

Managing the compliance conundrum



Compliance Risk

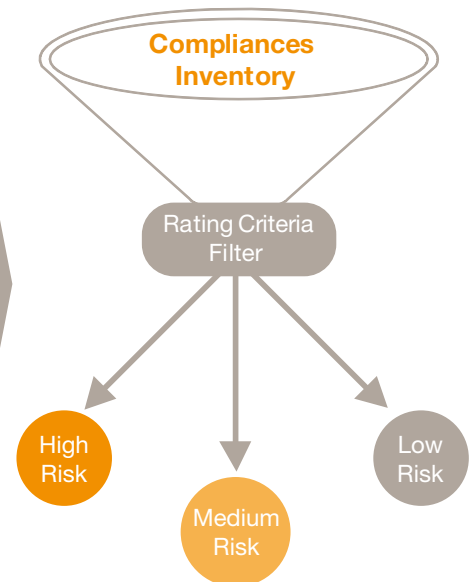
Historically, boards have been perceived to focus primarily on value creation for shareholders. But with renewed attention to statutory compliance, regulators now also want boards to focus on value management and value protection by doing a formal review of compliance obligations.

As a result, corporations are looking to replace informal compliance frameworks with well structured, documented and demonstrable compliance structures that help management monitor and report compliance risk and exposure as well as compliance status to the Board.

Clause 49, among other initiatives, mandates that the board will periodically review compliance reports of all laws applicable to the company, as well as steps taken by the company to rectify instances of non-compliances.

Further, the voluntary guidelines issued by the Ministry of Corporate Affairs require directors to furnish statements that appropriate systems are in place to ensure compliance of all applicable laws to the company

Compliance area (illustrative)	Possible risk of non compliance
Direct tax compliance	<ul style="list-style-type: none"> • Imposition of penalty • Prosecution of directors • Loss of reputation
Indirect tax compliance	<ul style="list-style-type: none"> • Cancellation of licences – Withdrawal of tax benefits • Stoppage of operations • Loss of reputation
Labour law compliance	<ul style="list-style-type: none"> • Imposition of penalty • Prosecution of directors / occupier • Loss of reputation • Employee dissatisfaction
Environment, health & safety laws	<ul style="list-style-type: none"> • Stoppage of operations • Loss of reputation • Imposition of penalty
Corporate law compliance	<ul style="list-style-type: none"> • Imposition of penalty • Vacation / prosecution of directors / senior management • Loss of reputation



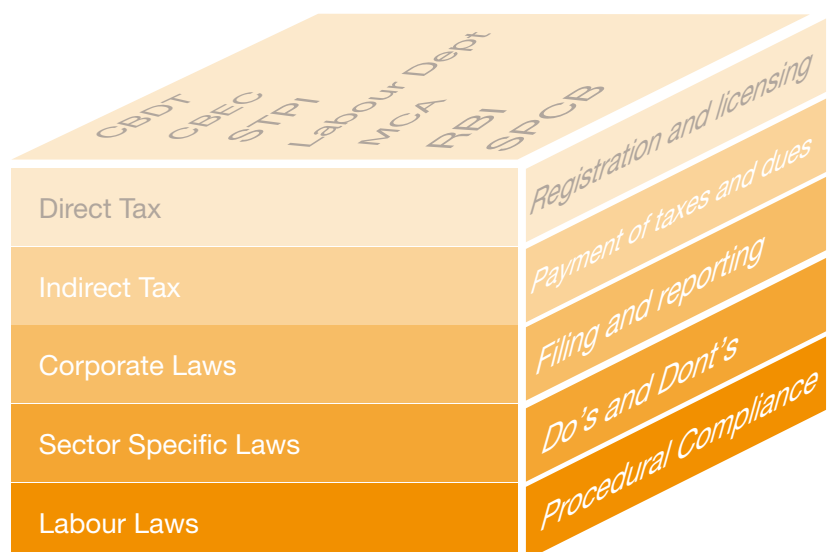
Challenges

“Failure to implement good governance procedures has a cost beyond mere - regulatory problems. Companies that do not employ meaningful governance procedures will have to pay significant risk premium when competing for scarce capital in today’s public markets...”

