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# IMPORTANCE OF CORPORATE GOVERNANCE IN BUSINESS GUIDELINES, STANDARDS & DESIRABLE PRACTICES OF CORPORATE GOVERNANCE

(Including Board Composition & Committees, Independent Directorship, Stewardship Code, Vigil Mechanism/Whistleblower Policy and Corporate Governance in Listed Entities, Banks, UCBS, NBFCs, CPSEs, Insurance Cos etc.)

By



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# MENTOR TO ASSIST YOU IN ACHIEVING YOUR GOALS FROM GAINING EXPERTISE & CAREER GROWTH TO BECOMING GLOBAL PROFESSIONAL AND AUTHORIZING BOOKS

Dear reader

The road to progress and development doesn't just end with knowledge and experience gained. Knowledge continues to grow when it is shared among fellow aspirants.

I feel proud of the fact that I am amidst hardworking people who have made their way to the pinnacle of success, by overcoming obstacles and hurdles in their journey through professional life and achieving the most needed knowledge and expertise.

My unquenchable thirst for knowledge has been my constant inspiration to read more and gain more knowledge. It has also been the source of motivation to author books, which has enabled me to author 350 plus books on a wide range of subjects over a period of time.

I find it apt to remember English Historian and Geologist Charles Darwin's famous quote:

*"In the long history of humankind those who learned to collaborate and improvise most effectively have prevailed."*

In collaboration lies the spirit of greater achievements and carving a niche for ourselves by setting the most inspiring example for others to follow.

For students and debutant professionals, having a mentor can significantly help gain a comprehensive understanding of the career path ahead. Because of my experience, you can learn from my mistakes, become aware of potential pitfalls and circumvent them with ease. I want to mentor each reader to achieve their goals in life. Whether it is to pass an exam, advancement in career, balancing studies and job, supplementing methods of earning income, advise to start or advance your practice or overcoming any roadblock in professional and personal life – I want to welcome you to contact me and I will surely guide and assist you in the same.

I take this opportunity to invite both budding and established professionals/entrepreneurs/academicians/readers to join me in sharing the knowledge and expertise with our fellow professionals and aspirants by developing knowledge series in the form of books on a wide range of topics for example, business

laws, various forms of audits, accounting standards, arbitration and mediation, self-help and self-development and management topics to name a few.

It will be my pleasure to co-author books with esteemed colleagues who will be interested in presenting an innovative approach with respect to any subject within the ambit of finance and its related fields.

You may feel free to contact me at [rajkumar@cadrrajkumaradukia.com](mailto:rajkumar@cadrrajkumaradukia.com) or reach me on my mobile phone 9820061049 by WhatsApp for further details and discussions in this regard.

Regards

**CA (Dr.) Rajkumar S. Adukia**

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# 1. PREFACE

*The principles of Governance have been in existence for centuries. History reveals that around 300 BC, Vishnugupta (famously known as Chanakya), strategist and adviser to the Mauryan Emperor Chandragupta Maurya in his celebrated treatise "Arthashastra", propounded principles of good governance. He states the fourfold duty of a King as: Raksha (Protection), Vriddhi (Enhancement), Palana (Maintenance). Yogakshema – Safeguard. These four principles can be applied to good governance in the modern context as: Running the organization (kingdom) in a legal, ethical and transparent manner so as to protect, enhance, maintain & safeguard interests of all stakeholders.*

Corporate Governance is about the simple task of running an organization in a more efficient and transparent manner. Corporate Governance is about ethical conduct in business. It stems from the culture and mindset of Management and cannot be regulated by legislation alone. It can be described as a set of values and inherent character of an Organization.

Corporate scandals and global financial crisis have made corporate governance increasingly popular. The list of corporate frauds is long and seems to be growing day-by-day. If the 'Enron scandal' led to passing of Sarbanes-Oxley Act in June 2002 in USA; the Indian 'Satyam scandal' altered the corporate governance landscape in India by starting a slew of measures beginning with formation of Naresh Chandra Committee and Narayan Murthy committees, reports of which were acted upon and converted into statutory provisions, rules and regulations. And since then corporate governance guidelines and measures are continuously being evolved.

This unique book provides an introduction to the central concepts of corporate governance. In this book, the latest corporate governance framework for different sectors has been provided with an intention to give to the reader overall knowledge of corporate governance in various sectors. It also contains the provisions related to the independent director, board committees, performance evaluation of directors, enterprise risk management, internal control and vigil mechanism, regulators and their role in Corporate Governance.

I hope this book will become an interesting source of information for you.

**CA (Dr.) Rajkumar S. Adukia**

## 2. INTRODUCTION TO CORPORATE GOVERNANCE

The word governance is derived from the word 'gubernate', which means to steer. Thus, corporate governance would mean to steer an organization

in the desired direction. It is generally understood as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations. It includes balancing the interests of an organization's stakeholders such as shareholders, management, customers, suppliers, financiers, government and the community and also running the organization in an open and honest manner.

Corporate Governance norms and guidelines encompasses the frameworks of adherence to standards, business reporting and accountability - whether self-imposed or prescribed by an authoritative body. There is no single definition of corporate governance that can be applied to all situations and jurisdictions. Corporate Governance is a broad concept and has been defined and understood differently by different groups and at different points of time.

The earliest definition of Corporate Governance is from the Economist and Noble laureate Milton Friedman. According to him "Corporate Governance is to conduct the business in accordance with owner or shareholders' desires, which generally will be to make as much money as possible, while conforming to the basic rules of the society embodied in law and local customs".

The Cadbury Committee report defines it as "the system by which companies are directed and controlled". It is generally understood as the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations."

The Kumar Mangalam Birla Committee report defines it as "...fundamental objective of corporate governance is the 'enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders."

### **Need for Corporate Governance**

The need for corporate governance in organizations can be outlined by listing some of the benefits it brings along:

1. Reducing risks
2. Stimulating Performance
3. Improvements in decision making
4. Reducing liability
5. Improving Access to Capital Markets
6. Lowering the Company's Cost of Capital and Raising the Value of Assets
7. Building a Better Reputation

For corporate governance to be effective, it requires honesty and integrity within the organization. Even more crucial is to have a reputation with outsiders that the organization believes in fair and honest dealings. Such companies will enjoy more public confidence and goodwill. This may lead to

higher trust in the company and its products, which in turn may lead to higher sales and, ultimately, profits.

### **Principles of Corporate Governance**

Studies have found that corporate governance developments and strong governance records bode well for organizations as it increases the trust and creates a good reputation which increases its appeal to investors and others in the community. In addition, research suggests that governance-related investments can have a positive bottom-line impact as the heightened awareness and disclosures leads to avoidance of legal liabilities, preservation of organization's reputation and prevention of lost productivity.

A strong system of corporate governance is usually marked by the following fundamental principles:

- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social responsibility

## **3. LATEST DEVELOPMENTS**

### **A. Securities & Exchange Board of India (SEBI)**

- BRSR Core – Framework for Assurance & ESG Disclosures [12.7.23]
- Framework on Social Stock Exchange [19.9.22]
- Governance Norms for ERPs [ESG Rating Providers] - SEBI has approved a framework for regulation of ERPs by adding a chapter under the existing framework pertaining to credit rating agencies [Inserted by the Securities and Exchange Board of India (Credit Rating Agencies) (Amendment) Regulations, 2023, w.e.f. 4.07.2023.]
- Corporate Governance norms made applicable to Real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) on a mandatory basis under REITs Regulations 2014 and InvITs Regulations 2014.
- Code for regulating the advertisements issued by investment advisers and research analysts registered with SEBI, with effect from, May 1, 2023

- SEBI has proposed the draft SEBI (Prohibition of Unexplained Suspicious Trading Activities in the Securities Market) Regulations, 2023
- SEBI's new Online Dispute Resolution (ODR) Mechanism
- SEBI circular dated December 24, 2019 (Ref: CIR/CFD/CMD1/168/2019), as applicable to investments by mutual funds and alternative investment funds - The Security and Exchange Board of India (SEBI) had in the case of mutual funds and alternative investment funds, mandated the implementation of 'stewardship code'. The implementation of the stewardship code for mutual funds and alternative investment funds were then pushed to July 1, 2020.
- SEBI had issued the principles on voting by mutual funds vide Circular dated 15th March, 2010 and Circular dated 24th March, 2014 which provided for mandatory disclosure of voting policies and actual voting by the mutual fund on different resolutions of the investee company. Both of these circulars were updated in 2021, as to mandate mutual funds to vote on certain matters.
- The Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015
- SEBI LODR Regulations were published in Gazette of India on 2.9.2015. The LODR Regulations were subsequently amended 45 times, last amendment being on 21.12.2023
- Significant changes to the governance framework for listed companies through an amendment to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - The amendments are largely effective from July 14, 2023 and broadly seek to enforce higher disclosure and governance standards for listed entities.
- Amendments were a result of the various consultation papers issued by SEBI over the last 6-9 months, including consultation papers on 'Review of disclosure requirements for material events or information under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015' and 'Strengthening Corporate Governance at Listed Entities by Empowering Shareholders – Amendments to the SEBI (LODR) Regulations, 2015'.
- Amendments to LODR Regulations:
  - o Verification of market rumours by top 100 listed entities by market capitalization to be done by February 1, 2024, and by the top 250 listed entities to be done by August 1, 2024.

