 percent versus less than 50 percent across all other regions.

PERCENTAGE WHO CREATED NEW LEGAL POSITIONS IN THE FOLLOWING PRACTICE AREAS OVER TIME

	2014-15	2015-16	2016-17*
Compliance	18%	18%	41%
Contracts	15%	16%	43%
General Legal Advice	11%	11%	29%
Employment and Labor	4%	5%	13%
Regulatory/Government Affairs	5%	6%	12%
Intellectual Property	6%	5%	11%
Corporate and Securities	5%	5%	10%
Litigation	5%	5%	7%
International/Cross-border	4%	2%	7%
Mergers and Acquisitions	3%	2%	7%
Real Estate	3%	2%	6%
Financial Services	2%	2%	6%
IT/eCommerce	2%	2%	6%
Discovery and E-discovery	1%	1%	4%
Healthcare	1%	2%	3%
Energy	1%	1%	3%
Environment and Sustainability	1%	1%	1%
	n=1,114	n=1,228	n=158

Note: N size smaller due to sampling.

What is your annual base salary, in US dollars, as of January 1, 2016?

Just as previous ACC research has shown, a majority of CLOs make an annual base salary between \$150,000 and \$299,999. A gender disparity remains present, with a higher percentage of female than male CLOs making less than \$150,000. Male CLOs are more likely than female CLOs to make between \$300,000 and \$599,999.

Some notable industry highlights: Half of the respondents in the insurance industry report their base salary between \$200,000 and \$299,999; 23 percent of those in the construction/engineering, 15 percent in a not-for-profit organization, and 13 percent in the professional/scientific/technical services industries report their base salary between \$75,000 and \$99,999; and 14 percent in the healthcare industries report their base compensation between \$400,000 and \$499,999.

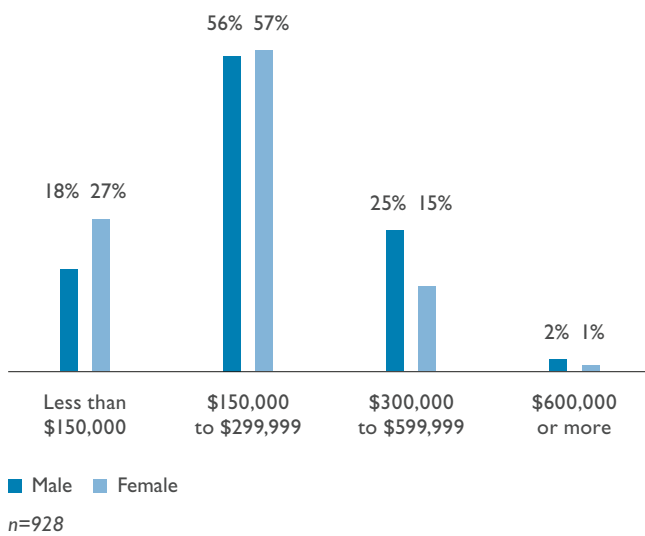
ANNUAL BASE SALARY (IN US\$)

	2014-15	2016-17
Less than \$75,000	1%	3%
\$75,000 to \$99,999	3%	5%
\$100,000 to \$149,999	11%	13%
\$150,000 to \$199,999	19%	23%
\$200,000 to \$299,999	37%	32%
\$300,000 to \$399,999	17%	14%
\$400,000 to \$499,999	6%	6%
\$500,000 to \$599,999	3%	2%
\$600,000 to \$699,999	1%	<1%
\$700,000 to \$799,999	1%	<1%
\$800,000 to \$899,999	<1%	<1%
\$900,000 to \$999,999	<1%	<1%
\$1,000,000 to \$1,999,999	0%	<1%
\$2,000,000 to \$2,999,999	0%	0%
\$3,000,000 to \$3,999,999	0%	<1%
\$4,000,000 to \$4,999,999	0%	0%
\$5,000,000 or more	0%	0%

*Was not asked in 2015-16



BASE SALARY BY GENDER



What is your annual total compensation, in US dollars, as of January 1, 2016 (including options, incentives, awards, and bonuses)?

Fifty-five percent of respondents report their total compensation between \$150,000 and \$399,999, which is about the same proportion as the past two years. And nearly two in 10 CLOs report their total compensation as \$500,000 or more.

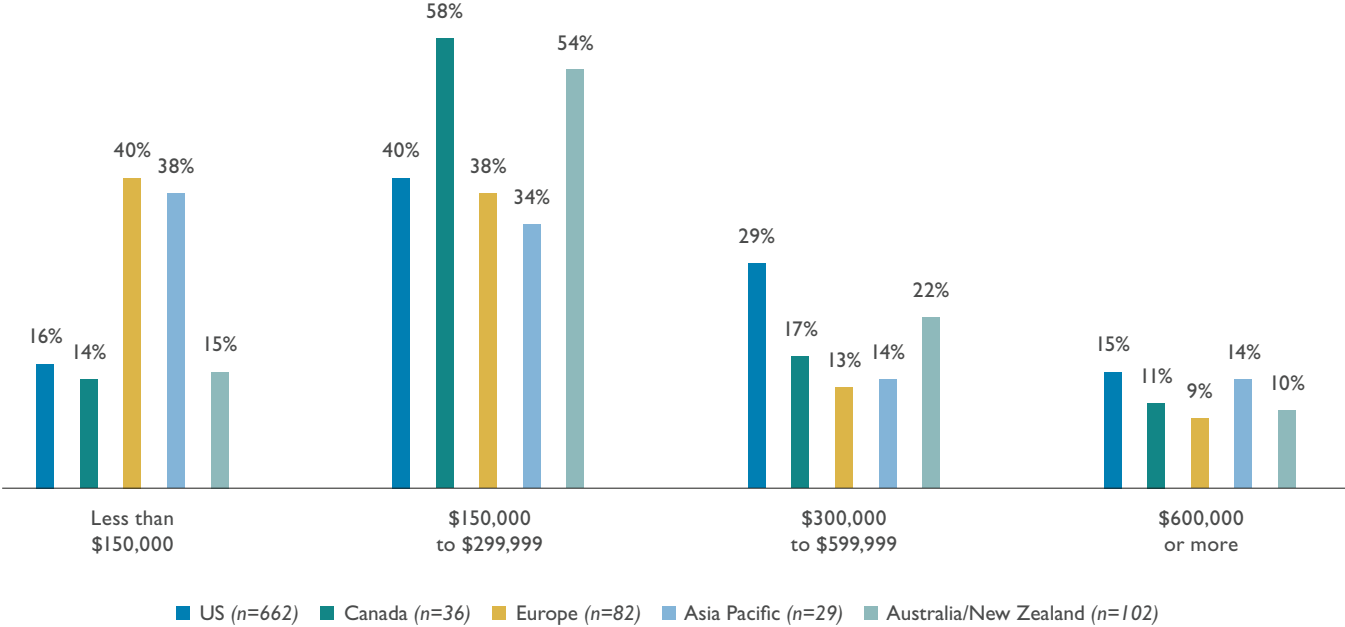
Those in Europe are significantly more likely than those in US and Canada to make less than \$150,000 in total compensation; 40 percent said their overall compensation is below \$150,000. And three in 10 respondents in the US report their total compensation between \$300,000 and \$599,999, significantly higher than those in Europe.

Previous ACC research has shown that department size and revenue play a part in total compensation. Compensation rises with the number of employees in the department and company annual revenue. For instance, 56 percent of those reporting company revenue of at least \$2 billion said their total compensation is between \$1 million and \$1,999,999. On the other hand, 81 percent of those working in companies with revenue of less than \$1 million report their total compensation between \$200,000 and \$299,999.

TOTAL COMPENSATION (IN US\$)

	2014-15	2015-16	2016-17
Less than \$75,000	1%	1%	4%
\$75,000 to \$99,999	2%	3%	5%
\$100,000 to \$149,999	7%	9%	10%
\$150,000 to \$199,999	13%	14%	16%
\$200,000 to \$299,999	24%	28%	26%
\$300,000 to \$399,999	17%	15%	13%
\$400,000 to \$499,999	10%	8%	8%
\$500,000 to \$599,999	7%	5%	4%
\$600,000 to \$699,999	3%	3%	3%
\$700,000 to \$799,999	3%	2%	2%
\$800,000 to \$899,999	2%	3%	2%
\$900,000 to \$999,999	2%	2%	1%
\$1,000,000 to \$1,999,999	7%	7%	5%
\$2,000,000 to \$2,999,999	1%	1%	1%
\$3,000,000 to \$3,999,999	1%	1%	<1%
\$4,000,000 to \$4,999,999	<1%	<1%	<1%
\$5,000,000 or more	<1%	<1%	0%

TOTAL COMPENSATION BY REGION



TOTAL COMPENSATION BY DEPARTMENT SIZE

Total compensation	1 employee	2-9 employees	10-24 employees	25-49 employees	50 or more employees
Less than \$100,000	16%	8%	5%	0%	0%
\$100,000 to \$149,999	21%	10%	2%	2%	3%
\$150,000 to \$199,999	26%	16%	7%	4%	3%
\$200,000 to \$299,999	25%	30%	19%	20%	10%
\$300,000 to \$599,999	10%	29%	37%	27%	15%
\$600,000 to \$999,999	1%	4%	20%	24%	23%
\$1,000,000 or more	1%	3%	11%	22%	48%
n=	168	557	123	45	40

In addition to your base salary, what options or benefits are included in your total compensation package? (Please select all that apply.)

The benefit most often included in total compensation packages is a cash bonus, followed by pension/retirement, stock options, and stock grants/restricted stock. Men are more likely than women to report receiving a cash bonus (73 percent to 55 percent), and women are more likely than men to report receiving no benefits in their overall total compensation package (16 percent to 3 percent).

Seven in 10 CLOs in departments with two to 24 employees report receiving a cash bonus as part of their total compensation package. This is significantly higher than for those in departments of just one employee (46 percent). Forty-six percent of those in departments with 10 to 24 employees report receiving stock grants/restricted stock compared with 10 percent in departments with one employee and 21 percent with two to nine employees.

