

## COMPLIANCE IS NOT A PASSING TREND: IT IS A STRATEGIC BUSINESS ASSET

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Many companies still limit the scope of their corporate accountability and ethics to merely complying with the relevant legal obligations. Profitability remains the main, if not the only, criterion (in many cases) governing business decisions.

Social, legal, and regulatory changes, however, are forcing companies into adopting a different approach. Companies must now provide clear disclosure of their financial position and corporate governance practices and carry out transactions transparently while ensuring to safeguard competition. They must also respect all human rights, prohibit any employment discrimination, and act in a socially and environmentally responsible way, with sustainability and ESG (Environment, Social and Governance) appearing as an aggregating "slogan" of this current trend, which is (rightly) here to stay and with due visibility.

Corporate governance, corporate social responsibility, and compliance must work in unison in today's world. Traditional views on competitiveness and profitability are changing. The change will be vertiginous.

Of course, many of these issues have long been regulated, but control of corporate practices by other stakeholders has been growing. Clients, suppliers, employees, and society are paying far greater attention to the way companies behave socially and requiring them to meet specific criteria, which place them at a different level of competitiveness. The competitiveness of a business and its marketplace vis-à-vis other competitors will also depend on this.

Companies must review their governance practices not only to comply with their statutory obligations but to ensure accountability, fairness, and transparency towards their stakeholders.

### COMPLIANCE CHALLENGES AND CHANGES

Companies are also facing new challenges in diversity management and equal opportunities to increase the proportion of minorities and women in senior roles.

Diversity management focuses on valuing 'difference' and on non-discrimination and respecting every individual in the workplace regardless of their race, gender, or sexual orientation. Antiharassment, which recently gained strength with the "#MeToo" movement, is another concern driving the introduction of new workplace policies and procedures.

We have also seen a surge of new laws and regulations about business ethics, social responsibility, and personal data, among others.

Social responsibility and sustainability — recognising a company's role in society through, for example, charitable support and environmental responsibility — should not be seen as a marketing tool to maximise future profits but as contributing to the welfare of all stakeholders: employees, shareholders, suppliers, customers, and society.

### ETHICS ARE AN ESSENTIAL AND COMPLEMENTARY PART OF COMPLIANCE.

Investors are changing how they review a company's performance and make decisions based on criteria, including ethical considerations. There is evidence that a company's ethical corporate behaviour is increasingly impacting stakeholders' market perceptions and the decisions of investors and customers regarding their choice of companies to deal with.

In companies with poor culture and ethics, employees tend to behave in a way that can lead to unethical, harmful behaviour, increasing the risk of breaches and subsequent damages.

Companies will be obliged to assume responsibility for their management and employees' actions unless they can prove that they have performed all endeavours to deter or advise against illegal and fraudulent behaviour.

Therefore, all employees must be given the relevant training, and controls are developed across the company involving all departments, primarily legal and compliance. Policies, procedures, or rules will not be effective unless they are prepared, implemented, and enforced in a much more inclusive manner within the company.

The key is not only to follow the law but to teach those within the company that doing so is not a choice. The company must understand why it must be followed and why it must be a business priority.

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Compliance cannot be reduced to a set of checklists. There is no one-size-fits-all compliance solution.

Legal and compliance departments must develop a framework for promoting corporate ethics and legal compliance within the company. These steps include:

1. Implementing internal legal audits;
2. Making information regularly available within the company regarding corporate social responsibility and legal compliance;
3. Internally relaying relevant information about local and other legislation that relates to the business;
4. Providing training courses/workshops on corporate ethics and legal compliance for every single employee and discussing misconduct prevention across the company; and
5. Creating corporate ethics and legal compliance helpline, i.e., an internal whistle-blowing system.

Companies must understand that corporate governance, social responsibility, and compliance affect the entire company, including the board, management, shareholders, employees, and other stakeholders. It is becoming a day-to-day exercise for which they must be fully prepared.

It is time for companies to rethink legal compliance beyond traditional risk management and see it as a strategic business asset. Accountability, transparency, and dialogue can help make a company more reliable and boost the standards of other companies at the same level. Everyone benefits, but not necessarily in the traditional sense of profit!