- o Disclosure of material events or information by Listed Entities – Amendment of Reg.30 of SEBI LODR Regulations [Disclosure Framework – (Regulation 30 read with Schedule III)]
- o Mandated to disclose specific details of material subsidiaries of a listed entity, including date and place of incorporation, and name and date of appointment of the statutory auditors of such subsidiaries, in the annual report of the listed entity
- o Amendment notified mandating periodic approval of shareholders by way of a special resolution once in every 5 years for any special right granted to a shareholder of a listed entity. [Shareholders’ approval of special rights – (Regulation 31B)]
- o Amendment notified that any director appointed to or serving on the board of a listed entity from April 1, 2024 would require periodic shareholder approval, once in every 5 years from the date of first appointment. Further, if a director is continuing with a gap of more than 5 years, shareholders’ approval is required for his / her continuation in the first general meeting held after April 1, 2024  
 Director permanency on the board of a listed entity – (Regulation 17(1D))  
 Filling the vacancy of the director, CEO, CFO, compliance officer – (Regulation 17(1E), Regulation 26A and Regulation 6(1A))
- o Public shareholder approval for business transfer agreements – (Regulation 37A)

**B. Reserve Bank of India (RBI)**

- Framework for acceptance of green deposits with effect from June 1, 2023
- Scale-based Regulatory Framework for NBFCs to be effective from 1.10.2022 [Circular Ref.DOR.CRE. REC. No.60/03.10.001/2021-22 dated October 22, 2021. As indicated therein, NonBanking Financial Companies in the Upper Layer (NBFC-UL) and Middle Layer (NBFC-ML) would be required, inter alia, to have an independent Compliance Function and a Chief Compliance Officer (CCO).]
- Framework - Compliance Function and Role of Chief Compliance Officer (CCO) – NBFCs – RBI/2022-23/24 Ref.No.DoS.CO.PPG./SEC.01/11.01.005/2022-23 dated 11.4.2022

- Framework – Compliance Function and Role of Chief Compliance Officer (CCO) – UCBs - RBI/2022-2023/118 Ref. No.DoS.CO.PPG/SEC.04/11.01.005/2022-23 dated 19.9.2022
  - Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019 [Master Direction dated 2.8.2019]
  - Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board - RBI/2021-22/24 DOR. GOV.REC.8/29.67.001/2021-22 dated 26.4.2021
- The Reserve Bank of India (RBI) issued operative guidelines with regard to the appointments of MD and CEO, Whole Time Director, Chairperson, Non-Executive Directors and composition of important committees last month, as part of its measures to strengthen corporate governance standards in commercial banks. – 26th April 2021
- Appointment of at least two Whole Time Directors (WTDs), including the MD&CEO, on Boards - All Private Sector Banks and Wholly-Owned Subsidiaries of Foreign Banks - RBI/2023-24/70 DOR.HGG.GOV.REC.46/29.67.001/2023-24 dated 25.10.2023
- Discussion Paper on Governance in Commercial Banks in India'. – 11.6.2020

### **C. Insurance Regulatory and Development Authority of India (IRDAI)**

- IRDAI issued the IRDAI (Remuneration of Non-Executive Directors of Insurers) Guidelines 2023 and the IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines 2023 to replace and supersede the guidelines on 'Remuneration of Non-Executive Directors and Managing Director/Chief Executive Officer/Whole-time Directors of Insurers issued vide ref IRDA/F&A/GDL/LSTD/155/08/2016 dated 5th August 2016 and shall come into effect from FY2023-24. – 30.6.2023
- IRDAI has released the "Information and Cyber Security Guidelines, 2023" [Security of information and information structure in the cyberspace by reducing the risk of accidental or intentional disclosure of information assets] – 24.4.2023
- IRDAI (Protection of Policyholders' Interests) Regulations, 2017 - Grievance Redressal procedure is prescribed in protection of policyholders' interests Regulations, 2017 in terms of which IRDAI mandated all insurers to have in place a grievance redressal policy, designate a Grievance Redressal Officer at the Head Office/ Corporate Office/Principal Office and also

a Grievance Redressal Officer at every other office. The Regulations also prescribe insurers to constitute a policyholder protection committee in accordance with the corporate governance guidelines for receiving and analysing reports relating to grievances and their redressal.

- Guidelines on Stewardship Code for Insurers in India – 20.3.2017

[IRDAI circular dated February 7, 2020 (Ref: IRDAI/F&A/GDL/CPM/045/02/2020), replaced the IRDAI circular dated March 20, 2017 (Ref: IRDAI/ F&A/ GDL/ CPM/ 059/03/2017), as applicable to investments by insurance companies - The Insurance Regulatory and Development Authority of India (IRDAI) had in the case of insurance companies, mandated the implementation of 'stewardship code'. While insurance company were already implementing a stewardship policy since 2017, the IRDAI's revised circular dated February 8, 2020 mandates insurance companies to step up engagement with investee companies. The implementation of the stewardship code for insurance companies have now been pushed to May 31, 2020.

- Guidelines for Corporate Governance for insurers in India – 18.5.2016
- Addendum - Guidelines for Corporate Governance for Insurers in India – 8.6.2016

#### **D. Pension Fund Regulatory and Development Authority (PFRDA)**

- PFRDA Circular PFRDA/2022/14/I&CS/02 dated 15.6.2022 – Re: Cyber Security Directions & FAQs issued by CERT-In
- Common Stewardship Code – 4.5.2018
- Voting Policy – 20.4.2017

#### **E. Department of Public Enterprises (DPEs)**

- DPE guidelines on Corporate Governance for Central Public Sector Undertakings - The DPE issued guidelines on Corporate Governance in November 1992 on the inclusion of non – official directors on the Board of Directors. DPE issued further guidelines in November, 2001 providing for inclusion of independent directors on the Board of Directors. To bring in more transparency and accountability in the functioning of CPSEs, the government in June, 2007 introduced the guidelines on Corporate Governance for CPSEs. These guidelines were voluntary in nature. These guidelines were implemented for an experimental period of one year. On the basis of the experience gained during this period, it was decided to modify and reissue the DPE guidelines in May, 2010. These guidelines have been

made mandatory and applicable to all CPSEs. The guidelines issued by DPE covered the areas of composition of Board of Directors, composition and functions of Board committees like Audit Committee, Remuneration committee, details on subsidiary companies, disclosures, reports and the schedules for implementation. All references to DPE guidelines in this chapter refer to the DPE guidelines issued in May, 2010 which are mandatory to all CPSEs. DPE has also incorporated Corporate Governance as a performance parameter in the MoUs of all CPSEs. In addition, DPE issued (July 2014) revised guidelines for grading the CPSEs on Corporate Governance, according to which DPE exempted following classes of companies from compliance with the guidelines on Corporate Governance 2013-14 i.e. (a) Closed CPSEs, (b) CPSE under liquidation, (c) CPSE not undertaking business, and (d) CPSE constituted as SPV. Further, DPE conveyed (February 2015) that deviation from Corporate Governance guidelines would attract negative marking in the performance evaluation of CPSEs under Memorandum of Understanding process from the fiscal year 2015-16.

- DPE MoU Division deals with the implementation of Memorandum of Understanding (MoU) framework for the purpose of performance evaluation of CPSEs. The division also monitors and compiles the information on CAPEX incurred by select CPSEs and their compliance on Corporate Governance parameters.
- CSR Provisions - As per Section-135 of the Companies Act, 2013, all profit-making corporates, including Central Public Sector Enterprises (CPSEs) exceeding threshold limits prescribed in the Act of net worth 500 crore, or turnover of 1000 crore or net profit of 5 crore are mandated to spend at least 2% of the average net profits (Profit Before Tax) of the company made during the three immediately preceding years on CSR activities as per the items listed in Schedule VII of the Companies Act, 2013. 6.2 The CPSEs are required to follow the provisions contained in Section-135 of the Companies Act, 2013. and the Companies (CSR Policy) Rules, 2014 notified thereunder by Ministry of Corporate Affairs and the Schedule-VII of the Act, which lists the activities that can be undertaken under CSR. Based on the recommendations of CPSEs Conclave held in April, 2018, with the approval of competent authority, Department of Public Enterprises has issued guidelines on 10th December, 2018 (Office Memorandum dated 10/12/2018) to all administrative Ministries & CPSEs for adopting a theme based focused approach every year on CSR expenditure by CPSEs. These guidelines inter-alia provide that CSR expenditure for such thematic programmes should be around 60% of annual



CSR expenditure of CPSEs. The aspirational districts identified by NITI Aayog may be given preference.

**F. OTHERS**

- The National Financial Reporting Authority (“NFRA”) has recently proposed the draft “Annual Transparency Report” (“ATR”), which requires auditors and audit firms to disclose operational activities, management, governance and ownership structures, and policies and procedures.

**G. Companies Act 2013**

- Companies Act Amendments
- Latest notifications, Rules etc.

**H. CSR Initiatives, Whistleblower mechanism etc.**

- Section 177 (9) of the Companies Act, 2013, Rule 7 of the Companies (Meeting of Boards and its Powers), Rules 2014 and Revised Clause 49 (II) (F) of the Listing Agreement and Regulation 22 (1) and (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the company shall establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company’s code of conduct or ethics policy.

## **4. REGULATORS AND THEIR ROLE IN CORPORATE GOVERNANCE**

In India, there are various regulators regulating various sectors. Corporate governance framework has been regulated by many regulators in India such as Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDA), Department of Public Enterprises (DPE), Reserve Bank of India (RBI), Professional Bodies like Institute of Chartered Accountants of India (ICAI) and Institute of Company Secretaries of India (ICSI) etc. These regulatory bodies issued corporate governance norms and guidelines from time to time.

1. **The Ministry of Corporate Affairs:** The MCA is the Indian government ministry which is primarily concerned with administration of the Companies Act 2013, the Companies Act 1956, the Limited Liability Partnership Act, 2008 & other allied Acts and rules & regulations framed there-under mainly for regulating the functioning of the corporate sector in accordance with law. It plays an important role in corporate governance. The main function of MCA is to administer the notified

provisions of the Companies Act, 2013 and various sections of the Companies Act, 2013. Formulation of rules and regulations under the Act. Several committees are appointed by the Ministry of Corporate Affairs (MCA) to evolve corporate governance guidelines. It is also responsible for administering the Chartered Accountants Act, 1949, the Cost and Works Accountants Act, 1959; and the Company Secretaries Act, 1980 and Complaints involving vigilance angle in respect of the MCA officials/officers received from various services including CVC/CBI.

2. **The Securities and Exchange Board of India (SEBI):** The Securities and Exchange Board of India was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992. SEBI was established to protect the interest of its investors. SEBI has an important role in promoting corporate governance. It acts as a regulator and watchdog in enforcing corporate governance practices on corporate entities listed on stock exchange. In this direction SEBI has taken number of initiatives to ensure compliance of companies to the norms of Corporate Governance. It constitutes various committees to recommend on this matters. Accordingly, two clauses were inserted the Clause 35B and the Clause 49 of listing agreement. Then the clause 49 was revised alignment with the corporate governance norms as required under the new companies Act, 2013. Recently, SEBI has issued SEBI (Listing Obligation and Disclosure Requirement), Regulations, 2015 on 2nd September 2015 which shall be applicable from 1st December 2015 for the listed entity who has listed designated securities on recognized stock exchanges. These Regulations prescribe different Disclosure Requirements for different types of listed securities. SEBI issued various other regulations such as SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, SEBI (Prohibition of Insider Trading) Regulations, 2015 etc. in order to ensure good corporate governance.
3. **The Insurance Regulatory and Development Authority (IRDA)-** Insurance Regulatory and Development Authority was established under the Insurance Regulatory and Development Authority Act, 1999. It acts as a statutory regulator to regulate and promote the insurance industry in India and to protect the interests of holders of insurance policies. Following the recommendations of the Malhotra Committee, in 1999 the Insurance Regulatory and Development Authority (IRDA) was constituted to regulate and develop the insurance industry and was incorporated in April 2000. Objectives of the IRDA include promoting competition to enhance customer satisfaction with increased consumer choice and lower premiums while ensuring the financial security of the insurance market.

In case of Insurance Companies, Insurance Regulatory Development Authority (IRDA) has been entrusted with the regulatory responsibility to protect the interests of the policyholders and to ensure that appropriate

governance practices are in place in the insurance companies. Accordingly, IRDA has outlined corporate governance guidelines.