BENEFITS INCLUDED IN TOTAL COMPENSATION PACKAGE

Cash bonus	67%
Pension/retirement plan	43%
Stock options	26%
Stock grants/restricted stock	25%
Other deferred compensation	23%
Profit sharing	15%
Automobile	16%
Transportation subsidy	13%
Vouchers for personal living expenses	2%
Paid schooling for children	3%
Other	22%
None of the above	7%
Superannuation	8%

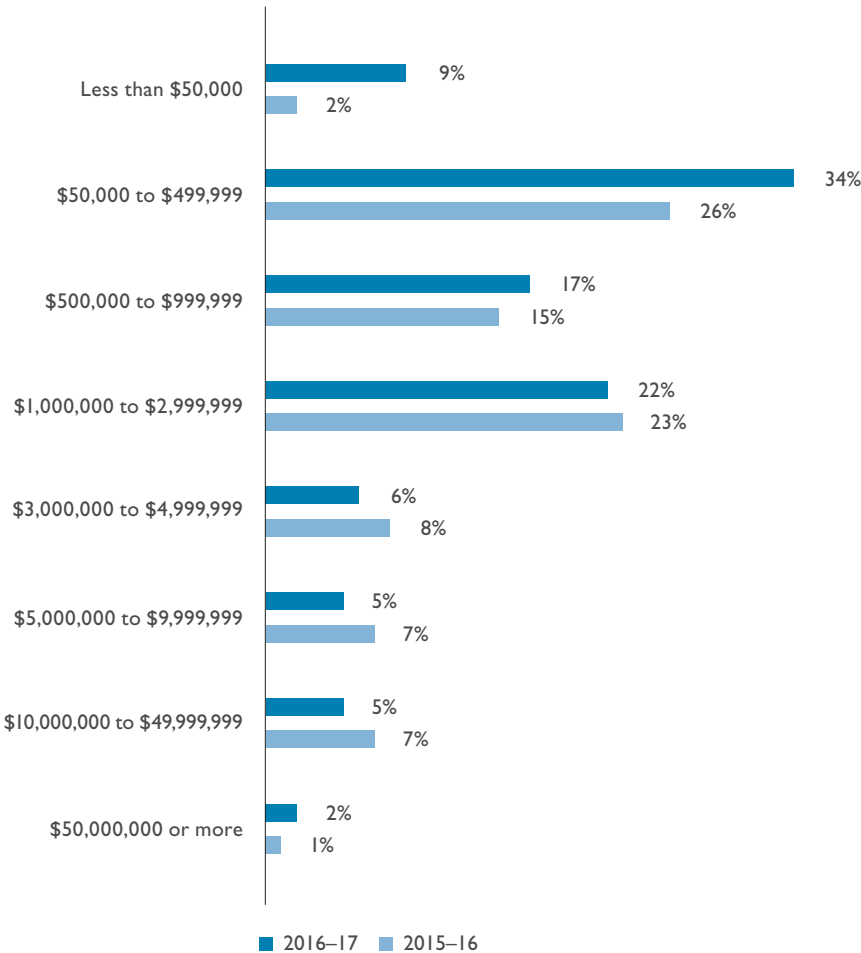
n=305

What is your current law department budget (not including overhead expenses or salaries) in US dollars?

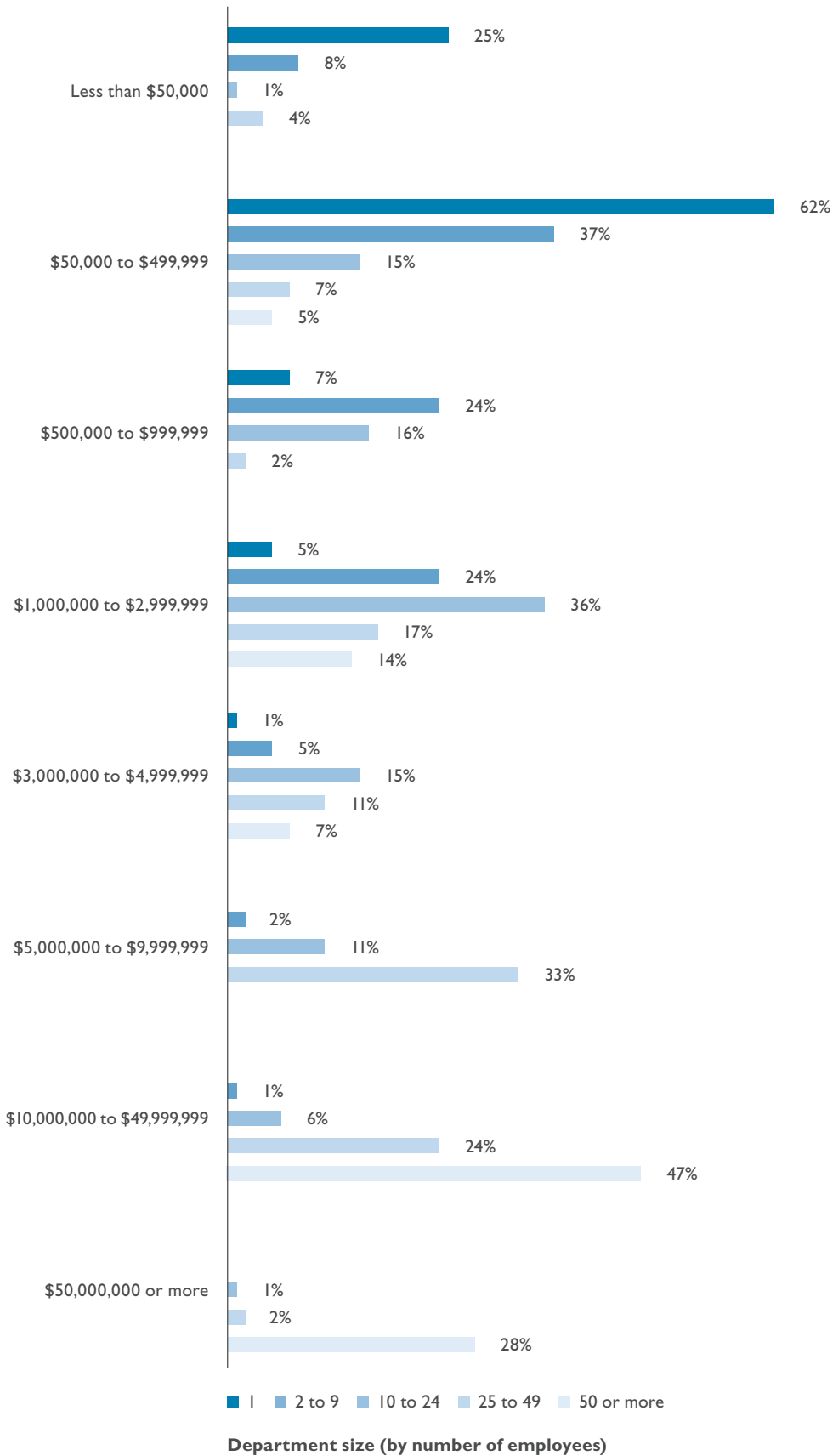
The largest percentage of respondents report a department budget of between \$50,000 and \$499,999 (34 percent), which is an increase of 8 percentage points from last year. Twenty-two percent report a budget of between \$1 million and \$2.9 million, and just 2 percent of respondents report of budget of greater than \$50 million.

Department budgets do tend to increase with overall company revenue and vary greatly across industries. Forty-three percent of respondents with 50 or more employees in their department reported a budget of between \$10 million and \$49.9 million, and 28 percent reported a budget of greater than \$50 million. Only 4 percent of respondents with 50 or more employees in their department reported less than \$1 million in department budget.

LAW DEPARTMENT BUDGET



DEPARTMENT BUDGET BY DEPARTMENT SIZE



DEPARTMENT BUDGET BY COMPANY REVENUE (IN US\$)

	Company Revenue (in US\$)									
	Less than \$25 million	\$25-\$49 million	\$50-\$99 million	\$100-\$299 million	\$300-\$499 million	\$500-\$999 million	\$1-\$1.9 billion	\$2-\$2.9 billion	\$3-\$3.9 billion	\$4 billion+
Less than \$50,000	25%	21%	14%	6%	0%	1%	2%	0%	5%	1%
\$50,000 to \$499,999	51%	49%	53%	38%	38%	27%	8%	3%	11%	13%
\$500,000 to \$999,999	10%	19%	19%	24%	26%	20%	14%	21%	16%	1%
\$1,000,000 to 2,999,999	11%	9%	9%	25%	26%	37%	42%	24%	21%	14%
\$3,000,000 to \$4,999,999	1%	0%	0%	3%	4%	6%	20%	18%	21%	12%
\$5,000,000 to \$9,999,999	1%	0%	4%	1%	3%	6%	8%	24%	11%	13%
\$10,000,000 to \$49,999,999	1%	1%	1%	1%	1%	2%	3%	12%	11%	32%
\$50,000,000 or more	0%	1%	1%	1%	0%	0%	2%	0%	5%	13%

LAW DEPARTMENT BUDGET BY COMPANY REVENUE AND INDUSTRY

Industry	Annual Revenue	Law Department Budget					
		n=	Less than \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 to \$9,999,999	\$10,000,000 or more
Finance and Banking	Overall	60	43%	15%	25%	5%	5%
	Less than \$500 million	46	48%	17%	20%	2%	2%
	\$500 million to \$999 million	5	20%	-	60%	20%	-
	\$1 billion to \$1.9 billion	5	20%	20%	40%	-	20%
	\$2 billion to \$4.9 billion	-	-	-	-	-	-
	\$5 billion or more	4	50%	-	-	25%	25%
Healthcare/ Social Assistance	Overall	40	48%	12%	30%	10%	-
	Less than \$500 million	25	64%	16%	20%	-	-
	\$500 million to \$999 million	5	40%	20%	40%	-	-
	\$1 billion to \$1.9 billion	5	-	-	60%	40%	-
	\$2 billion to \$4.9 billion	4	-	-	50%	50%	-
	\$5 billion or more	1	100%	-	-	-	-
IT/Software/ Internet-related Services	Overall	82	44%	15%	17%	5%	6%
	Less than \$500 million	68	50%	16%	16%	4%	1%
	\$500 million to \$999 million	4	25%	-	25%	-	-
	\$1 billion to \$1.9 billion	3	-	33%	33%	-	-
	\$2 billion to \$4.9 billion	2	50%	-	-	-	50%
	\$5 billion or more	5	-	-	20%	20%	60%
Insurance	Overall	35	37%	20%	23%	6%	11%
	Less than \$500 million	23	48%	22%	22%	-	4%
	\$500 million to \$999 million	3	67%	-	33%	-	-
	\$1 billion to \$1.9 billion	3	-	67%	33%	-	-
	\$2 billion to \$4.9 billion	1	-	-	-	100%	-
	\$5 billion or more	5	-	-	20%	20%	60%

