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Compliance Trends Survey
Report
India edition

July 2015

Contents

Executive Summary

Welcome to the India edition of 2015 Compliance Trends Survey report that gauges the scope and complexity of the modern corporate compliance function among Indian companies. Through the survey, we have tried to answer a common question: how do compliance functions efficiently and effectively manage the risks associated with the increasing demands of numerous stakeholders and position themselves for success in the future? The need for a strong corporate compliance function—and an understanding of what that strong function should look like—has become important like never before with increased regulations and expectations under new Companies Act. The results from the Compliance Trends 2015 report, show that many Indian companies increasingly acknowledge this idea. However, in many cases, surveyed companies still aren't investing enough to support a strong compliance function in practice. The report shares insights from Indian respondents and the findings have been compared to overall global survey submission.

Key takeaways from the 2015 Compliance Trends survey are as follows:

- 62 percent Indian organizations have a designated Chief Compliance Officer (CCO) as compared to 70 percent global organizations.

- Only 26 percent Indian respondents have a full-time CCO as compared to 58 percent respondents globally. Also, 51 percent companies have a staff of five or fewer employees. We expect companies would need to invest more in their compliance function and increased number of companies will have a full-time CCO, given the heightened expectations under the Companies Act and enhanced regulations.

- Only 14 percent organizations outsource or co-source their employee and ethics hotline as compared to 39 percent organizations globally. We see increasing trend for compliance needs outsourcing in India especially in compliances by third party service providers, given the growth of outsourcing in India consistent with global trend.

- Approximately 92 percent respondents mentioned Code of Conduct as a key area of priority of the compliance function as compared to the global figure of seventy three percent. However, Indian companies still need to focus on compliance training, compliance strategy processes, and policy management as they are lagging behind in these areas as compared to global companies.

- The number of organizations who measure the effectiveness of their compliance programs continues to increase to 57 percent but there is still a long way to go. The most common metrics used by CCOs to gauge effectiveness are internally focused: internal audits, analysis of self-assessment results, feedback from employee ethics survey, etc.

- Almost 16 percent of respondents were not confident that their IT systems captured and reported all compliance data necessary to get a good sense of effectiveness. That might be because many compliance tasks—policy management, document management, risk assessments, regulatory reviews—still rely heavily on desktop software applications.
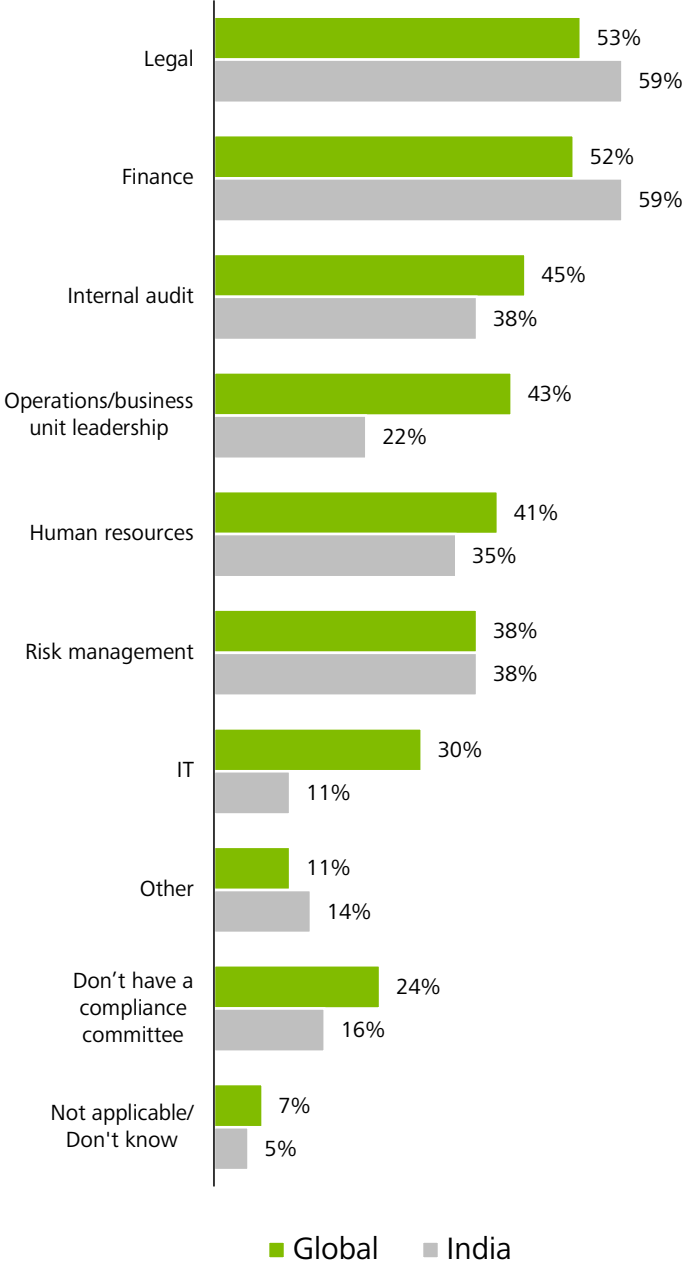
Compliance Structure