IRDA's Corporate Governance guidelines are applicable to Insurance companies in addition to the applicable provisions of the Companies Act, 2013.

4. **Department of Public Enterprises (DPE):** The Department of Public Enterprises is the nodal department for all the Central Public Sector Enterprises (CPSEs) and formulates policy pertaining to CPSEs. It lays down, in particular, policy guidelines on performance improvement and evaluation, autonomy and financial delegation and personnel management in CPSEs. Corporate governance has been an important part of Government's broader CPSE and economic reforms, aimed at improving the performance and competitiveness of some of India's most important national assets, allowing companies easier access to the capital markets, and making companies more transparent and accountable. Several measures have been initiated by the DPE to ensure corporate governance in public enterprises. Initially, in March 1992, the guidelines were issued by the DPE. In July, 1997 the Government had identified 9 public sector enterprises that had competitive advantage and potential to emerge as global giants- as navratnas. The concept of 'Miniratnas' was subsequently introduced for smaller enterprises that met certain performance criteria.

Further guidelines on the composition of Board of Directors of listed CPSEs were issued in November 2001. Guidelines on Corporate Governance of State-Owned Enterprises issued in 2007. Then in May 2010, Guidelines on Corporate Governance for CPSEs was issued.

5. **Reserve Bank of India (RBI):** The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. It plays a leading role in formulating and implementing corporate governance norms for India's banking sector, NBFCs and mutual funds. It Prescribes broad parameters of banking operations within which the country's banking and financial system functions.

## 5. LEGISLATIONS HAVING A BEARING ON CORPORATE GOVERNANCE (CG) & CG FRAMEWORKS IN INDIA

Good governance of companies registered in India is ensured through the Companies Act 2013. Additionally, companies listed on the stock exchanges are also required to adhere to the corporate governance provisions specified

by the Securities and Exchange Board of India (SEBI) through its Regulations, the most prominent one being the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015. Moreover, certain sectoral regulators have also laid down specific norms, guidelines and codes pertaining to corporate governance for the sector specific companies. For e.g. Banks should adhere to the Act under which they are registered and Reserve Bank of India directions; Non-banking finance companies (NBFCs) apart from satisfying the provisions of the Companies Act under which they are registered should also comply with the Reserve Bank of India Directions; Insurance companies are subject to compliance with IRDA guidelines in addition to other applicable legislations; Public Sector Enterprises are subject to Department of Public Enterprises (DPE) Guidelines etc.

Various enactments/ regulations/ guidelines/directions relating to Corporate Governance issued from time to time are discussed in detail in this chapter.

## **I. THE COMPANIES ACT, 2013**

The Companies Act, 2013 has been notified by the Government of India, which replaces the former Companies Act, 1956. It lays greater emphasis on corporate governance by putting in place various provisions ensuring a robust framework for Corporate Governance. These provisions inter-alia provide for effectiveness of the Board of Directors and the Board's processes viz. establishment of certain committees of the Board, holding of meetings of the Board, mandatory appointment of woman director on the board of listed companies, Independent Directors appointment and their role etc.

Some of the Provisions of Companies Act, 2013 related to Corporate Governance are:

- Appointment and qualification of Independent Directors (Section 149);
- Woman Director (Section 149);
- Appointment of Key Managerial Personnel of Company (Section 2(51) and Section 203);
- Enhanced disclosures and declarations in Financial Statements, Board Report etc. (Section 134)
- Annual evaluation of the performance of the Board, its Committees and of individual directors (Section 134(3))
- Formulation of Risk Management Policy (Section 134(3)(n))
- Corporate Social Responsibility provisions (Section 135)
- Appointment of Auditors & their mandatory rotation (Section 139)
- Appointment of Small Shareholders Director (Section 151)

- Meetings of Board of Directors (Section 173) and Powers of Board (Section 179);
- Vigilance mechanism for directors and employees (Section 177(9))
- Mandatory establishment of certain committees of Board (Section 135, Section 177, Section 178)
- Remuneration Policy for the directors, key managerial personnel and other employees (Section 178)
- Concept of Related Party Transactions and arm's length pricing (Section 188);
- Secretarial Audit for bigger companies (Section 204)

## II. SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The Securities and Exchange Board of India (SEBI) regulates the listed entities in India. In the year 2000, SEBI had set up a Committee under the Chairmanship of Kumar Mangalam Birla to promote and raise standards of corporate governance. To give effect to the recommendations of the Committee, SEBI had introduced clause 49 in its Listing Agreement, containing corporate governance norms, which had later been revised on the recommendations of the 2002 Committee constituted by SEBI under the Chairmanship of Shri N.R. Narayana Murthy. Thereafter, in order to align with the Companies Act, 2013, SEBI notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations 2015].

Some important Provisions of SEBI (LODR) Regulations 2015 related to Corporate Governance are:

- Formulation of Risk Policy (Regulation 4(2))
- Composition of Board of Directors (Regulation 17)
- Appointment of Independent Directors & their obligations (Regulation 16(1)(b), Regulation 17(1)(b), Regulation 25);
- Code of conduct for all members of board of directors and senior management of the listed entity (Regulation 17(5));
- Obligations of employees, senior management, key managerial personnel, directors and promoters (Regulation 26)
- Performance evaluation of independent directors (Regulation 17(10));
- Meetings of Board of Directors (Regulation 17(2));
- Mandatory establishment of certain committees of Board (Regulation 18, Regulation 19, Regulation 20, Regulation 21);

- Vigilance mechanism/Whistle-Blower Policy for directors and employees (Regulation 22)
- Concept of Related Party Transactions and arm's length pricing (Regulation 23);
- Corporate governance requirements with respect to subsidiary of listed entity (Regulation 24)
- Secretarial Audit and Secretarial Compliance Report (Regulation 24A)
- Prior Intimations (Regulation 29)
- Disclosures of events/information (Regulation 30, Regulation 33, Regulation 34, Regulation 46)
- Remuneration Policy relating to the remuneration of the directors, key managerial personnel and other employees (Schedule II, Part D (1))
- Policy on diversity of board of directors (Schedule II, Part D (3))
- Schedule II of the Regulations pertaining to Corporate Governance

Part A: Minimum Information to be placed before Board of Directors

Part B: Compliance certificate to be furnished by chief executive officer and chief financial officer

Part C: Role of the Audit Committee and Review of Information by Audit Committee

Part D: Role of Committees (Other than Audit Committee)

Part E: Discretionary Requirements

### III. **BRSR CORE – FRAMEWORK FOR ASSURANCE & ESG DISCLOSURES FOR VALUE CHAIN**

In 2021, The Securities and Exchange Board of India (SEBI) vide circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated 10th May, 2021, had prescribed the Business Responsibility and Sustainability Report (BRSR) format replacing the Business Responsibility Report (BRR) making it an initially voluntary and subsequently mandatory comprehensive ESG reporting framework.

In July 2023, the SEBI, introduced the BRSR Core for assurance by listed entities and disclosures and assurance for the value chain of listed entities, as per the BRSR Core. The BRSR Core was introduced vide SEBI Circular SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 dated 12th July, 2023. The BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs) /metrics under 9 ESG attributes: i. Green-house gas (GHG) footprint, ii. water footprint, iii.

energy footprint, iv. embracing circularity - details related to waste management by the entity, v. enhancing employee wellbeing and safety, vi. enabling gender diversity in business, vii. enabling inclusive development, viii. fairness in engaging with customers and suppliers and ix. open-ness of business.

#### **IV. CORPORATE GOVERNANCE NORMS FOR REITs AND InvITs**

Governance norms that were applicable to REITs and InvITs on a comply or explain basis under SEBI (LODR) Regulations, 2015 were made applicable to REITs and InvITs on a mandatory basis under REITs Regulations 2014 and InvITs Regulations 2014.

“REIT” or “Real Estate Investment Trust” shall mean a trust registered as such under the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014. The STEWARDSHIP CODE given in Schedule IX to the abovementioned Regulations, shall be complied with by any unitholder holding not less than ten percent of the total outstanding units of the REIT.

“InvIT” or ‘Infrastructure Investment Trust’ shall mean the trust registered as such under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014. The STEWARDSHIP CODE as given in Schedule VIII to the abovementioned Regulations, shall be complied with by any unitholder holding not less than ten percent of the total outstanding units of the InvIT.

#### **V. STEWARDSHIP CODE FOR MFs and AIFs**

SEBI vide circular CIR/CFD/CMD1/168/2019 dated 24th December, 2019, laid down the Stewardship Code for all Mutual Funds and all categories of Alternate Investment Funds (AIFs), in relation to their investment in listed equities. The Stewardship Code was to come into effect from the Financial Year beginning April 01, 2020 but the implementation was pushed to a later date.

#### **VI. REGULATORY FRAMEWORK FOR MUTUAL FUNDS**

A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal and investments may be in shares, debt securities, money-market securities or a combination of these. Those securities are professionally managed on behalf of the unit holders and each investor holds a pro-rata share of the portfolio, that is, entitled to profits as well as losses. There are various types of Mutual fund schemes. SEBI formulates policies and regulates the mutual funds. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 was notified on 9th December, 1996 to protect the interest of investors.

## VII. CORPORATE GOVERNANCE IN BANKS

Reserve Bank of India (RBI) had undertaken several measures to strengthen the corporate governance in the Indian banking sector and formed various advisory and consultative groups to study banking sector in the light of effective corporate governance. The recommendations of these advisory groups and the global corporate governance initiatives, led to some important areas of governance being incorporated into Directions for Banks. With a view to strengthening the corporate governance and internal control function in the banks, several steps have been initiated viz. Introduction of concurrent audit system, constitution of independent audit committee of board, appointment of RBI nominees on boards of banks, creation of a post of compliance officer etc. Important global initiative in corporate governance took place when the Basel Committee on Banking Supervision (BCBS) released Guidelines on Corporate Governance for banks in July 2015.

Some recent circulars of RBI have laid down certain criteria aimed at achieving good corporate governance practices in banks:

- Reserve Bank of India ('Fit and Proper' Criteria for Elected Directors on the Boards of PSBs) Directions, 2019 [Master Direction dated 2.8.2019]
- Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board - RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated 26.4.2021 - The Reserve Bank of India (RBI) issued operative instructions with regard to the appointments of MD and CEO, Whole Time Director, Chairperson, Non-Executive Directors and composition of important committees, as part of its measures to strengthen corporate governance standards in commercial banks. – 26th April 2021
- Appointment of at least two Whole Time Directors (WTDs), including the MD&CEO, on Boards - All Private Sector Banks and Wholly-Owned Subsidiaries of Foreign Banks - RBI/2023-24/70 DOR.HGG.GOV.REC.46/29.67.001/2023-24 dated 25.10.2023

## VIII. CORPORATE GOVERNANCE IN URBAN CO-OPERATIVE BANKS (UCBs)

As per Reserve Bank's Press Release dated July 19, 2022 on Revised Regulatory Framework for Urban Co-operative Banks (UCBs), UCBs have been categorized into following four tiers for regulatory purposes:

- Tier 1 - All unit UCBs and salary earner's UCBs (irrespective of deposit size), and all other UCBs having deposits up to ₹100 crore;



- Tier 2 - UCBs with deposits more than ₹100 crore and up to ₹1000 crore;
- Tier 3 - UCBs with deposits more than ₹1000 crore and up to ₹10,000 crore;
- Tier 4 - UCBs with deposits more than ₹10,000 crore.