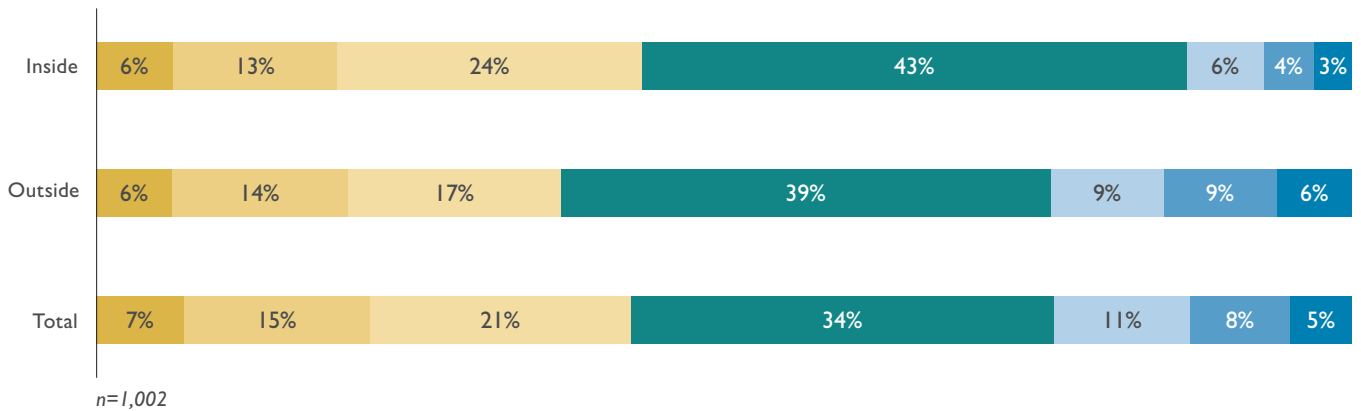
Industry	Annual Revenue	Law Department Budget					
		n=	Less than \$500,000	\$500,000 to \$999,999	\$1,000,000 to \$2,999,999	\$3,000,000 to \$9,999,999	\$10,000,000 or more
Manufacturing	Overall	83	31%	22%	13%	19%	8%
	Less than \$500 million	37	51%	30%	11%	3%	3%
	\$500 million to \$999 million	13	15%	23%	31%	8%	-
	\$1 billion to \$1.9 billion	9	33%	22%	-	33%	-
	\$2 billion to \$4.9 billion	12	-	17%	8%	67%	8%
	\$5 billion or more	12	17%	-	17%	25%	42%
Not-for-profit Organization	Overall	30	57%	27%	10%	3%	-
	Less than \$500 million	24	67%	25%	4%	-	-
	\$500 million to \$999 million	4	-	50%	25%	25%	-
	\$1 billion to \$1.9 billion	1	100%	-	-	-	-
	\$2 billion to \$4.9 billion	1	-	-	100%	-	-
	\$5 billion or more	-	-	-	-	-	-
Pharmaceutical/ Medical Devices	Overall	30	40%	10%	20%	10%	17%
	Less than \$500 million	15	73%	7%	13%	7%	-
	\$500 million to \$999 million	3	-	-	100%	-	-
	\$1 billion to \$1.9 billion	3	-	-	33%	33%	33%
	\$2 billion to \$4.9 billion	3	-	67%	-	33%	-
	\$5 billion or more	6	17%	-	-	-	67%

Note: Excludes industries with fewer than 30 respondents.

How do you expect your department's budget to change, if at all, in the next 12 months?

Staying in trend with last year, a majority of CLOs expect little to no change to their department's budget over the next 12 months. Slightly more CLOs anticipate an increase in inside budget compared with outside budget. CLOs in smaller companies were much less likely than CLOs in larger companies with 75 or more employees to report the expectation of their company's budget increasing in the next 12 months.

ESTIMATED CHANGES TO BUDGET IN THE NEXT 12 MONTHS, 2016-17



■ Significant Increase
 ■ Moderate Increase
 ■ Minimum Increase
 ■ No Change
 ■ Minimum Decrease
 ■ Moderate Decrease
 ■ Significant Decrease

Estimated changes to budget in the next 12 months, 2016–17			
	Inside Budget	Outside Budget	Total
Significant decrease	3%	6%	5%
Moderate decrease	4%	9%	8%
Minimum decrease	6%	9%	11%
No change	43%	39%	34%
Minimum increase	24%	17%	21%
Moderate increase	13%	14%	15%
Significant increase	6%	6%	7%

n=1,002

Estimated changes to budget in the next 12 months, 2015–16			
	Inside Budget	Outside Budget	Total
Significant decrease	2%	5%	3%
Moderate decrease	3%	8%	6%
Minimum decrease	6%	11%	10%
No change	41%	40%	37%
Minimum increase	31%	19%	25%
Moderate increase	11%	11%	12%
Significant increase	7%	5%	6%

n=1,152

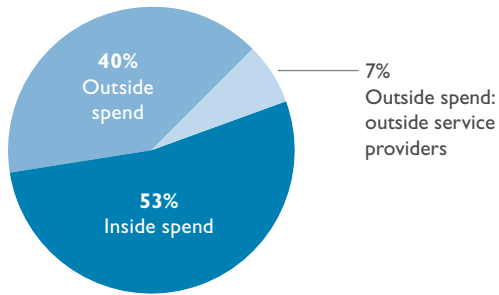
Estimated changes to budget in the next 12 months, 2014–15			
	Inside Budget	Outside Budget	Total
Significant decrease	2%	7%	5%
Moderate decrease	4%	9%	6%
Minimum decrease	6%	11%	12%
No change	37%	33%	29%
Minimum increase	27%	18%	24%
Moderate increase	16%	15%	17%
Significant increase	9%	7%	7%

n=1,070

Thinking about how your department’s budget is distributed, estimate the percentage of your total legal department budget for each of the following.

A vast majority of CLOs report that less than a quarter of their total legal budget is distributed for outside spend on other service providers (97 percent).

DEPARTMENT BUDGET DISTRIBUTION



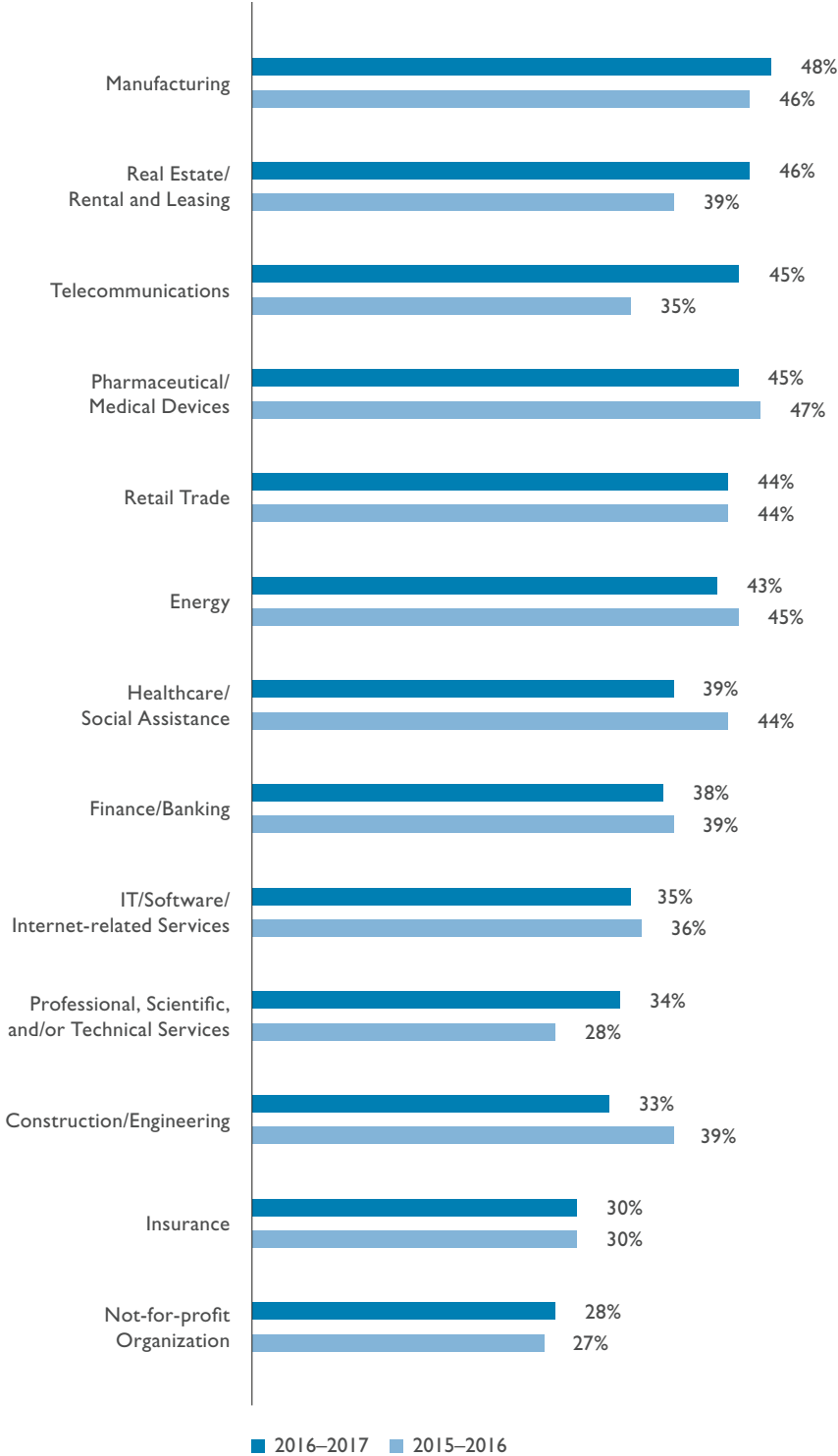
AVERAGE DEPARTMENT BUDGET DISTRIBUTION BY CURRENT LAW DEPARTMENT BUDGET

	Inside Spend		Outside Spend: Outside Counsel		Outside Spend: Outside Service Providers	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
Less than \$1M	61.3	58.5	33.0	35.5	7.1	6.1
\$1M to \$2.9M	49.2	46.0	44.4	46.0	7.7	7.9
\$3M to \$9.9M	45.4	38.7	48.3	54.3	7.7	7.0
\$10M or more	41.8	43.7	50.6	48.3	7.1	8.0

AVERAGE DEPARTMENT BUDGET DISTRIBUTION BY LAW DEPARTMENT SIZE

	Inside Spend		Outside Spend: Outside Counsel		Outside Spend: Outside Service Providers	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
1 employee	55.7	57.4	38.9	37.9	7.2	4.8
2-9 employees	54.8	52.5	39.1	40.6	7.4	7.0
10-24 employees	49.9	51.1	43.6	41.5	6.9	7.5
25-49 employees	52.4	50.9	40.4	42.7	8.1	6.5
50 employees	49.0	51.2	44.3	41.6	7.5	7.2

PERCENTAGE OF SPEND ON OUTSIDE COUNSEL AS A PERCENTAGE OF ANNUAL LAW DEPARTMENT BUDGET BY INDUSTRY



Please select the option that best describes how your department’s spending changed, if at all, in the past 12 months.