The effect of Companies Act requirements has started showing as evident from the fact that 62 percent of the Indian respondents said that they have a designated chief compliance officer in their organization. However this needs to be looked at also from the perspective that only 26 percent of respondents said that their company now has a stand-alone chief compliance officer as compared to 58 percent companies in the global survey. This is a potential area of growth for Indian companies.

Top compliance officers generally have the right reporting lines to maintain their independence. For India, 48 percent CCOs report to the CEO where as 22 percent report to the board. Globally only 36 percent report to CEO and twenty one percent to the board.

Almost 78 percent of respondents believe that one or more departments or functions serve on the management-level compliance committee. Legal and Finance top the charts with 59 percent of their members in the management-level compliance committee.

Which departments or functions serve on the management-level Compliance Committee?

(Please select all that apply.)

Department	Global	India
Legal	53%	59%
Finance	52%	59%
Internal audit	45%	38%
Operations/business unit leadership	43%	22%
Human resources	41%	35%
Risk management	38%	38%
IT	30%	11%
Other	11%	14%
Don't have a compliance committee	24%	16%
Not applicable/Don't know	7%	5%

■ Global   ■ India
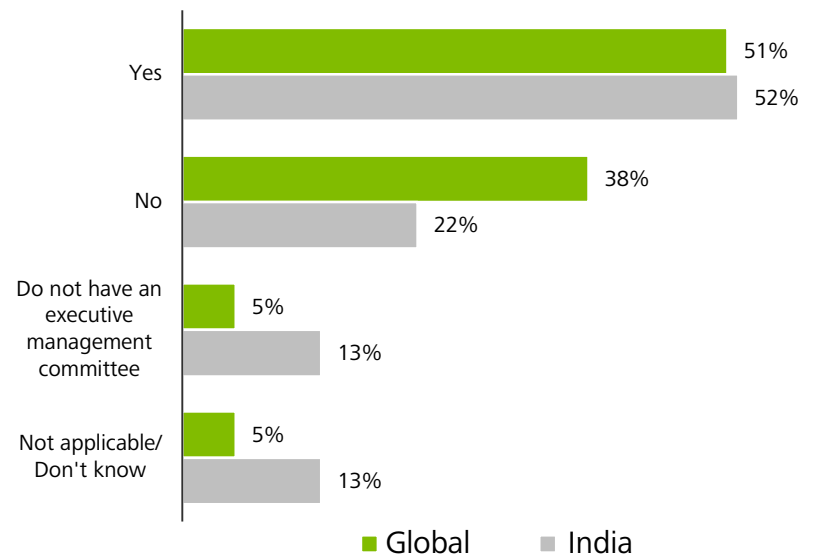
Do CCOs have enough authority?