The Reserve Bank of India (RBI) vide its circular RBI/2022-2023/118 Ref. No. DoS.CO.PPG/ SEC.04/11.01.005/2022-23 dated 19th September, 2022 laid down a framework for Compliance function and Role of Chief Compliance Officer (CCO) in Urban Co-operative banks.

As part of the overall structure for Corporate Governance, the Compliance Function serves a critical role. Therefore, it has been decided to introduce certain principles, standards and procedures for Compliance Function in UCBs, keeping in view the principles of proportionality.

Accordingly, this Circular shall be applicable to all UCBs under Tier 3 and Tier 4 categories. UCBs under Tier 1 and Tier 2 categories shall continue to be governed under the existing guidelines i.e. the Master Circular ref No. DCBR.BPD (PCB/RCB) Cir.No.2/14.01.062/2015-16 on Board of Directors-UCBs dated July 01, 2015 read with Circular ref No. UBD.No.BSD.I.PCB.11/12.05.01/2002-03 on Designating Compliance Officers in Urban Co-operative Banks dated August 16, 2002 issued by the Reserve Bank inter alia prescribe the role of Directors and the Audit Committee of Board with Compliance highlighted as one of the major responsibilities and for a senior official to be designated as 'Compliance Officer'.

## **IX. CORPORATE GOVERNANCE IN NBFCs**

The RBI issued an integrated regulatory framework for NBFCs under Scale Based Regulation (SBR) vide Notification RBI/2021-22/112 DOR. CRE.REC. No.60/03.10.001/2021-22 dated 22nd October 2021, which became effective from October 01, 2022.

The Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 vide circular 2023RBI RBI/DoR/2023-24/105 DoR.FIN.REC.No. 45/03.10.119/2023-24 dated 19th October, 2023 consolidate the regulations as issued by Department of Regulation of the Reserve Bank. Any other directions/guidelines issued by any other Department of the Reserve Bank, as applicable to an NBFC shall be adhered to

According to the Directions, regulatory structure envisages scale based as well as activity-based regulation and the Regulatory structure for NBFCs shall comprise of four layers based on their size, activity, and perceived riskiness.

- NBFC - Base Layer (NBFC-BL)
- NBFC - Middle Layer (NBFC-ML)
- NBFC - Upper Layer (NBFC-UL)
- NBFC - Top Layer (NBFC-TL).

From October 01, 2022, all references to NBFC-ND (i.e., non-systemically important non-deposit taking NBFC) shall mean NBFC-BL and all references to NBFC-D (i.e., deposit taking NBFC) and NBFC-ND-SI (systemically important non-deposit taking NBFC) shall mean NBFC-ML or NBFC-UL, as the case may be.

The Directions inter alia cover corporate governance aspects related to NBFCs like Disclosures in Financial Statements, 'Fit and Proper' Criteria for Directors of NBFCs, Committees, Compensation of Key Managerial Personnel and Senior Management in NBFCs etc.

#### **X. RESERVE BANK OF INDIA (INFORMATION TECHNOLOGY GOVERNANCE, RISK, CONTROLS AND ASSURANCE PRACTICES) DIRECTIONS, 2023.**

The Reserve Bank of India vide RBI/2023-24/107 DoS.CO.CSITEG/SEC.7/31.01.015/2023-24 dated 7th November, 2023 issued the Reserve Bank of India (Information Technology Governance, Risk, Controls and Assurance Practices) Directions, 2023. The Directions are applicable to banking companies, non-banking financial companies, credit information companies etc. (referred to as Regulated Entities in the Directions) and will come into effect on 1st April 2024.

The Regulated Entities (REs) will have to put in place some important measures, some of them being:

- IT Governance Framework based on the key focus areas of strategic alignment, risk management, resource management, performance management and Business Continuity/ Disaster Recovery Management.
- The Enterprise-wide risk management policy or operational risk management policy of the REs shall also incorporate periodic assessment of IT-related risks (both inherent and potential risk)
- Board-level IT Strategy Committee (ITSC) having a minimum of three directors as members
- IT Service Management Framework for supporting the entity's information systems and infrastructure to ensure the operational resilience of their entire IT environment.
- Documented Data Migration Policy specifying a systematic process for data migration, ensuring data integrity, completeness and consistency. The policy shall, inter alia, contain provisions

pertaining to signoffs from business users and application owners at each stage of migration, maintenance of audit trails, etc.

- IT and Information Security Risk Management Framework covering inter alia Implementation of comprehensive Information Security management function, internal controls and processes (including applicable insurance covers) to mitigate/ manage identified risks
- Information Security Policy, which shall take into consideration, inter alia, aspects such as the objectives, scope, ownership and responsibility for the Policy; information security organizational structure; exceptions; compliance review and penal measures for non-compliance of Policies. Apart from that, REs shall also put in place a Cyber Security Policy and Cyber Crisis Management Plan (CCMP).
- Business Continuity Plan (BCP) and Disaster Recovery (DR) Policy which shall adopt best practices to guide its actions in reducing the likelihood or impact of the disruptive incidents and maintaining business continuity. The policy shall be updated based on major developments/ risk assessment
- Information Systems Audit Policy containing a clear description of its mandate, purpose, authority, audit universe, periodicity of audit etc. The policy shall be approved by the Audit Committee of the Board and reviewed at least annually.

## **XI. GUIDELINES ON CORPORATE GOVERNANCE FOR CPSEs**

The Department of Public Enterprises (DPE) issued guidelines on Corporate Governance in November 1992 on the inclusion of non-official directors on the Board of Directors. DPE issued further guidelines in November, 2001 providing for inclusion of independent directors on the Board of Directors. To bring in more transparency and accountability in the functioning of Central Public Sector Enterprises (CPSEs), the government in June, 2007 introduced the guidelines on Corporate Governance for CPSEs. These guidelines were voluntary in nature. The guidelines were modified and reissued in May, 2010. These guidelines have been made mandatory and applicable to all CPSEs. Apart from these instructions of DPE, the CPSEs are governed by the Companies Act, 2013 and regulations of various authorities like Comptroller and Auditor General of India (C&AG), Central Vigilance Commission (CVC), Administrative Ministries, other nodal Ministries, etc. In so far as listed CPSEs are concerned, they are required to comply with the SEBI guidelines/regulations on Corporate Governance in addition to complying with provisions in DPE guidelines.

In addition, DPE issued (July 2014) revised guidelines for grading the CPSEs on Corporate Governance, according to which DPE exempted following classes of companies from compliance with the guidelines on Corporate Governance 2013-14 i.e. (a) Closed CPSEs, (b) CPSE under liquidation, (c) CPSE not undertaking business, and (d) CPSE constituted as SPV.

The latest Compendium of the guidelines titled “Guidelines for Administrative Ministries/Departments and Central Public Sector Enterprises, 2019” comprises of a total of 203 guidelines in respect of Corporate Governance/Management, Policy Planning, Wage Policy, Memorandum of Understanding (MoU), Corporate Social Responsibility (CSR) and Voluntary Retirement Scheme (VRS) etc.

**XII. CORPORATE GOVERNANCE GUIDELINES FOR INSURERS IN INDIA, 2016**

The Insurance Regulatory and Development Authority of India (IRDA) had issued guidelines on corporate governance for insurance companies in 2009. However, in view of changes to governance of companies brought about by the Companies Act, 2013, IRDA had revised its guidelines on corporate governance on 18th May 2016. These revised Guidelines replaced the 2009 guidelines on Corporate Governance issued by the Authority and took effect from FY 2016-17. These guidelines also supersede the Guidelines on Reporting of Key Persons dated 9th October, 2013 and stipulations regarding appointment of Statutory Auditors issued vide Circulars dt.25.07.2005 and 22.04.2009.

**XIII. PROTECTION OF POLICYHOLDER’S INTEREST – IRDAI (PROTECTION OF POLICYHOLDER’S INTERESTS) REGULATIONS, 2017.**

The Insurance Regulatory and Development Authority of India (Protection of Policyholders’ Interests) Regulations, 2017, were notified by IRDAI on 22nd June, 2017.

Some important provisions of The Regulations with respect to corporate governance are:

**A. BOARD APPROVED POLICY FOR PROTECTION OF INTERESTS OF POLICYHOLDERS:**

Every insurer shall have in place a board approved policy for protection of policyholders’ interests which shall at the minimum, include

- (i) steps to be taken for enhancing Insurance Awareness so as to educate prospects and policyholders about insurance products, benefits and their rights and responsibilities.

- (ii) service parameters including turnaround times for various services rendered.
- (iii) procedure for expeditious resolution of complaints
- (iv) steps to be taken to prevent mis-selling and unfair business practices at point of sale and service.
- (v) steps to be taken to ensure that during policy solicitation and sale stages, the prospects are fully informed and made aware of the benefits of the product being sold vis-a-vis the product features attached thereto and the terms and conditions of the product so that the benefits / returns of the product are not mis-stated / mis-represented.

Every insurer shall display the service parameters and turnaround times as approved by the Board in its website and keep the same updated as and when the service parameters are revised by the Board.

## **B. GRIEVANCE REDRESSAL PROCEDURE**

1. Every insurer shall have in place proper procedures and effective mechanism to resolve complaints and grievances of policyholders, claimants efficiently and with speed.
2. The Grievance Redressal Procedure as outlined in Annexure - I to the Regulations shall be followed scrupulously by all Insurers.

## **XIV. REVISED GUIDELINES ON STEWARDSHIP CODE FOR INSURERS IN INDIA 2020**

In this regard, the Authority had issued a code for stewardship for the insurance companies vide its circular ref: IRDA/F&A/GDL/CMP/059/03/2017 on 20th March 2017. The code was in the form of a set of principles which the insurance companies needed to adopt and made applicable from FY 2017-18. Guidelines for each principle under the code had also been prescribed by the Authority. As per the code, insurer should have a board approved stewardship policy which should identify and define the stewardship responsibilities that the insurer wishes to undertake and how the policy intends to fulfill the responsibilities to enhance the wealth of its policyholders who are ultimate beneficiaries.

The IRDAI decided to review the existing guidelines on stewardship code based on the experience in implementation, compliance by the insurers and the recent developments in this regard. Accordingly, Revised Guidelines on Stewardship Code for Insurers in India vide its circular Ref: IRDAI/F&A/GDL/CPM/045/02/2020 dated 7th February 2020 were released.