In line with previous years, CLOs maintain that department spending has not changed over the past 12 months. Even minimum changes were less likely to be reported as a higher percentage of CLOs reported no change to spending in the past 12 months than in previous years. In 2015, 33 percent of CLOs reported no change in total spend compared with 38 percent this year.

Dept. spending changes over the past 12 months, 2016–17			
	Inside Budget	Outside Budget	Total
Significant decrease	4%	7%	5%
Moderate decrease	4%	8%	6%
Minimum decrease	6%	9%	9%
No change	47%	37%	38%
Minimum increase	20%	16%	19%
Moderate increase	10%	13%	13%
Significant increase	9%	10%	10%

n=996

Dept. spending changes over the past 12 months, 2015–16			
	Inside Budget	Outside Budget	Total
Significant decrease	4%	8%	5%
Moderate decrease	4%	9%	6%
Minimum decrease	8%	10%	11%
No change	39%	35%	33%
Minimum increase	24%	14%	19%
Moderate increase	11%	12%	13%
Significant increase	10%	12%	12%

n=1,159

Dept. spending changes over the past 12 months, 2014–15			
	Inside Budget	Outside Budget	Total
Significant decrease	3%	9%	5%
Moderate decrease	4%	10%	7%
Minimum decrease	7%	9%	10%
No change	37%	29%	27%
Minimum increase	23%	15%	21%
Moderate increase	14%	15%	18%
Significant increase	11%	14%	13%

n=1,076

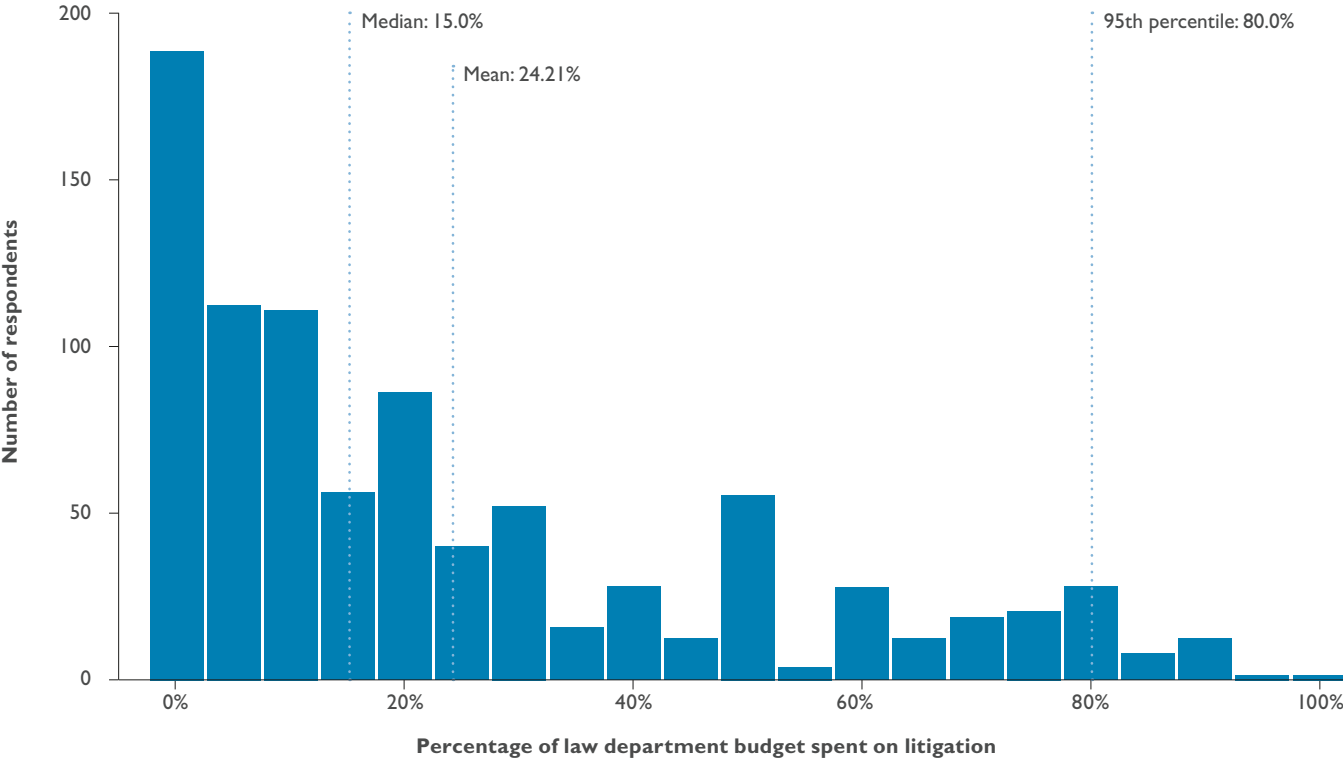
In 2016, about what percentage of your law department’s budget is spent on litigation (not including overhead, salaries, and any settlement amounts)?

The histogram below shows the overall distribution of responses with key statistical summary points. The distribution is right-skewed, with nearly 200 respondents reporting that zero percent of their department’s budget is spent on litigation. Respondents report an average of just over 24 percent of their budget spent on litigation, with a median of 15 percent. The top 5 percent are spending at least 80 percent of their budget on litigation.

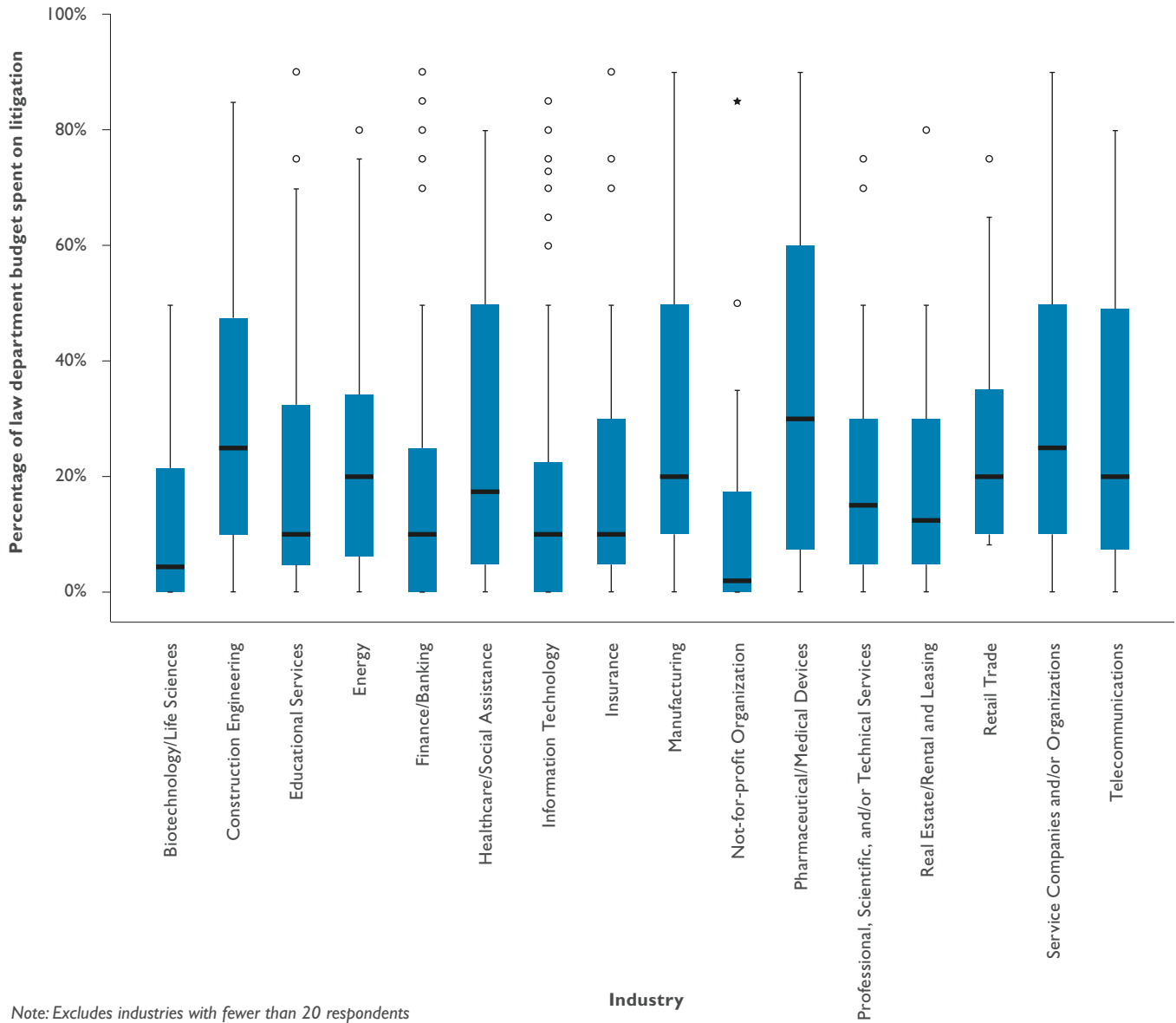
The boxplot provides a visual representation of the variation across industries. The industries with the highest average percentage spend of their department’s budget on litigation are pharmaceutical/medical devices (36 percent), construction/engineering (33 percent), and service companies (31 percent). Those with the lowest average are biotechnology/life sciences (12 percent) and not-for-profit organizations (13 percent).

In general, larger law departments, as measured by the total number of employees, lawyers, and budget size, tend to report a higher average number of active litigation matters.