- We start with a Chief Compliance Officer's (CCO) authority —that is, the ability to work with executives at the highest level of the organization. More than half of respondents (52 percent) said the CCO hold a seat on the executive management committee, outnumbering the 22 percent who don't. The data suggest India is at par with the global average when it comes to CCOs having a seat in the executive management committee, suggesting their participating in high-level discussions in creating a robust risk intelligent and compliant organization.

- But does the compliance function has the wherewithal, resources and authority to carry out this objective? There is significant scope for improvement here. Over 43 percent organizations have designated compliance officers in their subsidiaries, business units and geographies while an equal number denied having the same. In enterprises that have this structure, the enterprise CCO provides oversight to subsidiaries, business units or geographies compliance officers in forms of periodic meetings with professional development, input on goal setting and input on performance evaluation.

- Compliance program reporting provided by the CCO to the board and/or executive management majorly include compliance violations, compliance issue resolution tracking status and compliance.

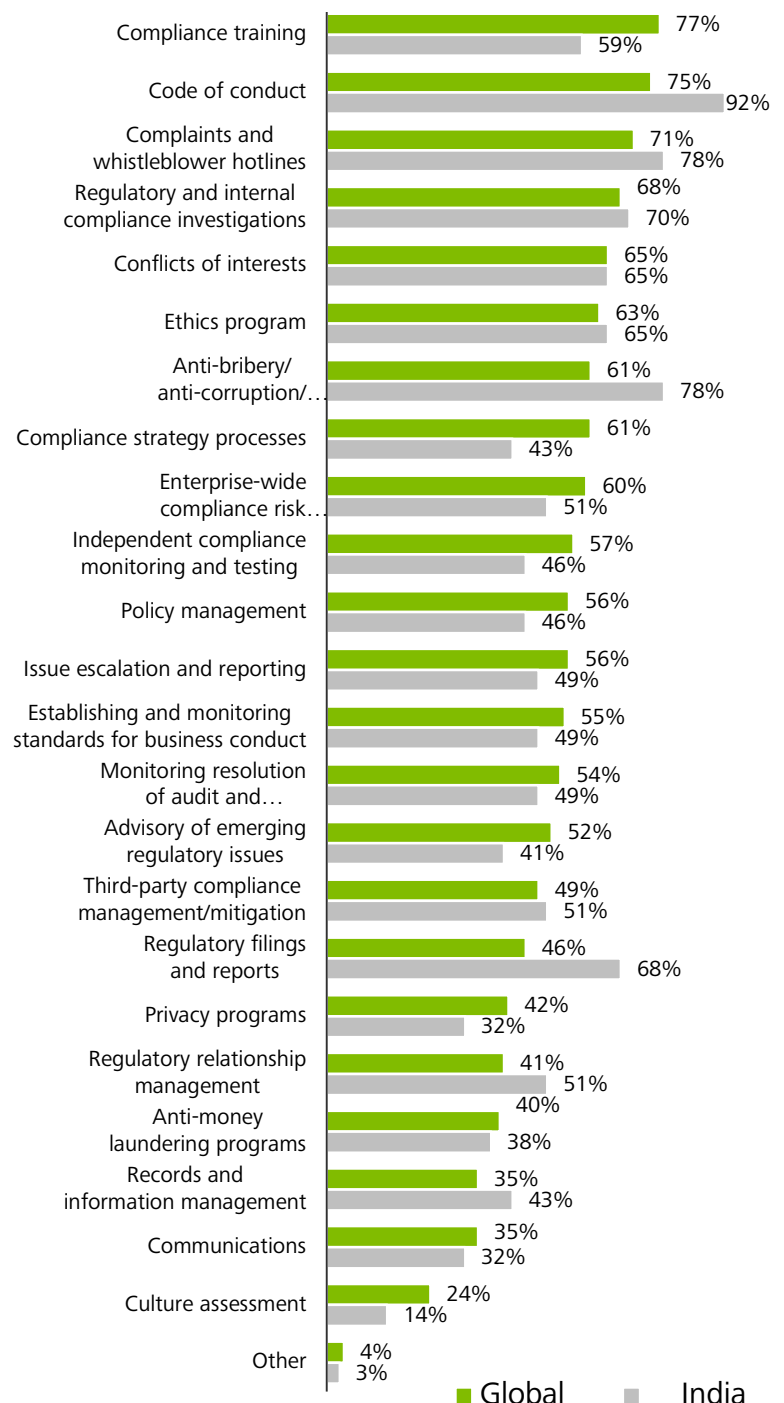**Does the CCO hold a seat on the executive management committee?**