All the insurers need to review and update their existing stewardship policy based on the Revised Guidelines on Stewardship Code for

Insurers in India within 3 months from the date of issue of the same and the updated stewardship policy needs to be approved by the Board of Directors. The updated policy should be disclosed on the website within 30 days of approval by the Board by all insurers, alongside the public disclosures. Any subsequent change / modification to the stewardship policy should be specifically disclosed at the time of updating the policy document on the website.

#### **XV. PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY COMMON STEWARDSHIP CODE 2018**

As specified in Regulation 12(n) of the Pension Fund Regulatory and Development Authority (Pension Fund) Regulations, 2015, every pension fund shall adhere to Cyber security policy, Common Stewardship code and voting policy on assets held in the name of National Pension System Trust, issued by the Authority for the purpose, for it to be granted a Certificate of Registration under the Regulations.

Vide circular PFRDA/2018/01/PF/01 dated 4th May, 2018, the Pension Fund Regulatory and Development Authority (PFRDA) all the Pension Funds under the National Pension System (NPS) architecture shall follow the Stewardship Code including the voting policy dated 20.04.2017, which is already recognized in such principles and is effective. The principles (other than voting policy which is already in effect) enumerated in the Code shall be effective from the date of issuance.

#### **XVI. PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY VOTING POLICY ON ASSETS HELD BY NATIONAL PENSION SYSTEM TRUST (NPS TRUST)**

This document sets the guidelines for NPS Trust and the Pension Funds while exercising the voting rights for the assets held by NPS Trust on behalf of the NPS subscribers. It was notified by the PFRDA on 20th April 2017. All Pension Funds (PFs) are under obligation to acquire, manage or dispose of scheme assets on behalf of NPS Trust, hence, pension funds are made responsible to cast vote for the stock (Equity shares held by NPS Trust usually carry voting rights), ensuring that voting supports the interest of the subscribers over the long term.

#### **XVII. STANDARDS ISSUED BY PROFESSIONAL BODIES**

Under Section 118 (10) of Companies Act 2013- Every company shall observe secretarial standards with respect to general and Board meetings specified by the Institute of Company Secretaries of India constituted under section 3 of the Company Secretaries Act, 1980 (56 of 1980), and approved as such by the Central Government. In order to ensure high corporate governance standards, the Ministry of Corporate Affairs (MCA) has accorded its approval to the Secretarial Standards ("SS") specified by the Institute of Company Secretaries of India.

Under section 133 of the Companies Act 2013, the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by the National Financial Reporting Authority: Provided that until the National Financial Reporting Authority is constituted under section 132 of the Companies Act, 2013, the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by National Advisory Committee on Accounting Standards constituted under section 210A of the Companies Act, 1956 (1 of 1956).

## 6. DIRECTORS & BOARD OF DIRECTORS

Directors are the vital part of the company. The Directors act as managers, trustees, agents etc. for the company. As per Section 2(34) of Companies Act, 2013, Director means 'a director appointed to the Board of a Company'. Section 2 (10) of the Companies Act, 2013 defined that "Board of Directors" or "Board", in relation to a company, means 'the collective body of the directors of the company'.

*As per section 166(2) of the Companies Act 2013, 'A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.'*

The board of directors of a company are primarily responsible for management of the affairs of the company. A director is a trustee and agent of the company. A director is also an officer of the company and as per section 2(59) of the Companies Act, 2013, he/she 'is a person in accordance with whose directions the other directors or the Board of Directors are accustomed to act'. Under section 2(60) of the Companies Act, 2013, the director can also be considered an "officer in default" in case of contraventions.

There can be various kinds of directors in a company viz. Resident Director, Independent Director, Women Director, Additional Directors, Alternate Directors, Nominee Directors, Executive Director, Non-Executive Director etc. As per Regulation 17(1) of SEBI (LODR) Regulations, 2015, the board of directors shall have an optimum combination of executive and non-executive directors.

In order to ensure good corporate governance and best interest of all stakeholders, the Companies Act 2013 and the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, lay down provisions for board of directors' composition, code of conduct of directors, their duties and obligations etc.

### **Independent Directors**

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director. Person should not be related to the company wherein he/she intends to be appointed as independent director and should possess the required skill, knowledge and experience as laid down in section 149(6) of the Companies Act 2013 for appointment as an independent. The Indian Institute of Corporate Affairs maintains the databank of Independent Directors and to be appointed as an independent director, a person is required to empanel themselves for data bank and need to pass the examination, i.e. online proficiency self-assessment test. The provisions relating to the appointment of Independent directors are contained in Section 149 of the Companies Act, 2013 read with Rule 4 and Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Regulation 16(1)(b) of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, gives the meaning and minimum number of Independent Directors required in listed companies.

### **Related Party Transactions**

As per Section 134(3)(h) of the Companies Act, 2013, the Board's Report shall contain particulars of contracts or arrangements with related party as referred in section 188 of the Companies Act, 2013 in Form AOC-2 prescribed under Rule 8 of Companies (Accounts) Rules, 2014.

As per Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, the listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

### **Omnibus approval for related party transactions on annual basis**

Rule 6A of Companies (Meeting of Board and its Powers) Rules, 2014 provides that all related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to certain conditions.

### **Board Meetings**

As per section 173(1) every company shall hold the first meeting of the Board of directors within thirty days of the date of its incorporation. Board meetings



should be held regularly, at least four times in a year, with a maximum interval of 120 days between meetings. In case of One Person Company (OPC), small company and dormant company, at least one Board meeting should be conducted in each half of the calendar year and the gap between two meetings should not be less than Ninety days. As per Section 174 of the Companies Act, 2013, one third of total strength or two directors, whichever is higher, shall be the quorum for a meeting.

Where a meeting of the Board could not be held for the want of quorum, then, unless the articles provide the meeting shall be held to the same day at the same time and place in the next week or if the day is National Holiday, the next working day at the same time and place.

### **Powers of Board**

As per Section 179 of the Companies Act, 2013 the Board of directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorized to exercise and do. The Board shall not exercise any power or do any act or thing which is required, whether by this or any other Act or by the memorandum or articles of the company, to be exercised or done by the company in general meeting.

As per Section 179(3) of the Companies Act 2013 read with Rule 8 of Companies (Meetings of Board and its Powers) Rules, 2014, the Board of Directors of a company shall exercise certain specified powers on behalf of the company by means of resolutions passed at meetings of the Board.

### **Duties of Directors**

The duties of the directors have been provided under Section 166 of the Companies Act, 2013 and apply to all types of directors including Independent Directors.

### **Vigil mechanism**

Section 177(9) read with Rule 7 of the Companies (Meeting of Board and its Power) Rules, 2014 prescribes that every listed company and the companies belonging to the following class or classes shall establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances-

- (a) the Companies which accept deposits from the public;
- (b) the Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees.

The companies which are required to constitute an audit committee shall oversee the vigil mechanism through the committee and if any of the members of the committee have a conflict of interest in a given case, they should recuse themselves and the others on the committee would deal with the matter on hand. In case of other companies, the Board of directors shall nominate a director to play the role of audit committee for the purpose of vigil mechanism to whom other directors and employees may report their concerns.

As per Regulation 22 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, the listed entity shall formulate a vigil mechanism/whistle blower policy for directors and employees to report genuine concerns. The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

### **Risk management**

Section 134(3)(n) provides that the Board's report as prescribed under Section 134(3) required to include in the Board's Report, a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, this in the opinion of the Board may threaten the existence of the company.

## **7. INDEPENDENT DIRECTORS & THEIR ROLE**

Independent Directors are the vital organ of the company's corporate governance structure. They are not executive directors interested in the day-to-day management of the company's affairs, rather their role is independent as the name suggests. They are expected to have impartial and objective judgment for the proper functioning of the company and they bring accountability and credibility to the Board processes.

The Report of the Expert Committee on Company Law, of the Ministry of Corporate Affairs stated that the Committee was of the view that given the responsibility of the Board to balance various interests, the presence of Independent directors on the Board of a Company would improve corporate governance. Thus, the provisions related to Independent directors came into the Companies Act and have been specifically defined under Chapter XI of the Companies Act, 2013.

As per Section 2(47) of the Companies Act 2013, "independent director" means an independent director referred to in section 149(6) of the Act, which when read with relevant rules and regulations, gives the definition and qualifications of independent directors in India.

### **Manner of selection of Independent Directors and maintenance of databank of Independent Directors (Section 150 of Companies Act 2013 read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014)**

Selection of independent director may be made out of data bank maintained by any body, institute or association, as may be notified by the Central Government having expertise in creation and maintenance of such data bank. Currently, the 'Indian Institute of Corporate Affairs' (IICA) has been notified

as the Institute for creation and maintenance of data bank of Independent Directors.

On 22nd October 2019, the Ministry of Corporate Affairs (MCA) notified the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019 which became effective from 1st December, 2019.

Every individual who intends to get appointed as independent director, shall apply online to the IICA, for inclusion of his name in the independent directors' databank for a period of 1 year, 5 years or for his lifetime. On expiry of above period, the individual can apply for renewal for a further period of 1 year, 5 year or lifetime, within 30 days from date of expiry.

Upon registration the individuals are required to pass an online proficiency self-assessment test within a period of 2 years from the date of inclusion of his name in the data bank, failing which, his name shall stand removed from the databank of the institute.

Although registration with the online databank will remain compulsory for exempted individuals, exemption from passing online proficiency self-assessment test has been granted to the following individuals:

- A. Individuals who have served for a period of not less than 3 years as a Director or Key Managerial Personnel (KMP) in (a) a listed public company; or (b) in an unlisted public company having a paid-up share capital of rupees 10 crores or more; or (c) in a body corporate listed on any recognized stock exchange or in a country which is a member state of the Financial Action Task Force on Money Laundering and the regulator of the securities market in such member state is a member of the International Organization of Securities Commissions; or (d) bodies corporate incorporated outside India having a paid-up share capital of US\$ 2 million or more; or (e) statutory corporations set up under an Act of Parliament or any State Legislature carrying on commercial activities
- B. Individuals who have served for a period of not less than 3 years in the pay scale of Director or equivalent or above in any Ministry or Department, of the Central Government or any State Government and have the required specified experience
- C. Individuals who have served for a period of not less than 3 years in the pay scale of Chief General Manager or above in the Securities and Exchange Board of India (SEBI) or the Reserve Bank of India (RBI) or the Insurance Regulatory and Development Authority of India (IRDAI) or the Pension Fund Regulatory and Development Authority (PFRDA) and have the required specified experience
- D. Individuals who are or have been for at least 10 years (a) an advocate of a Court; or (b) in practice as a Chartered Accountant; or (c) in practice as a Cost Accountant; or (d) in practice as a Company Secretary.