PERCENTAGE OF LAW DEPARTMENT’S BUDGET SPENT ON LITIGATION: OVERALL SUMMARY



PERCENTAGE OF LAW DEPARTMENT'S BUDGET SPENT ON LITIGATION BY INDUSTRY



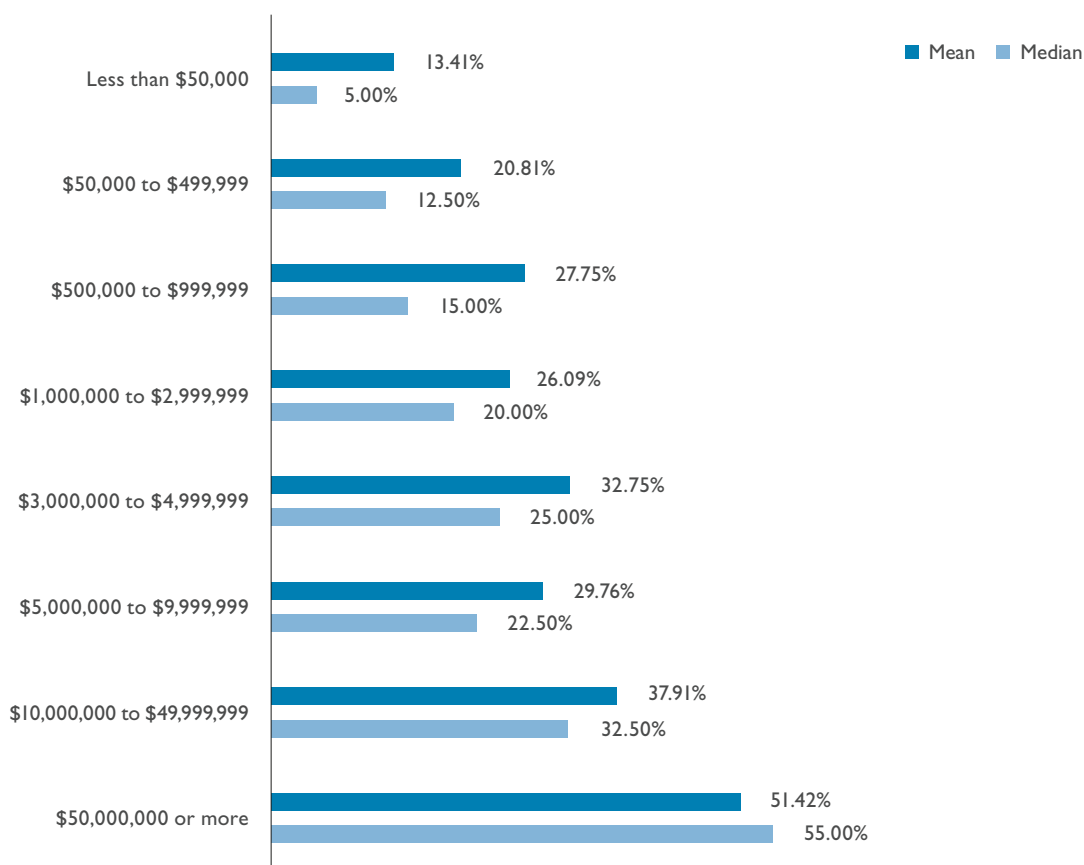
Note: Excludes industries with fewer than 20 respondents

PERCENTAGE OF LAW DEPARTMENT BUDGET SPEND ON LITIGATION BY INDUSTRY (RAW DATA)

	25th Percentile	Mean	Median	75th Percentile	95th Percentile
Biotechnology/Life Sciences	0.00%	12.00%	4.50%	23.25%	49.50%
Construction/Engineering	10.00%	32.85%	25.00%	50.00%	83.00%
Educational Services	5.00%	23.57%	10.00%	45.00%	87.00%
Energy	5.00%	26.15%	20.00%	38.00%	80.00%
Finance/Banking	0.00%	20.12%	10.00%	32.50%	78.50%
Healthcare/Social Assistance	5.00%	26.21%	17.50%	50.00%	80.00%
Information Technology	0.00%	17.45%	10.00%	23.75%	72.85%
Insurance	4.00%	21.15%	10.00%	31.00%	78.75%
Manufacturing	9.00%	29.31%	20.00%	50.00%	82.25%
Not-for-profit Organization	0.00%	12.97%	2.00%	18.75%	62.25%
Pharmaceutical/Medical Devices	5.00%	35.61%	30.00%	60.00%	90.00%
Professional, Scientific, and/or Technical Services	5.00%	20.66%	15.00%	30.00%	72.50%
Real Estate/Rental and Leasing	5.00%	21.31%	12.50%	31.25%	80.00%
Retail Trade	10.00%	27.00%	20.00%	37.50%	72.00%
Service Companies and Organizations	10.00%	31.35%	25.00%	50.00%	89.50%
Telecommunications	5.00%	26.15%	20.00%	50.00%	78.00%

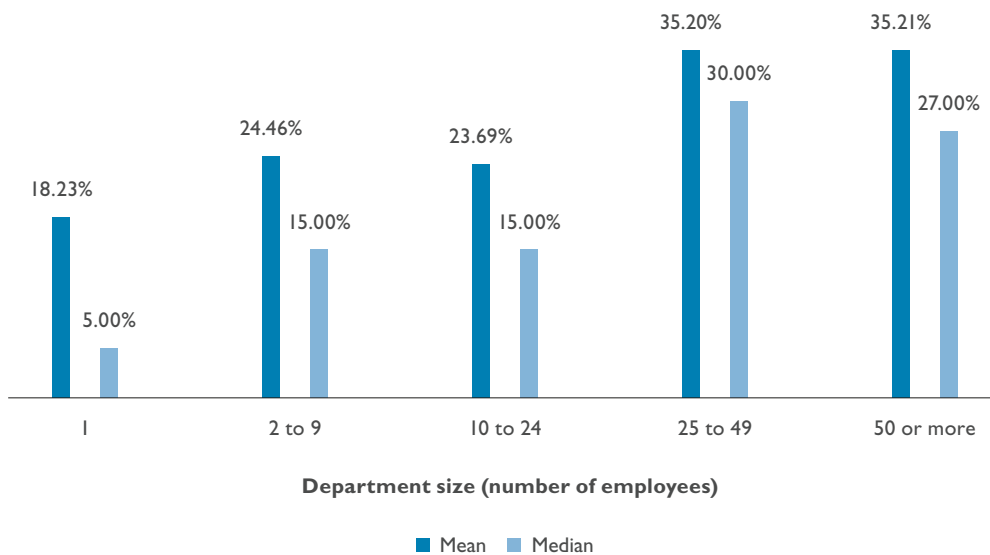
Note: Excludes industries with fewer than 20 respondents