	Global	India
Yes	51%	52%
No	38%	22%
Do not have an executive management committee	5%	13%
Not applicable/ Don't know	5%	13%

■ Global   ■ India

Are CCOs addressing the right risks?

- Indian organizations are catching up with global organizations in terms of performing enterprise wide compliance assessments. 78 percent Indian organizations perform an enterprise-wide compliance risk assessment with 43 percent of them doing it on an annual basis.

- 59 percent Indian organizations outsource or co-source one or more compliance activities compared to 66 percent of global organizations. Third-party compliance risk management is the most outsourced or co-sourced compliance activity. Only 14 percent Indian organizations outsource or co-source their employee and ethics hotline as compared to 39 percent global organizations. 24 percent organizations do not outsource any of their compliance activities.

- 16 percent respondents feel that conducting internal compliance audits/reviews is the most challenging aspect of organization's program for managing compliance risk followed by 14 percent respondents who selected monitoring compliance with policies and third-party compliance risk management.

- Approximately 92 percent respondents mentioned Code of conduct as an area of responsibility of the compliance function. Other areas include complaints and whistleblower hotlines, anti-bribery/anti-corruption/anti-fraud programs, regulatory and internal compliance investigations, etc. An interesting finding is also that figure (68) percent Indian respondents suggested 'regulatory findings and reports' as one of the key areas of compliance, which far exceeds the global data where only 46% considered this as one of the key areas of focus for the compliance function.

Which area(s) is the compliance function responsible for your organization? (Please select all that apply.)

