



COMPLIANCE POLICY

INTRODUCTION

Compliance is defined as the act of following the laws, rules, regulations, and various codes of conducts, including the voluntary ones. Although most of the things occur from external requirements, following the organizations own internal rules, policies, and procedures, and acting in accordance with ethical practices are equally important.

OBJECTIVES

The objectives of our compliance policy are:

- 1) To introduce, standards and procedures relating to compliance functions, which are in line with various applicable acts, rules, notification, etc.
- 2) To propagate compliance function as an integral part of governance, internal control, and risk management process.
- 3) To enlighten all constituents for initiating preventive measures for mitigating compliance risk. To prevent material financial loss or loss to reputation, which a company may suffer owing to failure to comply with laws, regulations, rules, relating to regulatory organizations standards.
- 4) To Frame compliance functions, which would help all the department in recognizing the legal and reputation risks which required to be monitored for mitigating compliance risk.
- 5) To introduce a healthy compliance culture within the company so that compliance functions are effectively complied with.

COMPLIANCE RISKS & COMPLIANCE FUNCTIONS

- 1) **Compliance Risk:** Compliance risk is the risk of legal or regulatory sanction, material financial loss or loss of reputation which a company may suffer because of its failure to comply with laws, regulations, rules and codes of conduct applicable to company's activity. Considering the high risk, compliance head shall have vigilant control over their roles and responsibilities.

2) **The Compliance Function** is an integral part of governance in resonance with the internal control. The significance of compliance function lies in identifying, evaluating and addressing legal and reputational risks. It must ensure strict observance of all statutory guidelines issued through various legislations with amendments made from time to time in these Acts, other regulatory guidelines.

An indicative list of such statutory laws is attached herewith as **Annexure-A**.

3) Apart from above laws, rules and standards, compliance also generally cover matters such as observing proper standards of market conduct, managing conflicts of interest and treating customers fairly.

4) Compliance functions are one of the key elements in corporate governance structure, which have to be adequately enabled and made sufficiently independent so that it is capable of identifying, evaluating & addressing Legal/Reputation Risks. Compliance department should work independently and avoid direct interaction with outside parties except government bodies.

ORGANISATION AND TEAM STRUCTURE

The Compliance Department shall be headed by the Compliance Head and shall be sufficiently resourced. The Compliance Department shall be independent and its responsibilities have been clearly specified. The Compliance Department activities shall be subject to periodic and independent review. Apart from having a team with basic qualifications and practical experience in business lines / audit & inspection functions, Compliance Department also shall have adequate staff members with knowledge of statutory / regulatory prescriptions, law, accountancy, taxation, etc. Different team members from HR, Accounts and Payroll can be identified and put under the compliance umbrella by allocating the compliance function.

The staff in the Compliance Department shall primarily focus on Compliance Functions they, however, may be assigned some other duties while ensuring that there is no conflict of interest.

ROLES AND RESPONSIBILITIES

Compliance Function shall be responsible for implementation of the Compliance Policy. It shall ensure overall oversight and be responsible for undertaking the following key activities at the minimum:

1. Overseeing the implementation of compliance policy, including Standard Operating Procedures, Compliance Manuals, etc.
2. Play the central role in identifying the level of Compliance risk in the organisation. The Compliance risks shall be analysed and appropriate risk mitigants shall be put in place.
3. Prepare a compliance plan for the company and put the same for review and approval. This will ensure a strong compliance risk management programme.
4. The Compliance team shall monitor the implementation of the Annual Plan throughout the year. It shall submit monthly compliance report to check the progress on monthly basis and take timely corrective action to ensure 100% compliance is achieved.
5. The compliance function shall be responsible for conducting an Annual Review of Compliance Risk and submit the report to the senior management.
6. The compliance function shall periodically circulate the instances of compliance failures among employees and Head of Departments (HODs), along with the required preventive instructions. Individual accountability shall be examined for major compliance failures. Instances of any material Compliance failure shall be reported promptly to the Senior Management.
7. They will be responsible for forming an effective compliance program where all Risk Mitigation Plan (RMP) / Monitorable Action Plan (MAP) points are complied with within the timelines prescribed.
8. The HOD/departments responsible for complying with respective statutory and regulatory requirements shall continue to hold the prime responsibility for their respective areas; however, the compliance department would need to ensure overall oversight.
9. The Compliance team will set up a mechanism for dissemination of information on new/changes to regulatory guidelines among concerned functions.

10. All the compliance functions should be actively monitored by the compliance head on daily basis. If checked on daily basis then timely corrective action can be taken and there would not be any instance of non-compliance. All the due dates for compliance must be 100% met. Monthly report of completion of task with timeline should be prepared.
11. In the unfortunate situation of non-compliance especially with regard to payment of dues within due date, interest and penalty to be paid immediately in order to rectify the delay in payment.
12. Monthly compliance report with regard to labour laws may be shared with the clients as per their given format or in any standard format. GST details may be shared with clients in case of any discrepancy arises at client's end.
13. All the challans, ECR, documents, etc. should be kept strictly confidential and not be shared with any third party unless required under normal course of business.
14. As we are not sub-contracting the work to any third party, review of vendor compliance would be subjected to as per vendor management policy. A self-declared certificate should be obtained from the vendor every month with regard to compliance.
15. Vendor compliance with regard to labour laws and taxation to be checked on quarterly basis to the extent relevant for us and required under any law.
16. The Compliance Function shall serve as a reference point for the employees from other departments for seeking clarifications / interpretation of various guidelines and circulars.