PERCENTAGE OF LAW DEPARTMENT'S BUDGET SPENT ON LITIGATION BY DEPARTMENT BUDGET

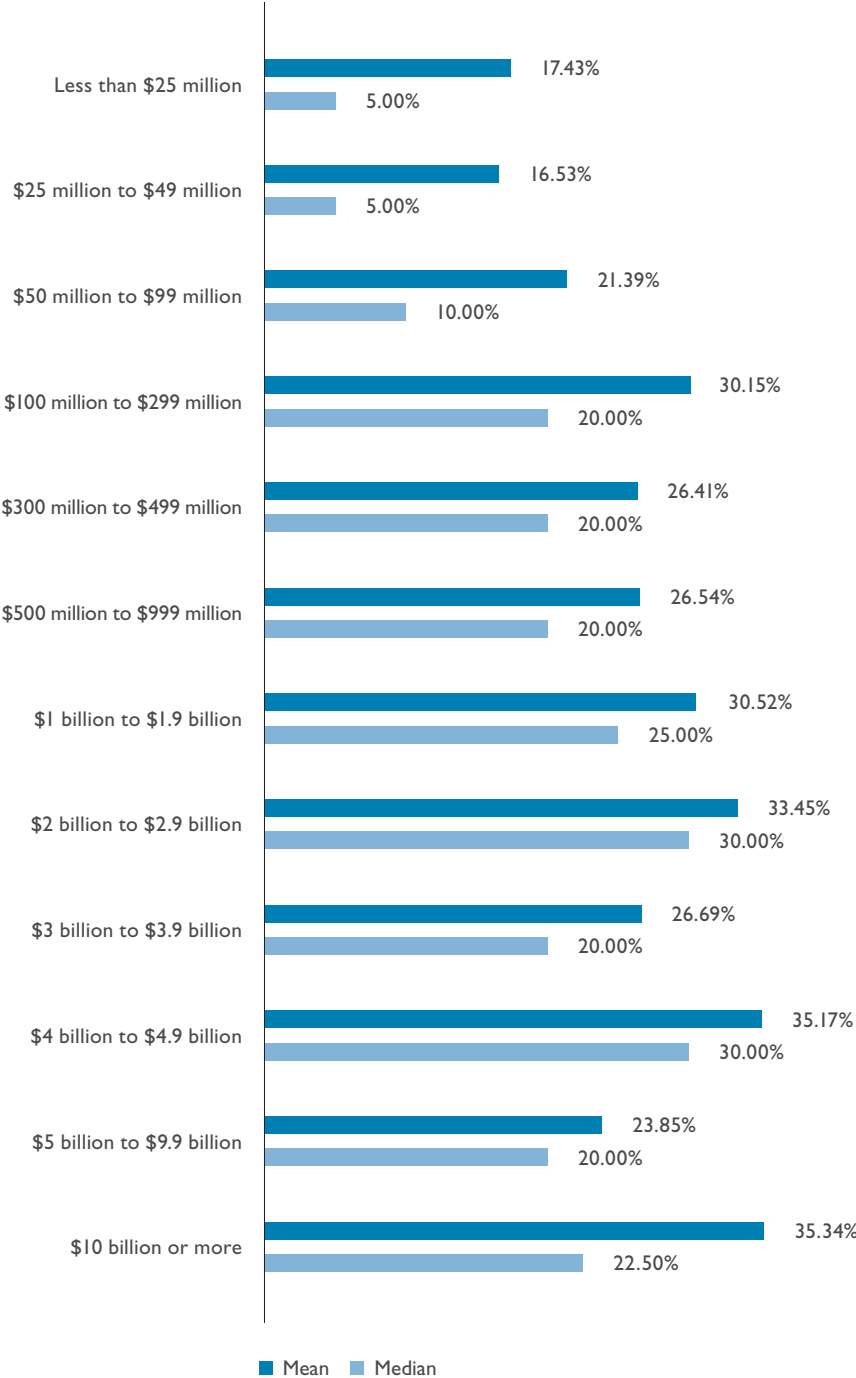




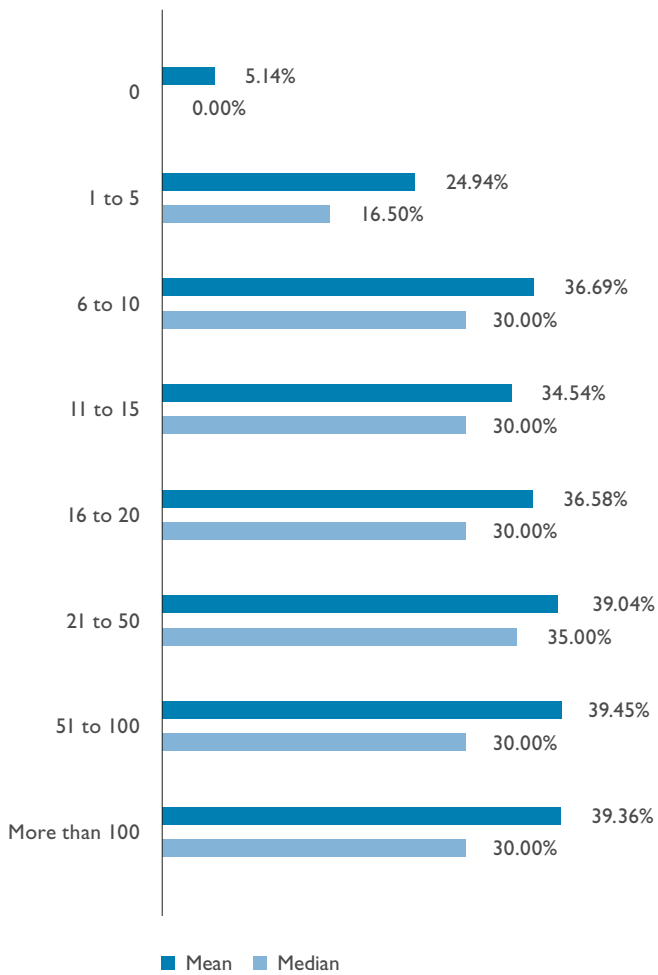
PERCENTAGE OF LAW DEPARTMENT BUDGET SPENT ON LITIGATION BY DEPARTMENT SIZE



PERCENTAGE OF LAW DEPARTMENT'S BUDGET SPENT ON LITIGATION BY COMPANY REVENUE



PERCENTAGE OF LAW DEPARTMENT BUDGET SPENT ON LITIGATION BY THE NUMBER OF LITIGATION MATTERS HANDLED



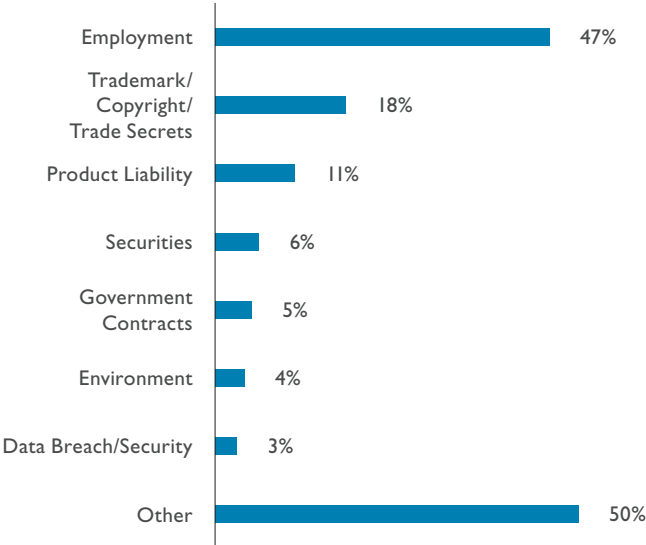
In which of the following areas do you spend the majority of your litigation budget?

The histogram below shows the overall distribution of responses with key statistical summary points. The distribution is right-skewed, with nearly 200 respondents reporting that zero percent of their department’s budget is spent on litigation. Respondents report an average of just over 24 percent of their budget spent on litigation, with a median of 15 percent. The top 5 percent are spending at least 80 percent of their budget on litigation.

The boxplot provides a visual representation of the variation across industries. The industries with the highest average percentage spend of their department’s budget on litigation are pharmaceutical/medical devices (36 percent), construction/engineering (33 percent), and service companies and organizations (31 percent). Those with the lowest average are biotechnology/life sciences (12 percent) and not-for-profit organizations (13 percent).

In general, larger law departments, as measured by the total number of employees, lawyers, and budget size, tend to report a higher average number of active litigation matters.

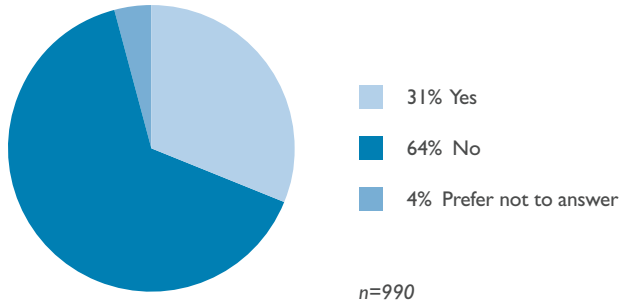
AREAS WHERE THE MAJORITY OF LITIGATION BUDGET IS SPENT



Have you terminated (for underperforming) any law firm or outside counsel relationships in 2016?

Almost a third of respondents (31 percent) say they terminated a law firm or outside counsel relationship in 2016 for underperforming. The larger the company's annual revenue and the larger the department's budget, the higher the likelihood the respondent has terminated such a relationship in the past year.

TERMINATED (FOR UNDER-PERFORMING) ANY LAW FIRM OR OUTSIDE COUNSEL RELATIONSHIPS IN 2016?



	Company's annual revenue from the past 12 months									
	Less than \$25 million	\$25 million to \$49 million	\$50 million to \$99 million	\$100 million to \$299 million	\$300 million to \$499 million	\$500 million to \$999 million	\$1 billion to \$1.9 billion	\$2 billion to \$2.9 billion	\$3 billion to \$3.9 billion	\$4 billion or more
Yes	23%	31%	29%	34%	34%	26%	36%	51%	39%	47%
No	77%	67%	65%	63%	63%	69%	56%	49%	56%	51%
Prefer not to answer	1%	3%	6%	2%	3%	6%	8%	0%	6%	3%
n=	146	72	86	166	71	90	64	37	18	77

	Law Department Budget			
	Less than \$1M	\$1M to \$2.9M	\$3M to \$9.9M	\$10M or more
Yes	28%	38%	39%	48%
No	69%	58%	57%	48%
Prefer not to answer	3%	4%	4%	4%
n=	496	178	84	54

Considering termination/ replacing in next year	Company's annual revenue from the past 12 months									
	Less than \$25 million	\$25 million to \$49 million	\$50 million to \$99 million	\$100 million to \$299 million	\$300 million to \$499 million	\$500 million to \$999 million	\$1 billion to \$1.9 billion	\$2 billion to \$2.9 billion	\$3 billion to \$3.9 billion	\$4 billion or more
Definitely	10%	8%	5%	12%	10%	6%	14%	11%	22%	17%
Maybe	27%	33%	38%	36%	34%	34%	39%	54%	39%	53%
No	60%	53%	53%	50%	54%	58%	45%	35%	33%	30%
Prefer not to answer	3%	6%	5%	2%	3%	2%	2%	0%	6%	0%
n=	147	72	85	165	71	90	64	37	18	76

Considering termination/ replacing in next year	Law Department Budget			
	Less than \$1M	\$1M to \$2.9M	\$3M to \$9.9M	\$10M or more
Definitely	9%	10%	17%	19%
Maybe	32%	44%	45%	58%
No	57%	44%	36%	21%
Prefer not to answer	3%	3%	2%	2%
n=	495	177	84	53

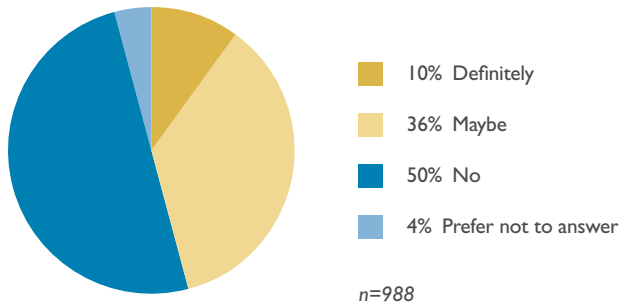
Are you considering terminating a current law firm or outside counsel relationship with the intent to hire a new firm to perform the same work?

Just one in 10 report they are definitely considering terminating a current law firm or outside counsel relationship with the intention of replacing it for the same work. But another 36 percent report that it is a possibility, meaning that nearly half of those polled are considering discontinuing a relationship with a firm or outside counsel and replacing it with another.

Two-thirds who said they terminated a law firm or outside counsel for underperforming in 2016 said they are definitely (20 percent) or possibly (46 percent) considering terminating a current firm or outside counsel and replacing them with another firm or counsel to conduct the same work.

Regionally, 60 percent of those in Europe report they may or definitely will consider terminating their outside counsel in the coming year. This is much higher than in the US (45 percent) and Australia/New Zealand (42 percent). And just as with those who did terminate such parties in the past year, the likelihood increases that they are maybe or definitely considering termination as company annual revenue and law department budget increase.

CONSIDERING TERMINATING LAW FIRM OR OUTSIDE COUNSEL RELATIONSHIP WITH INTENT TO HIRE ANOTHER TO PERFORM SAME WORK



Considering termination/ replacing in next year	Terminated Underperforming Firm/Outside Counsel in 2016		
	Yes	No	Prefer not to answer
Definitely	20%	6%	2%
Maybe	46%	30%	49%
No	33%	61%	2%
Prefer not to answer	1%	3%	46%
n=	309	636	41

Considering termination/ replacing in next year	Company's annual revenue from the past 12 months									
	Less than \$25 million	\$25 million to \$49 million	\$50 million to \$99 million	\$100 million to \$299 million	\$300 million to \$499 million	\$500 million to \$999 million	\$1 billion to \$1.9 billion	\$2 billion to \$2.9 billion	\$3 billion to \$3.9 billion	\$4 billion or more
Definitely	10%	8%	5%	12%	10%	6%	14%	11%	22%	17%
Maybe	27%	33%	38%	36%	34%	34%	39%	54%	39%	53%
No	60%	53%	53%	50%	54%	58%	45%	35%	33%	30%
Prefer not to answer	3%	6%	5%	2%	3%	2%	2%	0%	6%	0%
n=	147	72	85	165	71	90	64	37	18	76

Considering termination/ replacing in next year	Law Department Budget			
	Less than \$1M	\$1M to \$2.9M	\$3M to \$9.9M	\$10M or more
Definitely	9%	10%	17%	19%
Maybe	32%	44%	45%	58%
No	57%	44%	36%	21%
Prefer not to answer	3%	3%	2%	2%
n=	495	177	84	53

How satisfied are you with your current role within your company/firm/organization?

Three-quarters of respondents report being at least slightly satisfied with their current role. And while this is down slightly from past years, it is still a strong majority and is supported by other ACC studies.

While both male and female non-minority CLOs report the same rate of high satisfaction with their current role, a difference in high job satisfaction does exist between male and female CLOs who identify as a member of an underrepresented group (40 percent and 29 percent, respectively).