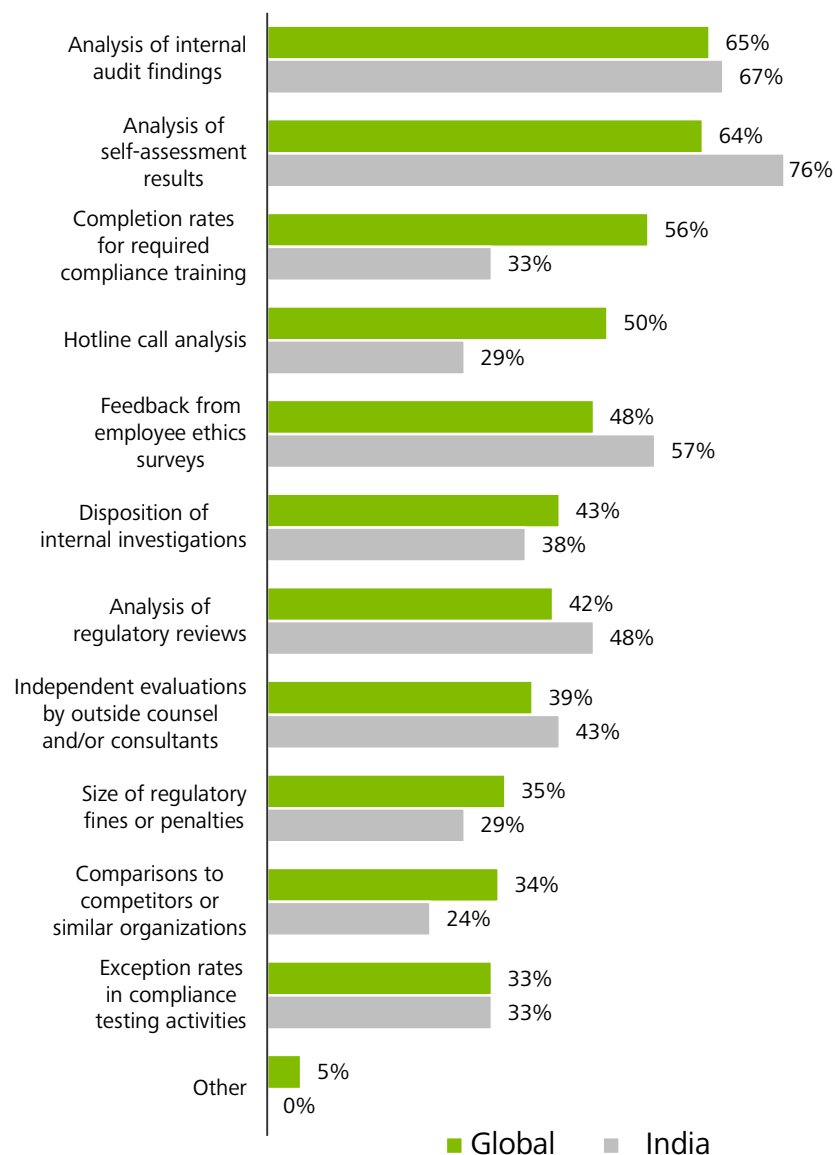| Area	Global	India
Compliance training	77%	59%
Code of conduct	75%	92%
Complaints and whistleblower hotlines	71%	78%
Regulatory and internal compliance investigations	68%	70%
Conflicts of interests	65%	65%
Ethics program	63%	65%
Anti-bribery/anti-corruption/…	61%	78%
Compliance strategy processes	61%	43%
Enterprise-wide compliance risk…	60%	51%
Independent compliance monitoring and testing	57%	46%
Policy management	56%	46%
Issue escalation and reporting	56%	49%
Establishing and monitoring standards for business conduct	55%	49%
Monitoring resolution of audit and…	54%	49%
Advisory of emerging regulatory issues	52%	41%
Third-party compliance management/mitigation	49%	51%
Regulatory filings and reports	46%	68%
Privacy programs	42%	32%
Regulatory relationship management	41%	51%
Anti-money laundering programs	40%	38%
Records and information management	35%	43%
Communications	35%	32%
Culture assessment	24%	14%
Other	4%	3%

Are CCOs using the right metrics?

- The number of organizations who measure the effectiveness of their compliance programs continues to increase to 57 percent but there is still a long way to go.

- The most common metrics CCOs use to gauge effectiveness are internally focused: internal audits, analysis of self-assessment results, feedback from employee ethics survey, etc., analysis of hotline calls, completion rates for training programs. Metrics that incorporate external information—say, reviews from regulators or benchmarks against peer groups are catching up.

- About 81 percent respondents were confident about the metrics they were tracking. In a related area, 16 percent were not confident that their IT systems captured and reported all compliance data necessary to get a good sense of effectiveness. That might be because many compliance tasks—policy management, document management, risk assessments, regulatory reviews—still rely heavily on desktop software applications.

How does your organization measure compliance program effectiveness?

(Please select all that apply)

