



Beyond Governance
Creating clarity, improving business

8 Tips for Best Practice Subsidiary Governance



1 Assess the team

Ensure that the Company Secretarial team or person managing subsidiary governance is sufficiently resourced to meet the needs. For overseas subsidiaries, do not underestimate the differing compliance requirements for different countries and ensure that any overseas 'local support' understands their responsibilities. Create communication channels with the local team to manage the compliance requirements of each subsidiary. It is also important that centrally one person has overall responsibility and accountability for subsidiary governance.

2 Create an annual compliance calendar for subsidiaries

As a minimum this should include when the annual financial statements, confirmation statement/ annual return or their equivalent are due for filing and the timing of when a board or shareholder meeting is required. Ensure you carry out an annual compliance check against the calendar to ensure it remains up to date.

3 Establish a subsidiary governance framework/policy

Subsidiaries within a group have different roles from being a 'holding company' to an active sometimes regulated 'trading company'. It is important to understand the purpose of each in order to 'service' is correctly. Each subsidiary should be ranked according to the type of company they are and their role within the group. This will then determine how a subsidiary should be governed from the composition of its board of directors to the frequency of board meetings. Agree clear policies and procedures to manage subsidiary governance including who is responsible for approving the appointment of a subsidiary director or who approves the formation or dissolution of a subsidiary.

4 Perform a health check on your subsidiaries

Carry out an audit of all filing and regulatory requirements such as checking directors' changes, registered address, share capital and shareholdings are correct at the local registry and where a company database is maintained this has been updated. The best approach is to carry out a three-way check against the local registry, the company statutory books and the entity database.

5 Train your subsidiary directors

All directors need to understand their role and responsibilities and the consequences if they do not. Many subsidiary directors see their appointment as kudos for their position within the organisation but often forget that serious legal obligations accompany their position. They also may not have been a director previously so appropriate training should be provided and tailored to be company specific and to what the local legal and regulatory requirements are.

6 Use technology

It's important that there is a single source of the truth whether that's a manual system or an electronic system. Depending on the number of subsidiaries, this could be an electronic entity management system. This provides the flexibility to grant access to other teams across the group to view or update the database as changes are made. Used with the correct internal controls in place this approach can bring time efficiencies to stretched Company Secretarial teams.



7 Corporate Structure

Regularly review the corporate structure and simplify it where appropriate by reducing the number of entities in the group through dissolution or liquidation. Group structure charts can also be maintained and created through most electronic entity management systems.

8 Third party service providers

Third party providers are local experts in a jurisdiction and therefore consideration should be given to using a provider rather than relying on your local team to deal with compliance and local filing requirements.

Review your third-party service providers regularly and benchmark their services. You may also find that it's possible to consolidate the number of service providers you use to provide time, efficiency and cost benefits. This approach also supports a more effective relationship between the service provider and their client.

Looking for support to strengthen your subsidiary governance?

Call us now to unlock the benefits of strengthened subsidiary governance: +44 (0)20 3745 1916.