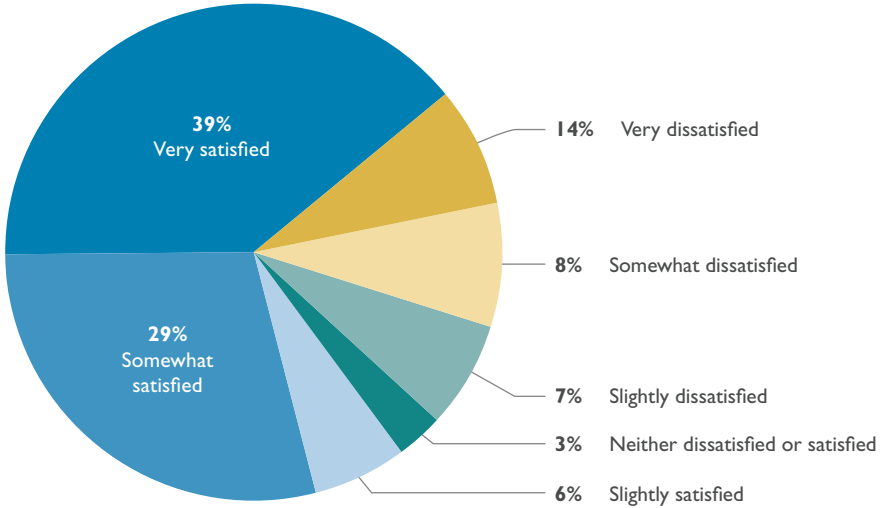
Both female and male CLOs who identify with an underrepresented group have seen a decline in high satisfaction over the past three years. For females, it went from 42 percent in 2015 to 37 percent in 2016 and 29 percent this year; for males, it dropped from 47 percent to 45 percent to 40 percent over the same time period.

Regionally, 76 percent of respondents in the US report being satisfied overall with their current role. This is significantly higher than in Canada, where 61 percent report satisfaction. In fact, 42 percent of those in the US report being “very satisfied” with their current role, which is just about on par with last year (46 percent). However, last year, 36 percent of respondents from Canada reported being “very satisfied” compared with just 18 percent in this year’s survey. Furthermore, 37 percent of respondents from Australia/New Zealand say they are “very satisfied,” which is comparable with those from the US.

And while a strong majority are overall satisfied across the board, 85 percent of respondents with a law department budget of US \$10 million or more report being satisfied, which is higher than the 72 percent of those with a budget of less than US \$1 million.

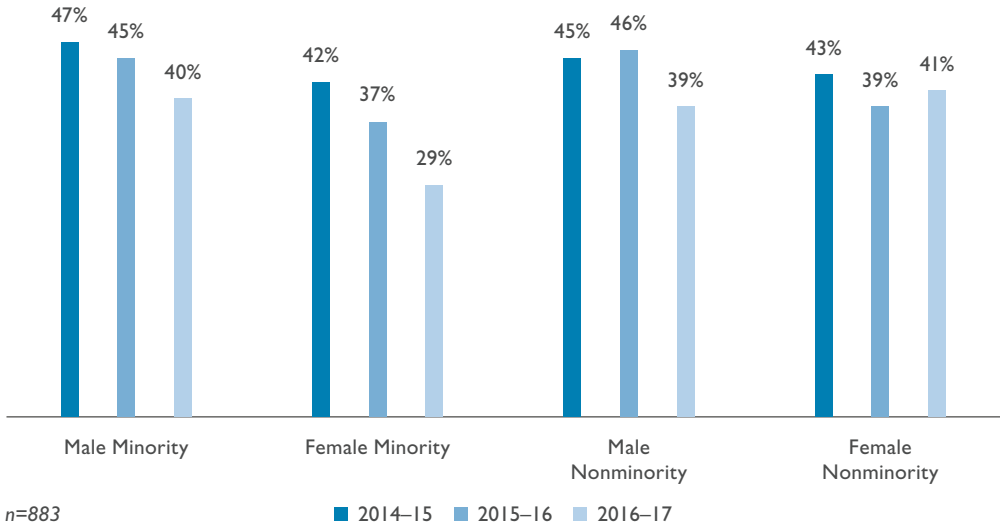
At least three-quarters of respondents in the retail, insurance, not-for-profit, and healthcare industries report the highest job satisfaction compared with other industries. Overall, only those in the retail trade industry have a higher satisfaction (very and somewhat combined) this year than last year. The industries with the biggest drops in satisfaction from last year to this year are the pharmaceutical/medical devices (19 percentage points), energy (18 percentage points), construction/engineering (15 percentage points), and telecommunications (13 percentage points).

JOB SATISFACTION



n=990

PERCENTAGE “VERY SATISFIED” WITH CURRENT ROLE BY MINORITY STATUS

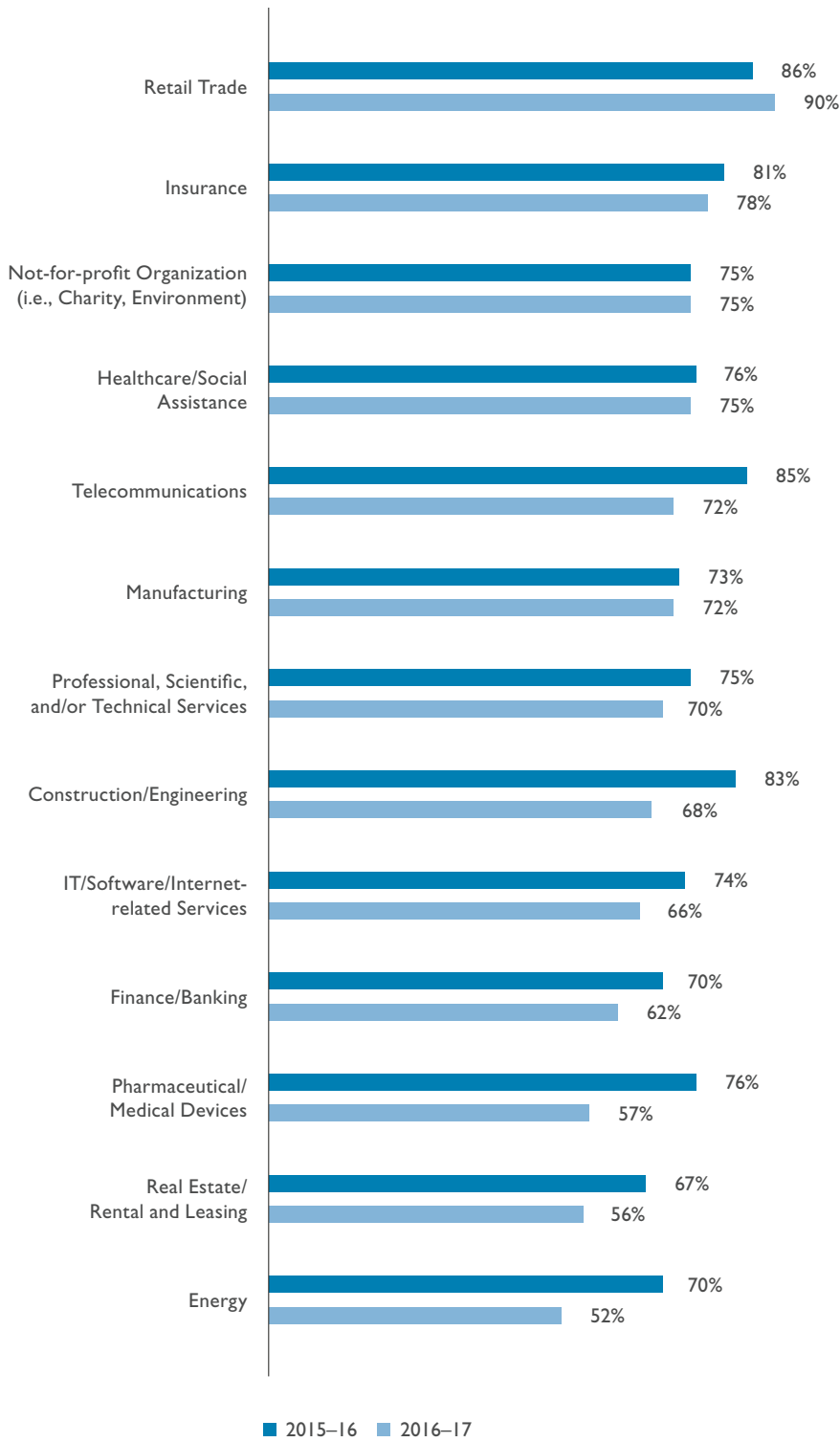


n=883

	2012-13*	2013-14*	2014-15	2015-16	2016-17
Very dissatisfied	2%	1%	5%	3%	8%
Somewhat dissatisfied	3%	3%	6%	6%	8%
Slightly dissatisfied	7%	7%	7%	7%	7%
Neither dissatisfied or satisfied	5%	3%	4%	2%	3%
Slightly satisfied	14%	20%	5%	7%	6%
Somewhat satisfied	34%	41%	30%	31%	29%
Very satisfied	35%	25%	44%	43%	39%
n=	910	954	1,051	1,160	990

*Seven-point scale used to measure satisfaction in all years; however, value labels differ slightly for each year.

PERCENTAGE “VERY SATISFIED” AND “SOMEWHAT SATISFIED” WITH CURRENT ROLE BY INDUSTRY



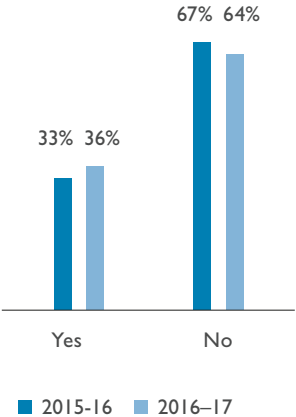
*Note: Among industries with a minimum of 30 respondents.

Do you actively encourage your legal staff to engage in pro bono work?

There is little difference over the past year in the percentage of those actively encouraging their legal staff to engage in pro bono work, with just over one-third of respondents affirming this.

Those in non-profit corporations were much more likely than those in other types of companies to encourage their staff to participate in pro bono work.