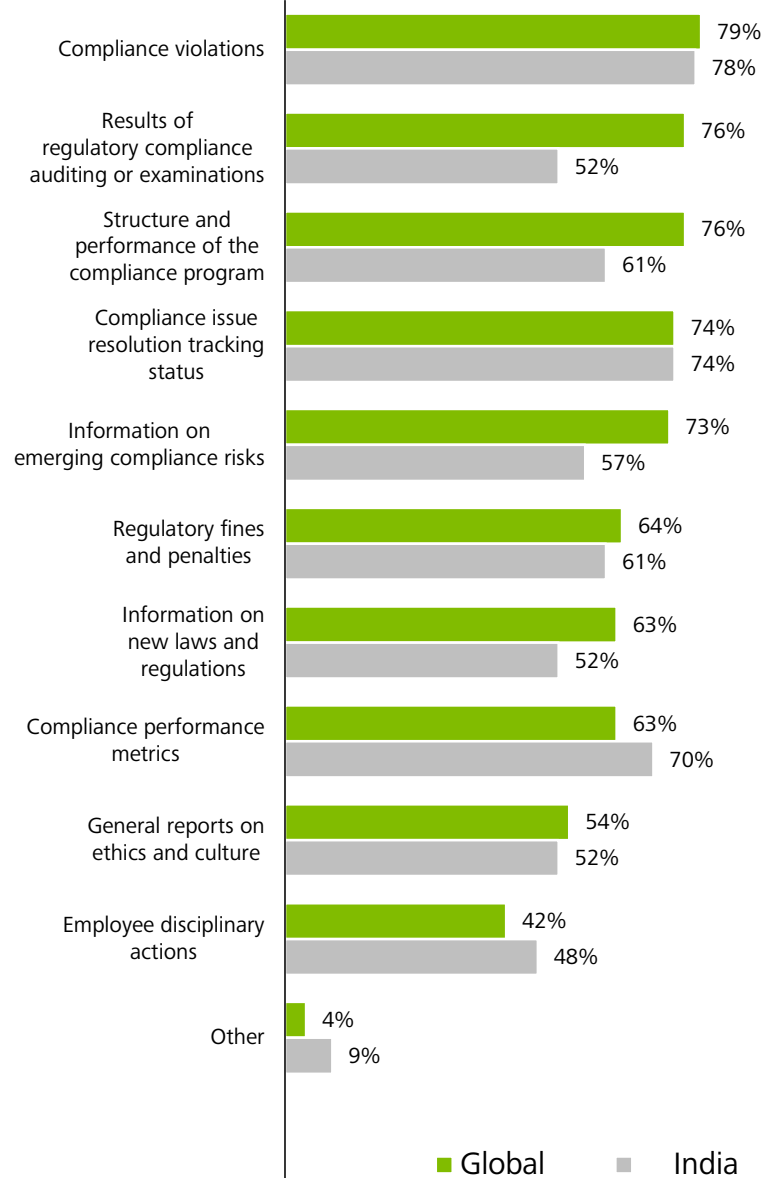| Metric	Global	India
Analysis of internal audit findings	65%	67%
Analysis of self-assessment results	64%	76%
Completion rates for required compliance training	56%	33%
Hotline call analysis	50%	29%
Feedback from employee ethics surveys	48%	57%
Disposition of internal investigations	43%	38%
Analysis of regulatory reviews	42%	48%
Independent evaluations by outside counsel and/or consultants	39%	43%
Size of regulatory fines or penalties	35%	29%
Comparisons to competitors or similar organizations	34%	24%
Exception rates in compliance testing activities	33%	33%
Other	5%	0%

■ Global ■ India

Types of compliance program reporting

- 96 percent respondents stated that the CCO provides one or more forms of compliance reporting to the board and/or executive management.

- Compliance violation with 78 percent responses is the most prominent form of compliance reporting provided by the CCO to the board and/or executive management followed by compliance issue resolution tracking status at 74 percent.

- Apart from reporting results of regulatory compliance auditing or examinations, India is doing pretty well in terms of compliance program reporting.

- 70 percent Indian respondents chose the "Compliance performance metrics" reporting which is higher than global average of 63 percent.