**Creation and Maintenance of Databank**

As per Rule 3 of the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019:

- 1) The notified institute shall create and maintain a databank of persons willing and eligible to be appointed as independent directors, and such databank shall be an online databank which shall be placed on the website of the institute.
- (2) The abovementioned data bank shall contain the following details in respect of each person included in the data bank to be eligible and willing to be appointed as independent director—
  - (a) DIN (Director Identification Number), if applicable;
  - (b) Income Tax PAN;
  - (c) the name and surname in full;
  - (d) the father's name;
  - (e) the date of Birth;
  - (f) gender;
  - (g) the nationality;
  - (h) the occupation;
  - (i) full Address with PIN Code (present and permanent);
  - (j) phone number;
  - (k) e-mail id;
  - (l) the educational and professional qualifications;
  - (m) experience or expertise, if any;
  - (n) any pending criminal proceedings as specified in clause (d) of sub-section (1) of section 164;
  - (o) the list of limited liability partnerships in which he is or was a designated partner along with— (i) the name of the limited liability partnership; (ii) the nature of industry; and (iii) the duration- with dates;
  - (p) the list of companies in which he is or was director along with— (i) the name of the company; (ii) the nature of industry; (iii) the nature of directorship—Executive or Non-executive or Managing Director or Independent Director or Nominee Director; and (iv) duration – with dates.

The information available in the data bank shall be provided only to companies required to appoint independent director after paying a reasonable fee to the institute.

**Code for Independent Directors - Role and Functions**

Section 149(8) of the Companies Act 2013, provides that the company and the independent directors shall abide by the provisions specified in Schedule IV of the of the Companies Act, 2013. Schedule IV of the Act lays down the Code for Independent directors. The code for independent directors inter-alia provides the guidelines of professional conduct, roles and functions, duties, manner of appointment, re-appointment, resignation or removal, separate meetings, evaluation mechanism of independent directors.

**Independent Directors in Listed Companies**

An independent director is a non-executive director of the company. Every listed public company must have at least one-third of a total number of directors as independent directors.

In the case of a Listed entity, where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors.

Where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

As per Regulation 17A of the SEBI (LODR) Regulations, a person shall not be a director in more than eight listed entities with effect from April 1, 2019 and in not more than seven listed entities with effect from April 1, 2020. Provided that a person shall not serve as an independent director in more than seven listed entities. Notwithstanding the above, any person who is serving as a whole time director / managing director in any listed entity shall serve as an independent director in not more than three listed entities. For the purpose of this regulation, the count for the number of listed entities on which a person is a director / independent director shall be only those whose equity shares are listed on a stock exchange.

As per Regulation 25(2) of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time. The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution

As per Regulation 17(10) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the performance evaluation of independent directors shall be done by the entire board of directors, which shall include:

- (a) performance of the directors; and
- (b) fulfillment of the independence criteria as specified in these regulations and their independence from the management:

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

## 8. COMMITTEES OF THE BOARD

The board committees categorically divided into two groups i.e. mandatory and non-mandatory committees. All committees have a combination of Executive, Non-Executive and Independent Directors. These committees are assigned with specific tasks for which the board is responsible. In order to strengthen the affairs of the corporation, the board entrusts particular matters to the committees of the board set up for the purpose. It can be said that they are the mainstays of corporate governance. They make specific recommendations to the Board on matters in their areas or purview which are placed before the Board for information or for approval.

### **Committees of the Board of Directors:**

- ❖ Audit Committee
- ❖ Nomination and Remuneration Committee
- ❖ Stakeholders' Relationship Committee
- ❖ Corporate Social Responsibility (CSR) Committee.
- ❖ Risk Management Committee
- ❖ Corporate Governance Committee
- ❖ Ethics Committee
- ❖ Stewardship committee

Under the Companies Act 2013 the Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee and Corporate Social Responsibility (CSR) Committee are mandatory committees and under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee and the Risk Management Committee are mandatory committees.

## 9. PERFORMANCE EVALUATION OF DIRECTORS

The evaluation of performance of the board of directors including independent director is the duty of the entire board. The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provide for several mandatory provisions for Board Evaluation. With regard to this, guidance note on Board Evaluation has been prescribed by SEBI [vide circular SEBI/HO/CFD/CMD/CIR/P/2017/004 dated January 5, 2017].

The Nomination and Remuneration Committee shall evaluate the performance of the Board of Directors of the Company with reference of the authority under the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of section 178 of the Companies Act, 2013. Schedule IV of the Companies Act, 2013 prescribes code of Conduct of the Independent Directors. According to the Schedule, Independent Directors shall evaluate performance of Board of directors and of management and evaluation of Independent Director shall be carried on by the entire Board.

### **Need for Board Evaluation**

The purposes of the Board evaluation can be enumerated as under:

- Improving the performance of Board towards corporate goals and objectives.
- Assessing the balance of skills, knowledge and experience on the Board.
- Identifying the areas of concern and areas to be focused for improvement.
- Identifying and creating awareness about the role of Directors individually and collectively as Board.
- Building Team work among Board members.
- Effective Coordination between Board and Management.
- Overall growth of the organization.

## 10. DISCLOSURE REQUIREMENTS & OBLIGATIONS

Disclosure requirements by corporates are envisaged under the Companies Act 2013 and SEBI (LODR) Regulations 2015 so as to ensure good corporate governance. The intention of the law is to guarantee timely, relevant and reliable information accessible to all stakeholders.

**I. The Companies Act 2013, lays down various disclosures to ensure good corporate governance:**

**1. Disclosures under Section 134 of the Companies Act 2013**

Section 134(3) Provides that there shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

- (a) the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed;
- (b) number of meetings of the Board;
- (c) Directors' Responsibility Statement
- (ca) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government
- (d) a statement on declaration given by independent directors under section 149(6)
- (e) in case of a company covered under sub-section (1) of section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters as given under sub-section (3) of section 178.
- (f) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—
  - (i) by the auditor in his report; and
  - (ii) by the company secretary in practice in his secretarial audit report.
- (g) particulars of loans, guarantees or investments under section 186.
- (h) particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form.
- (i) the state of the company's affairs.
- (j) the amounts, if any, which it proposes to carry to any reserves.
- (k) the amount, if any, which it recommends should be paid by way of dividend.
- (l) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.



- (m) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed.
- (n) a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.
- (o) the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year.
- (p) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which annual evaluation of the performance of the Board, its Committees and of individual directors has been made;
- (q) such other matters as may be prescribed.

## 2. The Directors' Responsibility Statement

Section 134(5) The Directors' Responsibility Statement shall state that—

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation to clause(e) defines the term “internal financial controls as the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business,

including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **3. Matters to be disclosed in the Board's Report**

As per Rule 8 of Companies (Accounts) Rules 2014 following matters to be disclose in the Board's Report:-

- (1) The Board's Report shall be prepared based on the stand alone financial statements of the company and shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report.
- (2) The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2.
- (3) The report of the Board shall contain the following information and details, namely:-
  - (A) Conservation of energy-, The steps taken or impact on conservation of energy, the steps taken by the company for utilizing alternate sources of energy, and the capital investment on energy conservation equipments.
  - (B) Technology absorption- the efforts made towards technology absorption, the benefits derived, certain details in case of imported technology, and the expenditure incurred on research & development
  - (C) Foreign exchange earnings and Outgo- actual inflows and outgo during the year.
- (4) Every listed company and every other public company having a paid up share capital of twenty-five crore rupees or more calculated at the end of the preceding financial year shall include, in the report by its Board of directors, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.
- (5) In addition to the information and details specified in sub-rule (4), the report of the Board shall also contain –
  - (i) the financial summary or highlights;
  - (ii) the change in the nature of business, if any;

- (iii) the details of directors or key managerial personnel who were appointed or have resigned during the year;
- (iiia) a statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year;
- (iv) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;
- (v) the details relating to deposits, covered under Chapter V of the Act
- (vi) the details relating to deposits, not in compliance with Chapter V of the Act.
- (vii) the details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.
- (viii) the details in respect of adequacy of internal financial controls with reference to the Financial Statements.
- (ix) a disclosure, as to whether maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained,
- (x) a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- (xi) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year along with their status as at the end of the financial year.
- (xii) the details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.

#### 4. Other disclosure in the Board's Report

Rule 5(1) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 provides the following disclosure by the listed companies in the Board's Report:-

- (i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;
- (ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;
- (iii) the percentage increase in the median remuneration of employees in the financial year;
- (iv) the number of permanent employees on the rolls of company;
- (viii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;
- (xii) affirmation that the remuneration is as per the remuneration policy of the company.

Rule 5(2) states that (2) The board's report shall include a statement showing the names of the top ten employees in terms of remuneration drawn and the name of every employee, who-

- (i) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;
- (ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
- (iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

The statement referred to above shall also indicate -

- (i) designation of the employee;
- (ii) remuneration received;
- (iii) nature of employment, whether contractual or otherwise;
- (iv) qualifications and experience of the employee;

- (v) date of commencement of employment;
- (vi) the age of such employee;
- (vii) the last employment held by such employee before joining the company;
- (viii) the percentage of equity shares held by the employee in the company; and
- (ix) whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager.

## 5. **Other Disclosures under Companies Act 2013**

Section 135(2) - provides that the Board's report shall disclose the composition of the Corporate Social Responsibility Committee.

Section 149(10) - an independent director shall be eligible for reappointment on passing of a special resolution and the Board's Report shall disclose such appointment

Section 177(8) - Board's Report shall disclose the composition of audit committee and shall also disclose the recommendation of the audit committee which is not accepted by the board along with reasons thereof.

Proviso to Section 177(10) – Details of establishment of Vigilance Mechanism

Section 178(4) – Disclosure in Board's Report of policy formulated by Nomination and Remuneration Committee.

Section 204(1) - every listed company and other prescribed companies shall annex the secretarial audit report given by a Company Secretary in practice with Board's Report. Board in its report shall explain any qualification or observation or other remarks made by the Company Secretary in Practice.

## II. **The SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, lays down various disclosures for listed entities.**

### 1. **Minimum information to be placed before the board of directors**

Under Regulation 17(7), the minimum information to be placed before the board of directors is specified in Part A of Schedule II.

Under Schedule II PART A, of the SEBI (LODR) Regulations 2015, the minimum information to be placed before the Board includes:

- A. Annual operating plans and budgets and any updates.
- B. Capital budgets and any updates.

- C. Quarterly results for the listed entity and its operating divisions or business segments.
- D. Minutes of meetings of audit committee and other committees of the board of directors.
- E. The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
- F. Show cause, demand, prosecution notices and penalty notices, which are materially important.
- G. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- H. Any material default in financial obligations to and by the listed entity, or substantial non-payment for goods sold by the listed entity.
- I. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the listed entity or taken an adverse view regarding another enterprise that may have negative implications on the listed entity.
- J. Details of any joint venture or collaboration agreement.
- K. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- L. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- M. Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- N. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- O. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

## 2. Discretionary Corporate Governance Requirements

Under Regulation 27(1) of the SEBI (LODR) Regulations 2015, the listed entity may, at its discretion, comply with requirements as specified in Part E of Schedule II.