Chairman
Committee on Corporate
Governance, SEBI

- 1 **Large number of legislations and multiple regulators**
- 2 **Multiple business locations attracting state legislations**
- 3 **Lack of ownership /awareness of functional staff about compliance requirements**
- 4 **Segmented compliance initiatives**
- 5 **Time-consuming and unreliable manual reporting**
- 6 **Dynamic legal environment, lack of a robust updation process, frequent changes in process owners and internal processes.**

Three dimensions

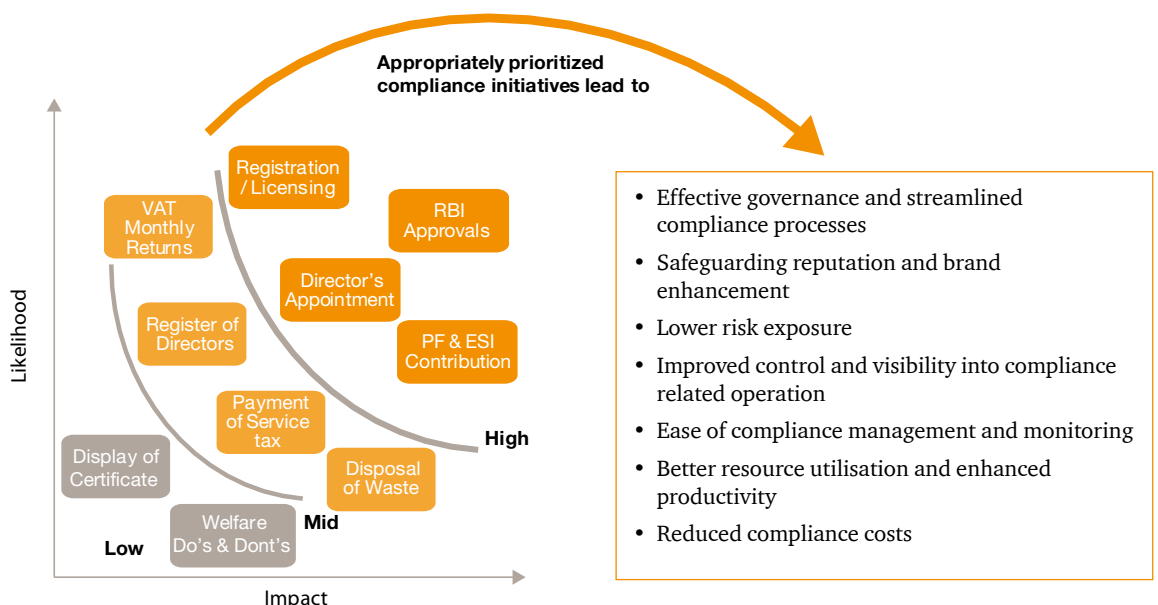


Statutory compliance management

Compliance with laws is innate to any corporation's business operations. However, the maturity levels may vary.

Unreliable Level 1	<ul style="list-style-type: none"> Unpredictable compliance where compliance framework not designed or not in place 	Where are you today?
Informal Level 2	<ul style="list-style-type: none"> Compliance framework designed but is not adequately documented Compliances mostly dependent on people No formal training or communication of compliance status 	
Standardised Level 3	<ul style="list-style-type: none"> Compliance framework is designed and in place Framework documented and communicated to process owners Inadequate process for detecting compliance deviations 	
Monitored Level 4	<ul style="list-style-type: none"> Standardised compliance framework with periodic testing for effective design and operation with reporting to management Automation and tools for limited use 	Where do you want to be tomorrow?
Optimised Level 5	<ul style="list-style-type: none"> An integrated statutory compliance framework with continuous monitoring by management with regular improvement Automation to support compliance process and allow rapid changes if required. 	