INTRODUCTION OF NEW LAW OR UPDATES

Introduction of new act, rules, regulation or changes to it including notification or landmark judgement of various court have a direct impact on compliance of the company. Such changes or updates are of recurring nature. Hence, it is important to be aware of any such updates and changes and accordingly align our process and system to comply with such updates. In order to achieve the above objective, following needs to be adhered to:

1. Compliance department would be responsible to get regular updates for changes in rules, regulations, judgements, etc. Third party service may be subscribed to for such updates as may be required.
2. If required, third party consultants may be referred on any compliance issue that may arise or where clarification or in depth understanding is required.
3. Any change in act, rules, regulation, notification or procedure should be updated to the concern department. Hands on training should be provided as per the requirement internally or through third party.
4. Any changes that may be required in the ERP with regard to compliance process or system should be taken up by the compliance team.

TRAINING

As compliance is a critical matter particularly for labour industry due to number of acts, rules, notification and case laws, training of employees handling compliance work is necessary. Any mistakes, delays or ignorance may lead to non-compliance. Therefore, our training policy for compliance is given below:

1. When a new employee joins Globe Security, he/she is required to undergo induction training covering every aspect of compliance that he/she or his/her department is expected to comply with. Training should include specific scope of work with regard to compliance function covering each and every aspect of law, regulation, etc. and how to comply with it and report it on regular basis. A detail written step by step role based instruction may be provided along with practical hands on training on joining the company.
2. Training should be role based covering all the aspects of compliance work an employees is expected to undertake as well as overall compliance overview to understand the flow of work.
3. A third party subject matter expert may be consulted for providing required training in case of a new law of complex nature.
4. Training is mandatory and only after going through required training any compliance related work would be allotted. If anyone, fails to complete the training then he would not be eligible to undertake any compliance work. However, he may assist others in performing their duties without being directly involved in it.

5. A new employee is required to be tested for knowledge either through practical test or written examination or both to understand his/her level of knowledge and understanding in complying with the regulations. If anyone fail the test or performs poorly then he/she may be required to undergo the training again to meet the level of knowledge in handling compliance work.
6. Compliance work being of critical nature, if anyone not able to understand his/her specific role or is incapable of handling the compliance work assigned to him/her then he/she may be allotted non-regulated work or should work under strict supervision of compliance department.
7. For any change in legislation employees are expected to undergo necessary training and their understanding of changes should be rechecked through appropriate oral or written test.
8. An annual refresher training and retest would be mandatory for anyone who is handling compliance work with regard to labour laws and taxation.
9. A handbook or tutorial may be provided to employees to enable them to understand the work with clarity and would act as reference point in case of any confusion.

AUDIT AND INDEPENDENT REVIEW

The activities of the Compliance Function shall be subject to regular audit by an outside independent agency. The Board shall ensure that an appropriate Compliance Policy is put in place and implemented. Compliance policy is subject to review by the Board and shall be overseeing its broad implementation. Ensure that there is no potential for any conflict of interest and that the activities of the compliance function are subject to independent review.

Ensure that compliance issues are resolved effectively and expeditiously on regular basis. Quarterly review of compliance and its effectiveness to be monitored by the Board. If any issue of non-compliance noticed, then it should be resolved immediately as per the remedy available within that particular act or rules. Steps should be taken to ensure that no such incidents reoccur in future. If required, appropriate changes in process and procedure to be made and responsibility to be fixed. The end objective should be met and everyone is expected to continuously work towards it and make the entire compliance effective, efficient and result oriented.

Annexure A

Indicative Compliance Checklist				
S.No.	Act	Frequency	Brief Description	Department
1	Bonded Labour System (Abolition) Act, 1976	Annual	Consolidated Return	Compliance
2	Companies Act	Various	As per consultant	Accounts and Outsourced
3	Contract Labour (R&A) Act, 1970	Various	New contract and annually. NA for Maharashtra as SGB applicable.	HR
4	EPF & MP Act, 1952	Monthly	Generation of Challan, ECR and payment by 15th of succeeding month	HR
5	Equal Remuneration Act, 1976	Annual	Consolidated Return	Compliance
6	ESI Act, 1948	Monthly	Generation of Challan, ECR and payment by 15th of succeeding month	HR
7	GST	Monthly/Annually	Return and Payment	Accounts
8	Income Tax Act	Annually	In consultation with Auditor	Accounts
9	Inter State Migrant Workmen [Regulation of Employment and Conditions of Service] Act, 1979	Annual	Consolidated Return	Compliance
10	LWF (state wise)	Various	Return and Payment	HR
11	Maharashtra Workmen Minimum House Rent Act, 1983	Annual	Consolidated Return	Compliance
12	Maternity Benefit Act, 1961	Annual	Consolidated Return	Compliance
13	Payment of Bonus Act, 1965 & Rules	Annual	Consolidated Return	Compliance
14	Payment of Gratuity Act, 1972	Annual	Consolidated Return	Compliance
15	Professional Tax Act (state wise)	Monthly	Generation of challan and payment	HR
16	PSARA Act	NA	Maintenance of Records	HR

17	Sexual Harassment of Women at Workplace (PD&R) Act, 2013	Annual	Consolidated Return	Compliance
18	Shops and Establishment Act (State wise)	Annual	Consolidated Return	Compliance
19	The Child Labour (Prohibition & Regulation) Act, 1986	Annual	Consolidated Return	Compliance
20	The Minimum Wages Act, 1948	Annual	Consolidated Return	Compliance
21	The MPSG Act, 1981	Monthly	Only for Maharashtra. Payment of monthly levy	Accounts
22	The Payment of Wages Act, 1936	Annual	Consolidated Return	Compliance
23	Workmen's Compensation Act 1923	Event	Occurrence of event	HR

Please note: Only important frequency in relation to filing of return has been mentioned above, but there are many other instances which occurs frequently and need to be complied regularly on occurrence of an event. A separate handbook is available with detail guidance on maintenance, updation and filing of such records.