Rightsizing compliance across Asia
Same same but different

Andrew Macintosh

Agenda

Today we will cover...
- Control Risks' context
- The evolving role of compliance
- Connecting the external and the internal
- Contemporary risk assessments
- Plenty of question time
Control Risks

Global specialist risk consulting firm

- 5500+ clients
- 2500+ employees
- 40+ years in operation
- Experience in 150+ countries
- 36 offices


Context

Where do we come into this?
Top Five Risks

1. US-China economic conflict
2. Global data fragmentation
3. American political gridlock
4. Environmental regulation
5. Multinationals & geopolitics
Beyond headlines: what does it mean?

Greater political and regulatory exposure for business especially in election season...

Direct and indirect impacts

- "All politics is local" (aka national populist)
- Disruption – not just from technology
- Weaponised regulation
- "Data nationalism" and "digital authoritarianism"
Challenging operating environments

- Decentralised
- Governance gaps
- Uneven enforcement
- Collusion
- Limited transparency
- Inadequate infrastructure
- Restrictive labour laws
- Biased media

Connecting

Bringing together external and internal
Outside-in and inside-out

External risks – an infrastructure example
Ensuring adequacy of compliance

- Desirable: Could be done
- Expected: Should be done
- Minimum requirement: Must be done

Hierarchy of policies and procedures

- Business principles
- Specific policies, e.g. on third party due diligence
- More detailed procedures
Risk assessment matrix

<table>
<thead>
<tr>
<th>Definition of likelihood</th>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rare</td>
<td>May occur</td>
<td></td>
</tr>
<tr>
<td>Unlikely</td>
<td>Could occur</td>
<td></td>
</tr>
<tr>
<td>Credible</td>
<td>Might occur</td>
<td></td>
</tr>
<tr>
<td>Likely</td>
<td>Will probably occur</td>
<td></td>
</tr>
<tr>
<td>Almost certain</td>
<td>Expected to occur</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Definition of impact</th>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insignificant</td>
<td>Limited</td>
<td></td>
</tr>
<tr>
<td>Minor</td>
<td>Unlikely</td>
<td></td>
</tr>
<tr>
<td>Moderate</td>
<td>Likely</td>
<td></td>
</tr>
<tr>
<td>Major</td>
<td>Serious</td>
<td></td>
</tr>
<tr>
<td>Extreme</td>
<td>Severe</td>
<td></td>
</tr>
</tbody>
</table>
## Risk register: Impact of refusal to pay

<table>
<thead>
<tr>
<th>No.</th>
<th>Potential source of corruption demands</th>
<th>Interaction with a company</th>
<th>Likelihood of corrupt demand</th>
<th>Impact of non-payment</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Environmental Management Agency (EMA)</td>
<td>Application for Consent to Operator (CTO) for air and water</td>
<td>Credible</td>
<td>Major</td>
<td>CTO is granted for 3 years. The SPCB requires the company to seek approval from the Water Board before it can proceed.</td>
</tr>
<tr>
<td>2</td>
<td>EMA</td>
<td>Inspections (2-3 times a year)</td>
<td>Credible</td>
<td>Major</td>
<td>A factory in the same sector and region was shut down temporarily by the SPCB for non-compliance.</td>
</tr>
<tr>
<td>3</td>
<td>EMA</td>
<td>Monitoring of disposal of hazardous waste</td>
<td>Credible</td>
<td>Major</td>
<td>If the company is not compliant, the SPCB can levy fines or shut down the factory.</td>
</tr>
<tr>
<td>4</td>
<td>Factory Safety Inspectorate</td>
<td>Certificate for use of boiler – renewal is annual and after an inspection that occurs every 6 months</td>
<td>Credible</td>
<td>Major</td>
<td>Company cannot run the factory without these licences.</td>
</tr>
<tr>
<td>5</td>
<td>Weights and Measures Department</td>
<td>Filler machine verification certificate; weighbridge verification certificate; storage tank verification certificate</td>
<td>Credible</td>
<td>Major</td>
<td>Department has the right to shut down factories that are not compliant. This has happened in other states.</td>
</tr>
<tr>
<td>6</td>
<td>Labour Inspectorate</td>
<td>Inspector checks the attendance register, sample ID cards and sample pay slips (wages sheet) of contractual staff</td>
<td>Almost certain</td>
<td>Minor</td>
<td>There is an official penalty for incorrect or false information.</td>
</tr>
</tbody>
</table>

### Concluding

**Bringing it all together**
Mitigation and questions

- Know what drives those who make policy and regulation
- Actively monitor political and competitive developments
- Ensure you are compliant with local regulations
- Watch for ‘triggers’
- Know your third party exposure
- Practice response and resilience

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