



# AJM GROUP

## *Report – Legal & Regulatory Compliance*

### **What is Legal and Regulatory Compliance?**

Regulatory compliance describes the goal that organizations aspire to achieve in their efforts to ensure that they are aware of, and take steps to comply with relevant laws, policies, and regulations. Regulatory compliance ensures efficiency and accountability of the organization and its goods and services.

The Government has enacted plans in order to ensure an appropriate response from companies to prevent risks or alleviate their effects whenever they occur in the due process of organization's work.

The AJM Group is committed to observing all applicable laws and measures put in place by the government, and act in accordance with them at all times.

### **Why Do You Need Regulatory Compliance?**

Regulatory compliance is important to protect consumers and society. It ensures a protective layer exists between companies and the public, to defend against potential harm and to maintain law and order.

**Compliance with regulations is important for the following reasons:**

**Consumers:** To protect them from potentially harmful effects of dishonest or unethical business actions

**Businesses:** To protect their brand and reputation.



## Areas of Regulatory Compliance:

In India, compliance regulation occurs across three strata: central, state and local regulation. Compliance regulations vary according to the geographical mix and industry segment. A company needs to be aware of the State and City laws in which it is registered and duly comply with them.

However, most regulations fall into the following broad categories: economic regulation, transparency, and environmental regulation. Here is some more information on key regulatory compliance categories:

### Transparency of Organizations

The Government requires that all companies registered under the **Companies Act 2013** keep accurate records that ensures transparency of all organization dealings.

### Environment Protection Compliance

Environmental laws are enacted to ensure companies do not damage or degrade the environment and that certain areas remain protected. This is another way in which companies are expected to remain compliant.

### Welfare of Workmen and Labor Rights

The rights of workers and complying with existing labor laws are a key part of regulatory compliance.

## Examples

Most regulatory compliance laws are listed in the **Companies Act, 2013**, which outlines the rules and regulations companies need to follow to ensure regulatory compliance.

Companies are also required to comply with laws and acts outside the Companies Act, 2013, as in the case of labor laws, anti-discrimination, sexual harassment, environment laws and others.

Below are some ways in which companies ensure regulatory compliance:

- The company has to convene regular board meetings in the calendar year – records of all Board meetings need to be maintained as a permanent document for the lifetime of the company.



- A company is required to file its balance sheet, profit and loss account, auditor's report, and annual return every financial year with the Registrar of Companies.
- The Board must meet at least four times in a financial year, with a gap of a maximum of 120 days or a quarter between two meetings.
- The Annual Return and Financial Statements of the company must be filed every financial year by every registered company irrespective of its turnover or activities.
- The Companies Act, 2013 also introduced mandatory CSR (Corporate Social Responsibility) provisions for companies that meet certain criteria. These companies must support philanthropic activities that aid in the country's development.

## Corporate Pledge

*We shall comply with all legal and regulatory requirements.*

## Employee Adherence

Companies that do not follow mandatory regulatory compliance practices can face potential consequences, such as:

- Being forced to participate in remediation programs that include compliance and site inspection by a regulatory agency
- Non-compliant organizations are usually fined heavily
- Brand reputation can also be damaged by companies if repeated breaches of compliance occur
- In serious cases, this can lead to disqualification of directors, penal provisions and even imprisonment of key personnel

Often, businesses are unable to keep track of their annual compliance requirements and fall under the scrutiny of the Ministry of Corporate Affairs (MCA). This not only creates numerous hindrances in the form of heavy



penalties, but can also reduce the chance of a company's survival if violations are repeated.

## **Reporting Violations**

Employees who are responsible for ensuring compliance, especially the HR Department, must ensure that all companies within the AJM Group are fully compliant and that financial reports, audits and other records are verified and submitted on time.

Failure to do so, or to report violations you witness, can result in serious consequences for the AJM Group. Therefore, such instances will be treated very seriously and can include dismissal of the employee and potential legal action.

## **AJM Group Business Ethics Policy: Section Related to Legal and Regulatory Compliance**

*We will comply with all applicable laws and regulations promoting free and fair competition in the markets in which we operate*



## Key Takeaways

Regulatory compliance ensures the interests of both consumers and businesses, are protected

In India, compliance varies across geographical area and industry

Failure to comply can result in heavy fines, dismissal and harm brand reputation