What types of compliance program reporting does your CCO provide to the board and/or executive management?
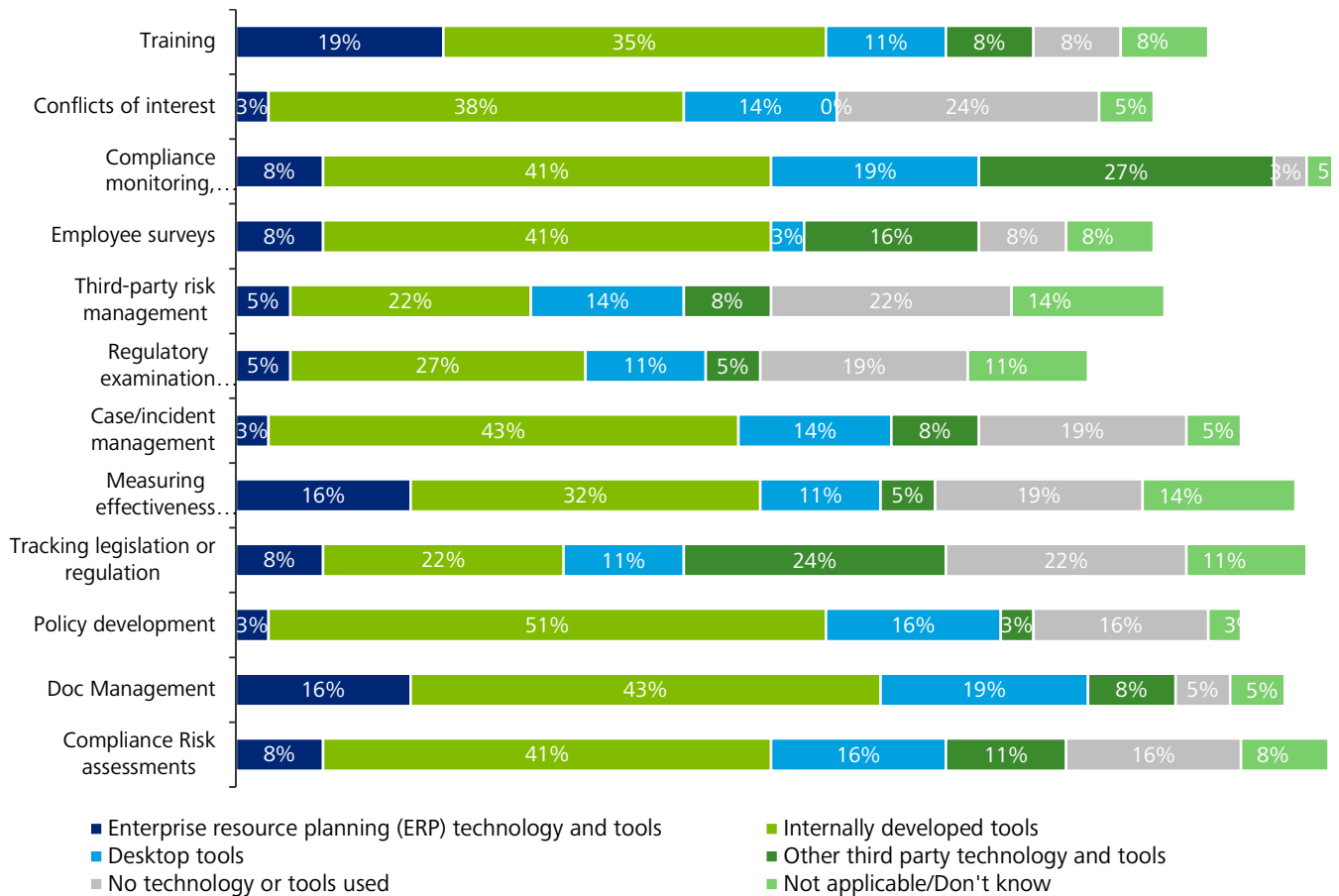
(Please select all that apply.)

	Global	India
Compliance violations	79%	78%
Results of regulatory compliance auditing or examinations	76%	52%
Structure and performance of the compliance program	76%	61%
Compliance issue resolution tracking status	74%	74%
Information on emerging compliance risks	73%	57%
Regulatory fines and penalties	64%	61%
Information on new laws and regulations	63%	52%
Compliance performance metrics	63%	70%
General reports on ethics and culture	54%	52%
Employee disciplinary actions	42%	48%
Other	4%	9%

■ Global ■ India

Do CCOs have effective IT systems in place?