Schedule II Part E contains the following discretionary requirements:

- A. The Board - A non-executive chairperson may be entitled to maintain a chairperson's office at the listed entity's expense and also allowed reimbursement of expenses incurred in performance of his 413[her] duties.
- B. Shareholder Rights - A half-yearly declaration of financial performance including summary of the significant events in last six-months, may be sent to each household of shareholders.
- C. Modified opinion(s) in audit report - The listed entity may move towards a regime of financial statements with unmodified audit opinion.
- D. Separate posts of Chairperson and the Managing Director or the Chief Executive Officer - The listed entity may appoint separate persons to the post of the Chairperson and the Managing Director or the Chief Executive Officer, such that the Chairperson shall –
  - (a) be a non-executive director; and
  - (b) not be related to the Managing Director or the Chief Executive Officer as per the definition of the term "relative" defined under the Companies Act, 2013.
- E. Reporting of internal auditor - The internal auditor may report directly to the audit committee.

### 3. Prior Intimations

As per Regulation 29 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, the listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in the following manner-

- A. At least two working days in advance, excluding the date of the intimation and date of the meeting in which any of the following proposals is due to be considered-
  - ✓ proposal for buyback of securities;
  - ✓ proposal for voluntary delisting by the listed entity from the stock exchange(s);
  - ✓ fund raising by way of further public offer, rights issue, American Depository Receipts/Global Depository Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price. Provided that intimation shall also be given in case of any annual general meeting or extraordinary general

- meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fund raising indicating type of issuance
- ✓ declaration/recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend.
  - ✓ the proposal for declaration of bonus securities where such proposal is communicated to the board of directors of the listed entity as part of the agenda papers.
- B. At least five days in advance excluding the date of the intimation and date of the meeting in which following proposal is due to be considered-
- ✓ financial results viz. quarterly, half yearly, or annual, as the case may be;
- C. At least eleven working days before any of the following proposal is placed before the board of directors -
- ✓ any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof.
  - ✓ any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.

#### 4. Disclosure of Material Events

As per Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, every listed entity shall make disclosures of material events specified in Para A of Part A of Schedule III-

- (i) Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/demerger/restructuring), sale or disposal of any unit(s), division(s), whole or substantially the whole of the undertaking(s) or subsidiary of the listed entity, sale of stake in associate company of the listed entity or any other restructuring
- (ii) Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.



- (iii) New Rating(s) or Revision in Rating(s)
- (iv) Outcome of Meetings of the board of directors: The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider the following:
  - o dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;
  - o any cancellation of dividend with reasons thereof;
  - o the decision on buyback of securities;
  - o the decision with respect to fund raising proposed to be undertaken
  - o increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched;
  - o reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
  - o short particulars of any other alterations of capital, including calls;
  - o financial results;
  - o decision on voluntary delisting by the listed entity from stock exchange(s):

Provided that in case of board meetings being held for more than one day, the financial results shall be disclosed within thirty minutes of end of the meeting for the day on which it has been considered

- (v) Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), agreement(s)/treaty(ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof.
- (vi) Agreements entered into by the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel, employees of the listed entity or of its holding, subsidiary or associate company, among themselves or with the listed entity or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect

is to, impact the management or control of the listed entity or impose any restriction or create any liability upon the listed entity, shall be disclosed to the Stock Exchanges, including disclosure of any rescission, amendment or alteration of such agreements thereto, whether or not the listed entity is a party to such agreements.

- (vii) Fraud or defaults by a listed entity, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director of the listed entity, whether occurred within India or abroad.
- (viii) Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), senior management, Auditor and Compliance Officer.
- (ix) In case of resignation of the auditor of the listed entity, detailed reasons for resignation of auditor, as given by the said auditor, shall be disclosed by the listed entities to the stock exchanges as soon as possible but not later than twenty-four hours of receipt of such reasons from the auditor.
- (x) Resignation of independent director including reasons for resignation: In case of resignation of an independent director of the listed entity, within seven days from the date of resignation, certain disclosures shall be made to the stock exchanges by the listed entities
- (xi) In case of resignation of key managerial personnel, senior management, Compliance Officer or director other than an independent director; the letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel, senior management, Compliance Officer or director shall be disclosed to the stock exchanges by the listed entities within seven days from the date that such resignation comes into effect.
- (xii) In case the Managing Director or Chief Executive Officer of the listed entity was indisposed or unavailable to fulfil the requirements of the role in a regular manner for more than forty five days in any rolling period of ninety days, the same along with the reasons for such indisposition or unavailability, shall be disclosed to the stock exchange(s).
- (xiii) Appointment or discontinuation of share transfer agent.
- (xiv) Resolution plan/ Restructuring in relation to loans/borrowings from banks/financial institutions.

- (xv) One-time settlement with a bank.
- (xvi) Winding-up petition filed by any party / creditors.
- (xvii) Issuance of Notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity.
- (xviii) Proceedings of Annual and extraordinary general meetings of the listed entity.
- (xix) Amendments to memorandum and articles of association of listed entity, in brief.
- (xx)
  - a. Schedule of analysts or institutional investors meet at least two working days in advance (excluding the date of the intimation and the date of the meet)] and presentations made by the listed entity to analysts or institutional investors.
  - b. Audio or video recordings and transcripts of post earnings/ quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s)
- (xxi) Certain specified events in relation to the corporate insolvency resolution process (CIRP) of a listed corporate debtor under the Insolvency Code
- (xxii) Certain disclosures to be made to the stock exchanges by listed entities in case of Initiation of Forensic audit
- (xxiii) Announcement or communication through social media intermediaries or mainstream media by directors, promoters, key managerial personnel or senior management of a listed entity, in relation to any event or information which is material for the listed entity in terms of regulation 30 of these regulations and is not already made available in the public domain by the listed entity
- (xxiv) Action(s) initiated or orders passed by any regulatory, statutory, enforcement authority or judicial body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, in respect of the following:
  - (a) search or seizure; or
  - (b) re-opening of accounts under section 130 of the Companies Act, 2013; or
  - (c) investigation under the provisions of Chapter XIV of the Companies Act, 2013;

- (xxv) Action(s) taken or orders passed by any regulatory, statutory, enforcement authority or judicial body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, in respect of the following:
  - (a) suspension;
  - (b) imposition of fine or penalty;
  - (c) settlement of proceedings;
  - (d) debarment;
  - (e) disqualification;
  - (f) closure of operations;
  - (g) sanctions imposed;
  - (h) warning or caution; or
  - (i) any other similar action(s) by whatever name called
- (xxvi) Voluntary revision of financial statements or the report of the board of directors of the listed entity under section 131 of the Companies Act, 2013

## 5. Disclosures of events upon application of the Materiality Guidelines

As per Regulation (4) of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, the listed entity shall frame a policy for determination of materiality of events/information, approved by the board of directors and which shall be disclosed on its website on the basis of following criteria-

- (a) the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
- b) the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date; or
- c) an event/information may be treated as being material if in the opinion of the board of directors of listed entity, the event / information is considered material.

## 6. Disclosure of Financial Results

As per Regulation 33 of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, the listed entity shall make the disclosures specified in Part A of Schedule IV.

- A. Changes in accounting policies, if any, shall be disclosed in accordance with Accounting Standard 5 or Indian Accounting Standard 8, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable.
- B. If the auditor has expressed any modified opinion(s) in respect of audited financial results submitted or published under this para, the listed entity shall disclose such modified opinion(s) and cumulative impact of the same on profit or loss, net worth, total assets, turnover/total income, earning per share or any other financial item(s) which may be impacted due to modified opinion(s), while publishing or submitting such results.
- BA. If the auditor has expressed any modified opinion(s), the management of the listed entity has the option to explain its views on the audit qualifications and the same shall be included in the Statement on Impact of Audit Qualifications (for audit report with modified opinion).
- BB. With respect to audit qualifications where the impact of the qualification is not quantifiable:
  - i. The management shall mandatorily make an estimate which the auditor shall review and report accordingly.
  - ii. Notwithstanding the above, the management may be permitted to not provide estimate on matters like going concerns or sub-judice matters; in which case, the management shall provide the reasons and the auditor shall review the same and report accordingly.
- C. If the auditor has expressed any modified opinion(s) or other reservation(s) in his audit report or limited review report in respect of the financial results of any previous financial year or quarter which has an impact on the profit or loss of the reportable period, the listed entity shall include as a note to the financial results –
  - (i) how the modified opinion(s) or other reservation(s) has been resolved; or
  - (ii) if the same has not been resolved, the reason thereof and the steps which the listed entity intends to take in the matter.
- D. If the listed entity has changed its name suggesting any new line of business, it shall disclose the net sales or income, expenditure and net profit or loss after tax figures pertaining to the said new line of business separately in the financial results and shall continue to make such disclosures for the three

years succeeding the date of change in name: Provided that the tax expense shall be allocated between the said new line of business and other business of the listed entity in the ratio of the respective figures of net profit before tax, subject to any exemption, deduction or concession available under the tax laws.

- E. If the listed entity had not commenced commercial production or commercial operations during the reportable period, the listed entity shall, instead of submitting financial results, disclose the following details:
- (i) details of amount raised i.e. proceeds of any issue of shares or debentures made by the listed entity;
  - (ii) the portions thereof which is utilized and that remaining unutilized;
  - (iii) the details of investment made pending utilisation;
  - (iv) brief description of the project which is pending completion;
  - (v) status of the project and
  - (vi) expected date of commencement of commercial production or commercial operations:

Provided that the details mentioned above shall be approved by the board of directors based on certification by the chief executive officer and chief financial officer.

- F. All items of income and expenditure arising out of transactions of exceptional nature shall be disclosed.
- G. Extraordinary items, if applicable, shall be disclosed in accordance with Accounting Standard 5 (AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies) or Companies (Accounting Standards) Rules, 2006, whichever is applicable.
- H. The listed entity, whose revenues are subject to material seasonal variations, shall disclose the seasonal nature of their activities and the listed entity may supplement their financial results with information for the twelve-month period ending on the last day of the quarter for the current and preceding years on a rolling basis.
- I. The listed entity shall disclose any event or transaction which occurred during or before the quarter that is material to an understanding of the results for the quarter including but not limited to completion of expansion and diversification programmes, strikes and lock-outs, change in management,

change in capital structure and the listed entity shall also disclose similar material events or transactions that take place subsequent to the end of the quarter.

