



# **Corporate Compliance Management**

## **Need, Scope & Importance**

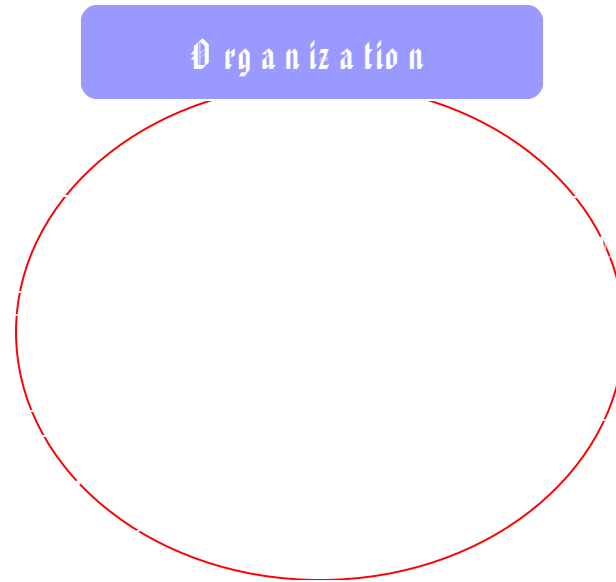
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**Group General Counsel & Company Secretary**  
**Bharti Airtel Limited**

**29<sup>th</sup> March 2007**  
**New Delhi**

# What and Why of Compliance

- **Manufacturing**: Developing & implementing policies & procedures to ensure operations are efficient, consistent, effective & compliant with law
- **Services** : Legally compliant process that establishes uninterrupted delivery of services to customer, protects their interest & information privacy
- **Project** : Confirmation that business case viable and actual costs and time lines in line with plan costs & schedules
- **Objective** : (a) Delivers significant commercial value to the business while fully compliant with regulatory requirements  
(b) To avoid Enron type scandals and comply with Sarbanes Oxley in US and Clause 49 in India

# Stakeholders and Compliance



# Stakeholder Assurance

- Owners and strategic investors: Long term financial and business success
- Retail shareholder: Short term market cap gains and dividends
- Lenders: Security of their loans
- Business managers: Business tools, controls & measures meet the target level of performance and legal compliance
- Staff and employees: Performance tools & protection of information
- Customers: Quality products & services and continued support after delivery
- Business partners: Confidence on "Good to do business with"
- Suppliers: Business continuity and sanctity of contracts
- Community: Business process meets with Corporate Social responsibility

# Benefits of Compliance

- **Contributes to effectiveness & efficiency of business operations: higher valuations**
- **Ensures reliability & continuity of information systems**
- **Raises governance standards and assurance to various stakeholders**
- **Assures that organizational risk exposure mitigated: checks & balances**
- **Confirms that internal information accurate & reliable**
- **Increases investor and lenders confidence: easier access to global markets**

# Benefits of Compliance

- Supports informed decision making at management and Board level
- Identifies and exploits areas of risk based advantage
- Ability to aggregate business unit risk in multiple jurisdictions & locations
- Demonstrates proactive risk stewardship: improved company performance
- Establishes a process to stabilize results by protecting them from disturbance
- Enables independent directors to decide with comfort and confidence

# Certification: Clause 49

- **CEO and CFO certification on Financial & Cash Flow Statements:**
  - no material omission or untrue statements
  - true & fair view of company affairs
  - no material omission or misleading statement
- **No fraudulent, illegal transactions or breach of code of conduct**
- **Responsibility for internal control systems: accountability**
- **Disclosure to auditor & audit committee**
  - effectiveness of and deficiencies in internal control systems
  - significant changes in accounting policy and internal controls
  - significant cases of fraud of employees or others
- **Quarterly compliance report for Stock Exchange by Compliance Officer or CEO**
- **Annual certificate from auditors/practicing Company Secretaries on ~~compliance of Clause 49 - sent to all shareholders with directors report~~**

# Disclosures

- Corporate governance report including non compliance, if any
- Compensation philosophy, full details of directors and remuneration
- Review of affairs of subsidiary company
- Accounting treatment, if different from prescribed standard
- Whistle blower policy and adherence
- Code of conduct compliance
- Risk management report
- "Real time" disclosure to SE
- Material contingent liabilities & risk



# Management Obligations: Sarbanes Oxley

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# Threats: Cause and .....

- **Internal:**
  - **Deliberate & mala fide:** disgruntled employee or ex-employee
  - **Accidental:** caused by negligence or lack of secure procedures
  - **System failure:** processes
- **External:**
  - **Competitor:** Industry espionage / intelligence
  - **Supplier** of products or services
  - **Joint venture partner**
  - **Market forces**
- **Combination:**
  - **Internal and external acting in cohesion**
  - **Internal action causing an external reaction**

# ..... Effect

- **Impact on organization:**
  - **Loss of revenue , profits , talent**
  - **Reduction in market share**
  - **Decrease in stock price**
  - **Theft of intellectual property**
  - **Damage to image & reputation**
- **Identification of requirement:**
  - **Business and legal environment**
  - **Type of information , flow , access & application**
  - **External and internal stakeholders**
  - **Services and IT systems**
  - **Changing face of technology**

# Issues

- **Impact of globalization: Global Scams**
- **Information asymmetry**
- **Internal opaqueness**
- **Increasing participation of vested interests in PH**
- **Independent director: peripheral role to conscience keeper**
- **Improve enforcement and monitoring mechanism**
- **Risk Vs Entrepreneurship**

# Challenges

- Higher exposure to risk: dawn of class action suits
- Level of internal controls and evaluation mechanisms
- Cost of listing and maintenance
- Liability of directors: D&O policy
- Related party transactions
- Company management
  - Large volume of information and data to the Board
  - Increased dependence by Board on quality and timeliness of information
  - Independent, fearless and objective
  - Processes and systems for monitoring
  - Skill and competence
  - Training

# Concerns

- “Real time” disclosure and impact
- Preservation of confidentiality: competitive information
- Form over substance: paradigm shift
- Promoter control: seats on Board and voting
- Joint Venture agreements
  - Restrictions on transfer of shares
  - Quorum requirements and voting
  - Put and call option arrangements
  - Enforceability of affirmative clauses: non compete, veto rights

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**Thank You**