Compliance initiative leads



Essentials of a robust compliance management framework



How can we help

- 1 **Diagnostic of existing compliance management systems**
- 2 **Detailed compliance reviews including reviews for sector specific laws**
- 3 **Assistance in setting up of statutory compliance framework**
- 4 **Automation of compliance processes into an organization-wide compliance management system**

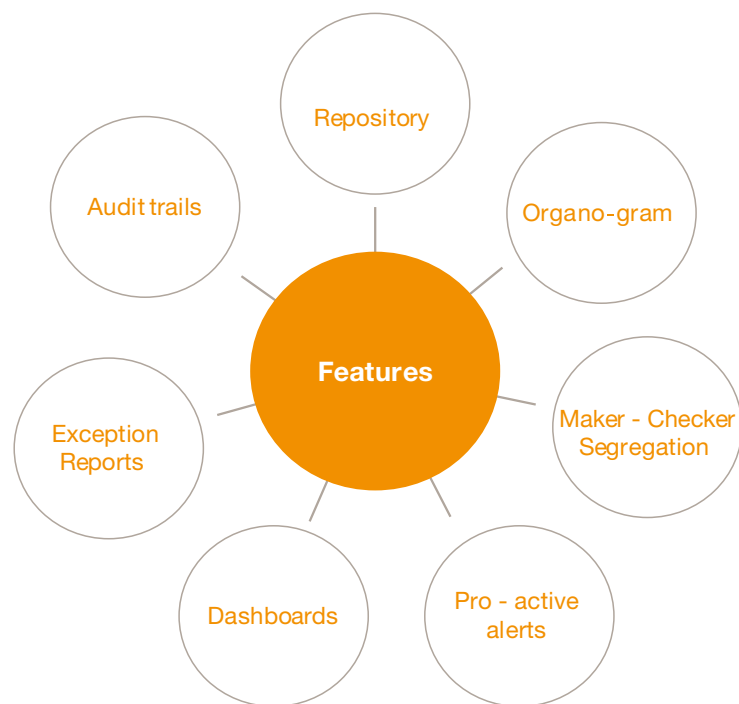
The PwC difference

- Dedicated team with strong legal and technology expertise
- Experience of working with some of the largest companies in India
- Standardised methodology, work process & audit procedures tailored to suit your needs
- Repository of applicable laws to different sectors
- Practical and implementable action plans
- Zero time to hit the ground

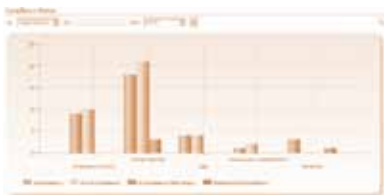
Delivering excellence

Our Compliance Tool significantly speeds up the complex internal processes that companies have to go through in order to track legal compliances across multiple locations by creating a robust compliance framework and providing the senior

management with a one-stop view of the organization's compliances through comprehensive compliance dashboards and reports



Dashboard



Key Feature

- 1 **Central repository of all applicable compliances, statutory forms, licenses and even evidences for compliances**
- 2 **Flexibility to customize the tool based on organizational needs and practices**
- 3 **Enables creation of complex Compliance Organogram**
- 4 **Enables creation of multiple approval and escalation levels**
- 5 **Enables customizable dashboards and compliance status and exception reports**
- 6 **User friendly as enables drill downs from readily available links**
- 7 **Facilitates customizable alerts and reminders**
- 8 **Audit Trails to track compliance at every step**

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Providing organisations with the advice they need, wherever they may be located, our highly qualified, experienced professionals, who have sound knowledge of the Indian business environment, listen to different points of view to help organisations solve their business issues and identify and maximise the opportunities they seek. Our industry specialisation allows us to help co-create solutions with our clients for their sector of interest.

We are located in these cities: Ahmedabad, Bangalore, Bhubaneshwar, Chennai, Delhi NCR, Hyderabad, Kolkata, Mumbai and Pune.

Great ! Where do I start?

If you wish to have a deeper conversation on the subject, then we at PwC will be glad to assist you.

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