Please indicate which tools and technologies are used to support each component of organization's compliance program

Component	ERP	Internally developed	Desktop tools	Other third party	No technology	Not applicable
Training	19%	35%	11%	8%	8%	8%
Conflicts of interest	3%	38%	14%	0%	24%	5%
Compliance monitoring,…	8%	41%	19%	27%	3%	5
Employee surveys	8%	41%	3%	16%	8%	8%
Third-party risk management	5%	22%	14%	8%	22%	14%
Regulatory examination…	5%	27%	11%	5%	19%	11%
Case/incident management	3%	43%	14%	8%	19%	5%
Measuring effectiveness…	16%	32%	11%	5%	19%	14%
Tracking legislation or regulation	8%	22%	11%	24%	22%	11%
Policy development	3%	51%	16%	3%	16%	3
Doc Management	16%	43%	19%	8%	5%	5%
Compliance Risk assessments	8%	41%	16%	11%	16%	8%

- ■ Enterprise resource planning (ERP) technology and tools
- ■ Internally developed tools
- ■ Desktop tools
- ■ Other third party technology and tools
- ■ No technology or tools used
- ■ Not applicable/Don't know

- According to the results, a well-crafted and executed employee survey is one of the best tools a CCO can use to determine how well-understood compliance risks and policies are, how effectively key messages reach the people on the front lines of compliance risk, and attitudes and perceptions related to ethics and compliance.

- In a few areas, India substantially lags behind global counterparts and extracting value from IT systems is not utilized optimally especially in areas such as incident management conflict of interest among

others. 19% of Indian respondents don't have technology deployed in incident management as compared to global average of 9%. Similarly 24% percent Indian respondents don't have technology deployed in conflict management as compared to 16% with global counterparts.

- Internally developed applications and tools are the most widely used to fulfil needs such as incident management, policy development, compliance risk assessments, training, etc.

Summary-

The past two years have been a watershed period for all enterprises in India as the country deals with new paradigms and approaches about how risk and compliance is managed. The sudden increase in the regulatory enforcement in India has catapulted compliance risk on top of the board, management and audit committee agenda. Additionally, the regulatory regime in India continues to be complex requiring regular interactions with multiple regulators. The need for a strong corporate compliance function—and an understanding of what that strong function should look like—has become important like never before.

With the increased transparency in terms of board level compliance reporting, there is still a long way to go to integrate compliance as a strategic partner in business. The CCOs will have an important role to play in executing organizational strategy. While the survey data shows a fairly clear trend toward a more empowered CCO with a higher position in the organization, concerns, and challenges related to subsidiary compliance organizations appear to persist. Perhaps with the stronger alignment of the CCO with executive management, the newfound authority may position CCOs to make progress in these areas in the coming year.

Methodology

The 2015 Compliance Trends Survey was conducted by senior Compliance Week editors and Deloitte & Touche LLP in the US in November 2014, and then pushed out to an audience of senior-level corporate compliance, audit, risk, and ethics officers worldwide from December 2014 through mid-March 2015. The survey produced 370 responses globally. Any submission where the respondent's title was not directly related to corporate activities ("partner" or "administrative assistant," for example) was excluded from the data analysis. The result was 364 qualified responses from senior-level executives, working in ethics, compliance, audit, risk management, or corporate governance. Of those 364 respondents, 37 were from India. 17 percent Indian respondents held the title of CCO, chief ethics officer, or chief ethics and compliance officer; 6 percent held some other C-level title (chief risk officer, chief audit executive); 20 percent held a variety of titles at the vice president level; and the rest held a range of other titles (director of business conduct, director of anti-corruption audit, deputy compliance officer, business unit compliance officer, and the like) The survey also went to a wide range of industries. Of the 37 responses, the single largest industry groups represented was consumer & industrial products at 19 percent. Next were technology, media and telecommunications and financial services industry at 14 and 11 percent respectively; and a range of other industries trailing behind.

This was a self-reported survey from Deloitte & Touche LLP and Compliance Week's audience of ethics & compliance professionals. The data used are from third-party sources and neither Deloitte & Touche LLP nor Compliance Week have independently verified, validated, or audited the data reported by survey takers.