ACTIVELY ENCOURAGE PRO BONO WORK



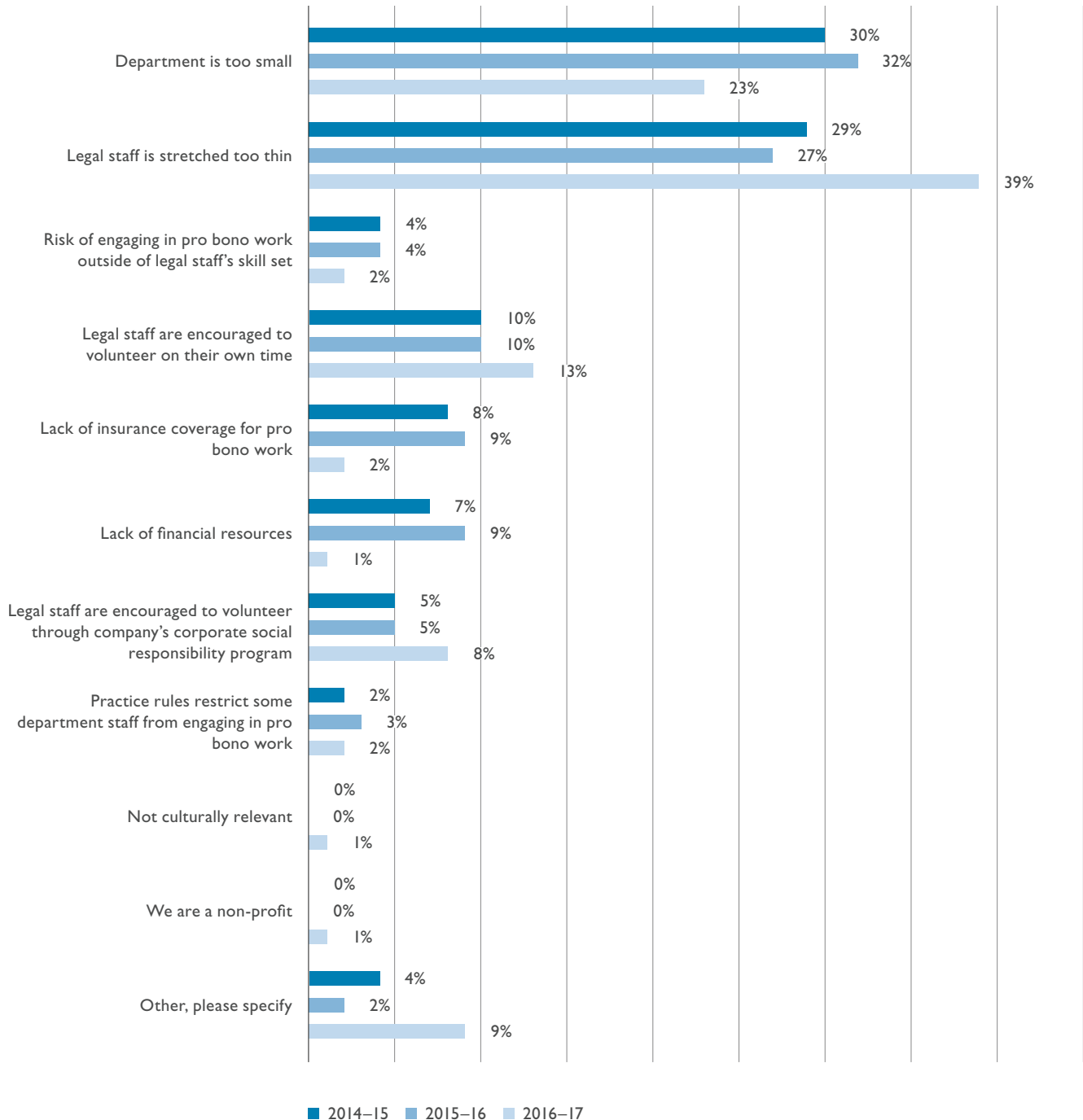
2015-16 n=1,155
2016-17 n=301

Type of company by percentage encourage	
Non-profit corporation	21%
Public	22%
Limited liability company	24%
Private	36%

What barriers, if any, keep you from encouraging your legal staff to engage in pro bono work?

The most common barriers keeping CLOs from encouraging their legal staff to engage in pro bono work continue to include, as they have over the past few years, that the legal staff is stretched too thin and the department is too small.

REASONS FOR NOT ENCOURAGING PRO BONO WORK



2014-15 n=705 2015-16 n=770 2016-17 n=87

*Note: Percentages reflect the top reason for not encouraging pro bono work.

DEMOGRAPHIC PROFILE

DEMOGRAPHIC
PROFILE

Job Title or Function	2012-13	2013-14	2014-15	2015-16	2016-17
Chief Legal Officer	10%	22%	24%	24%	14%
General Counsel	74%	82%	77%	82%	76%
Corporate Secretary	<1%	19%	29%	27%	20%
Vice President	2%	16%	17%	12%	14%
Compliance Officer	<1%	10%	12%	14%	10%
Head of Legal	1%	11%	11%	14%	8%

Note: Respondents able to select more than one title

Company Type	2012-13	2013-14	2014-15	2015-16	2016-17
Private	38%	38%	41%	40%	43%
Public	25%	22%	28%	25%	21%
Limited Liability Company (LLC)	15%	20%	22%	24%	27%
Not-for-Profit	11%	11%	10%	12%	11%
Subsidiary of Foreign Public Corporation	7%	7%	7%	9%	7%
Publicly Held Debt, Privately Held Equity	2%	2%	3%	2%	3%
Limited Liability Partnership (LLP)	1%	<1%	2%	1%	2%
Partnership	1%	<1%	<1%	2%	1%

Size of Law Department (all employees)	2012-13	2013-14	2014-15	2015-16	2016-17
1 employee	19%	20%	16%	17%	18%
2 to 9 employees	51%	53%	55%	58%	59%
10 to 24 employees	12%	12%	16%	14%	14%
25 to 49 employees	5%	5%	6%	5%	5%
50+ employees	13%	10%	7%	7%	5%

Annual Company Revenue	2012-13	2013-14	2014-15	2015-16	2016-17
Less than \$25 million	14%	13%	12%	13%	18%
\$25 million to \$49 million	9%	11%	7%	7%	9%
\$50 million to \$99 million	11%	11%	8%	8%	10%
\$100 million to \$299 million	18%	19%	17%	18%	20%
\$300 million to \$499 million	10%	10%	9%	9%	9%
\$500 million to \$999 million	10%	12%	12%	12%	11%
\$1 billion to \$1.9 billion	11%	8%	10%	9%	8%
\$2 billion to \$2.9 billion	4%	5%	5%	5%	4%
\$3 billion to \$3.9 billion	3%	2%	2%	2%	2%
\$4 billion or more	11%	9%	14%	10%	10%

Gender	2012-13	2013-14	2014-15	2015-16	2016-2017
Male	68%	65%	64%	65%	67%
Female	32%	35%	34%	35%	33%

Company size (employee count) Total number of employees in organization/company, including all departments and all locations	2016-17
Less than 100	18%
100-499	29%
500-999	12%
1,000-4,999	23%
5,000-9,999	8%
10,000-49,999	7%
50,000-99,999	2%
1,000,000 or more	2%

n=1,050

CLO OFFICE LOCATION

Country	2015-16	2016-17	Country	2015-16	2016-17
Argentina	<1%	<1%	Italy	1%	1%
Australia	12%	11%	Luxembourg	<1%	0%
Austria	<1%	<1%	Malaysia	0%	<1%
Bahrain	0%	<1%	Mexico	<1%	<1%
Belgium	<1%	<1%	Netherlands	<1%	<1%
Brazil	1%	1%	New Zealand	<1%	<1%
Bulgaria	<1%	0%	Nigeria	<1%	<1%
Canada	5%	4%	Norway	<1%	<1%
Cayman Islands	<1%	<1%	Pakistan	0%	<1%
Central African Republic	<1%	0%	Philippines	<1%	<1%
Chad	<1%	0%	Poland	<1%	0%
Chile	<1%	0%	Romania	0%	<1%
China	1%	1%	Portugal	<1%	<1%
Czech Republic	0%	<1%	Saudi Arabia	0%	<1%
Denmark	<1%	<1%	Singapore	1%	1%
Finland	<1%	<1%	South Korea	0%	<1%
France	1%	1%	South Africa	<1%	<1%
Georgia	0%	<1%	Spain	0%	1%
Germany	<1%	1%	Sweden	<1%	<1%
Greece	<1%	<1%	Switzerland	1%	1%
Guatemala	<1%	0%	Taiwan	<1%	0%
Hong Kong	<1%	<1%	Turkey	<1%	<1%
Iceland	<1%	0%	United Arab Emirates	<1%	<1%
India	<1%	1%	United Kingdom	1%	2%
Ireland	<1%	<1%	United Republic of Tanzania	0%	<1%
Israel	<1%	1%	United States	71%	69%

n=1,157 n=1,130

COMPANY HEADQUARTERS LOCATION

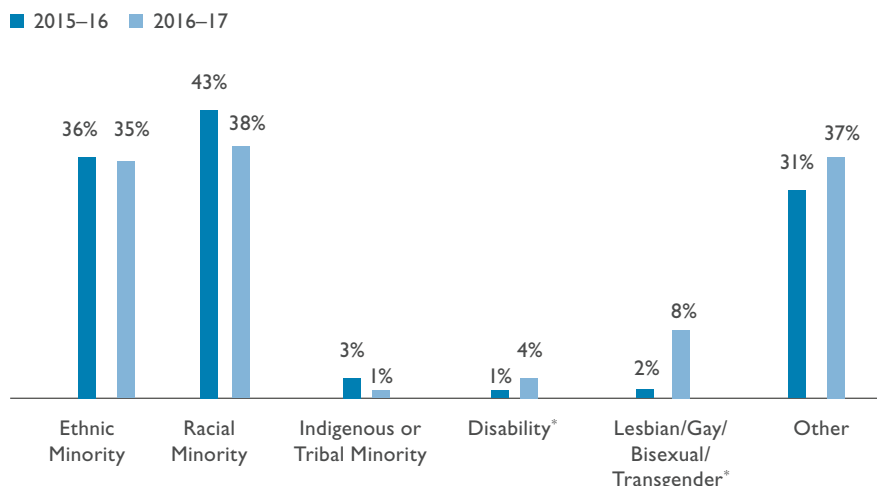
Country	2016-17	Country	2016-17
Argentina	<1%	Japan	1%
Australia	9%	Luxembourg	<1%
Austria	<1%	Malaysia	<1%
Bahrain	<1%	Netherlands	1%
Belgium	1%	New Zealand	<1%
Brazil	<1%	Nigeria	<1%
Canada	4%	Norway	1%
Cayman Islands	<1%	Pakistan	<1%
Chile	<1%	Saudi Arabia	<1%
China	1%	Singapore	<1%
Columbia	<1%	South Korea	<1%
Czech Republic	<1%	South Africa	<1%
Denmark	<1%	Spain	<1%
Finland	<1%	Sweden	1%
France	2%	Switzerland	1%
Germany	2%	Thailand	<1%
Greece	<1%	Turkey	<1%
Hong Kong	<1%	United Arab Emirates	<1%
India	1%	United Kingdom	3%
Ireland	1%	United States	67%
Israel	1%	Uruguay	<1%

n=976

MEMBER OF A MINORITY OR UNDERREPRESENTED GROUP IN YOUR WORKPLACE

	2015-16	2016-17
Yes	12%	17%
No	85%	76%
Prefer not to answer	3%	7%
n=	1,159	958

If “yes,” member of a minority or underrepresented group in workplace, respondents were asked to select from the following list of descriptive options



2015-16: n=136
2016-17: n=159
*Disability and LGBT asked separately in 2015-16



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