- J. The listed entity shall disclose the following in respect of dividends paid or recommended for the year, including interim dividends:
- amount of dividend distributed or proposed for distribution per share; the amounts in respect of different classes of shares shall be distinguished and the nominal values of shares shall also be indicated;
  - where dividend is paid or proposed to be paid pro-rata for shares allotted during the year, the date of allotment and number of shares allotted, pro-rata amount of dividend per share and the aggregate amount of dividend paid or proposed to be paid on pro-rata basis.
- K. The listed entity shall disclose the effect on the financial results of material changes in the composition of the listed entity, if any, including but not limited to business combinations, acquisitions or disposal of subsidiaries and long term investments, any other form of restructuring and discontinuance of operations.
- L. The listed entity shall ensure that segment reporting is done in accordance with AS-17 or Indian Accounting Standard 108 as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable.

## **11. VIGILANCE MECHANISM/ WHISTLE BLOWER POLICY**

In order to conduct the affairs of a company in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior, the vigil mechanism in an organization plays an important role. A Vigil mechanism is a mechanism which provides a channel to the employees and directors to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Codes of conduct or policy. The mechanism provides for adequate safeguards against victimization of directors and employees to avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

### Provisions under the Companies Act, 2013

- ❖ Section 177 of the Companies Act, 2013 requires that every listed company, Companies which accept public deposits Companies which have borrowed money from banks and public financial institutions in excess of 50 crores to establish a vigil mechanism for the directors and employees to report genuine concerns in such manner as may be prescribed.
- ❖ Section 177(10) provides for adequate safeguards. It provides:
  - a. Policy against victimization of persons using the mechanism
  - b. Provide for access to Chairperson of Audit Committee in appropriate or exceptional cases
  - c. Display policy on the company website, if any
  - d. “Vigil mechanism” to be included in Board’s report
- ❖ Rule 7(2) of Companies (Meetings of Board and its Powers) Rules, 2014 provides that the companies which are required to constitute an audit committee shall oversee the vigil mechanism through the committee and if any of the members of the committee have a conflict of interest in a given case, they should recuse themselves and the others on the committee would deal with the matter on hand.
- ❖ Rule 7(3) of Companies (Meetings of Board and its Powers) Rules, 2014 says that in case of other companies, the Board of directors shall nominate a director to play the role of audit committee for the purpose of vigil mechanism to whom other directors and employees may report their concerns.
- ❖ Rule 7(4) of Companies (Meetings of Board and its Powers) Rules, 2014 states that the vigil mechanism shall provide for adequate safeguards against victimization of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee or the director nominated to play the role of Audit Committee, as the case may be, in exceptional cases.
- ❖ Rule 7(5) of Companies (Meetings of Board and its Powers) Rules, 2014) specifies that in case of repeated frivolous complaints being filed by a director or an employee, the audit committee or the director nominated to play the role of audit committee may take suitable action against the concerned director or employee including reprimand.

Provisions under the SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015



Regulations	Provision
4(2)(d)(iv)	Provides that the listed entity shall devise an effective vigil mechanism/ whistle blower policy enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.
22	the listed entity shall formulate a vigil mechanism/ whistle blower policy for directors and employees to report genuine concerns. The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases
46(2)(e)	Provides that the listed entity shall disseminate the details of establishment of vigil mechanism/ Whistle Blower policy information on its website.
18(3) read with Part C (pt. 18)	Role of Audit Committee and Review of Information by the Audit Committee - provides that Audit Committee shall review the functioning of the Whistle Blower mechanism.
Schedule V – Corporate Governance Report	Provides that the Annual Report should contain a separate section on Corporate Governance disclosure. The Corporate Governance Report should make a specific disclosure with regard to the details of establishment of vigil mechanism/whistle blower policy, and affirmation that no personnel has been denied access to the audit committee

**Whistle blower policy**

Whistleblower is a word for an employee, especially a civil servant, who publicly denounces illegal or wasteful practices, comes from the phrase blow the whistle.

It is a vigil mechanism adopted by a company to report concerns about any alleged wrongful conduct. It provides necessary safeguards for protection from reprisals or victimization of Whistle Blower, blowing the whistle in good faith.

Whistle blower is a person who informs about the person engaged in illegal activities.

The basic objectives of this is policy are:

- a) to provide a vigil mechanism and an opportunity for directors and employees to blow whistle against and to report concerns about

- unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy
- b) to provide an opportunity to the directors or employees and give them an avenue to raise concerns and to access in good faith the Audit Committee,
  - c) to maintain the highest possible standards of ethical, moral and legal business conduct and the company's commitment to open communication, in case they observe unethical and improper practices or any other wrongful conduct in the Company,
  - d) to provide all necessary safeguards for protection of directors and employees from reprisals or victimization and to prohibit managerial personnel from taking any adverse personnel action against those directors or employees as a result of the directors' or employees' good faith disclosure of alleged wrongful conduct to an audit committee. Any director or employee who discloses and subsequently suffers an adverse personal action as a result is subject to the protection of this Policy.

## **12. HOW TO BECOME GLOBAL PRACTITIONER IN TRADITIONAL, NON-TRADITIONAL AREAS AND EXPLORE NEW OPPORTUNITIES**

The profile of a Chartered Accountant has catapulted to a professional with a high-level of managerial skill with multi-disciplinary talent. He/ She is now looked upon as a complete business provider. Improved information technology is enabling accountants to automate the more mundane tasks, allowing them time to develop their skills and further their knowledge in all areas of business. The CA professional is a complete business advisor wherein he performs many roles - Setting up companies, improving management processes, increasing opportunities of trade, initiating new lines of diversification, CEO's, MD's, CFO's, Finance controllers, portfolio managers, treasury managers, fund managers, financial directors etc.

### **Global Professional opportunities:**

Traditional Areas – Accounting; Auditing; Direct Taxes; Indirect Taxes

#### **A. Non- traditional State Areas-Part 1**

- 1. Real Estate- RERA
- 2. Charitable Laws

3. Cooperative Societies
  4. Labor laws
  5. Chit funds State laws
  6. Stamp Duty
  7. Subsidies schemes of states
- B. Non-traditional National areas – part 2**
8. Presentation before Tribunals - tribunal practice
  9. MSME sector
  10. Company law- Oppression and mismanagement, Liquidation etc.
  11. Virtual legal counsel / CFO / Virtual Entrepreneur
  12. Disciplinary consultancy to ICAI, ICSI, CMA, Bar Council, Ministries, Government departments- police administration
  13. Non-Banking Financial Institutions- NBFCs, Nidhi company, Money lenders
  14. Succession Laws, Hindu laws, family laws
- C. Global Non- traditional practice areas –part 3**
15. Sustainability, ESG reporting, CSR, Social audit, SSE,17 SDG Climate change mitigation - carbon credit
  16. Social Media consultancy services- designing, creation of accounts, posting, tagging, sharing
  17. Corporate Governance & Independent Director
  18. Marketing consultancy-domestic and International
  19. Enterprise Risk management
  20. Start-ups and E-commerce
  21. Global funding
  22. International trade - Global import –export services- Marketing
  23. Coach- Hard skills and soft skills-time management, emotion management, personality development
  24. Intellectual Property Rights Advisory services
  25. Cyber security, Digital economy and data protection services
  26. Industry specific specialisation – Business growth in that industry
  27. Human Resource Management

28. Drafting of business and legal documents
29. Finance for non-finance executives
30. Consumer and Competition laws
31. Recovery mechanism guidance - Insolvency and Bankruptcy, SARFAESI, Criminal Actions, TORT etc.
32. Outsourcing - accounting - drafting – knowledge
33. Opportunities under financial crimes and laws like PMLA, Benami transactions, Black money, Fugitive Offenders Act
34. Mergers and Amalgamation
35. Valuation services
36. Internal Control measures
37. ADR –Arbitration, Mediation
38. Agriculture and rural development
39. IFRS and country specific GAAPs, IPSAS
40. Forensic services
41. SEBI and capital areas

## PROFILE



### **CA. (Dr.) Adukia Rajkumar Satyanarayan**

rajkumar@cadrrajkumaradukia.com

Mobile: 9820061049

ICAI Central Council Member 1998-2016 and 2022 onwards

Chairman of Board of Studies, ICAI

Vice-Chairman, Research Committee, ICAI

Convener – ICAI VISION Document 2049

Chairman of SAFA Committee on Education, Training and CPD

IFAC Technical Advisor

### **Contribution to the Profession & Economy**

#### 1. Served on almost all committees of ICAI:

- Founder Convener of Kalbadevi Study Circle. Actively contributed and participated in Kalbadevi Study circle and workshops conducted by WIRC (1984-1991)
- Hon Sec.- WIRC (1991)
- Chairman of WIRC (WIRC was adjudged best out of 5 regions) (1997-1998)
- Chairman of Public Relations Committee (1998)
- Chairman of Board of Studies and Bombay Computer Centre (1999)
- Chairman of University and Higher Secondary Board Liaison committee (2000)
- Chairman of Committee for Members in Industry (2001)
- Chairman of Research committee (2002)
- Chairman of Research committee (2003)
- Chairman of Corporate & Allied Laws Committee & Chairman of the Committee of Electoral Reforms (2004)
- Chairman of Insurance & Pension Committee (2005)
- Chairman of Peer Review Board & Chairman of Committee on Trade law & WTO (2006)

- Member of Executive Committee, Vice- Chairman of Auditing and Assurance Standards Board (2007)
  - Chairman of Professional Development Committee and Committee for Economic and Commercial Laws (2008)
  - Member of Examination Committee, Vice Chairman – Internal Audit Standards Board & Vice Chairman- Committee for Small and Medium Practitioners (2009)
  - Chairman - Internal Audit Standards Board & Committee for Economic and Commercial Laws (2010)
  - Chairman - Internal Audit Standards Board & Member of XBRL India, Accounting Research foundation (2011)
  - Chairman - Committee for Members in Industry & Internal Audit Standards Board & Member of XBRL India, Accounting Research foundation, South Asian Federation of Accountants (PAIB) (2012)
2. International Member of Professional Accountants in Business Committee (PAIB) of International Federation of Accountants (IFAC) from 2001 to 2004
  3. Member of Inspection Panel of Reserve Bank of India
  4. Member of J.J. Irani Committee (which drafted Companies Bill 2008)
  5. Member of Secretarial Standards Board of ICSI
  6. Member of Working Group of Competition Commission of India, National Housing Bank, NABARD, RBI, CBI etc.
  7. Independent Director of Mutual Fund Company and Asset Management Company.
  8. Worked closely with the Ministry of Corporate Affairs on the drafting of various enactments.
  9. Served as Independent Director of SBI Funds Management Private limited and Bank of India Asset Management Co. Ltd.
  10. Served as Independent director at ICAI Accounting Research Foundation - Section 8 company
  11. Actively involved with ICAI as a Central Council Member during the period when the convergence to IFRS was conceptualized in India and has been instrumental in materializing the idea.
  12. Group Leader at several Study Circles organized by Professional associations at Mumbai and many places in India. Some of the Study Circles were organized by: i) Study Circle of Western India Regional Council of ICAI at various places; ii) Bombay Chartered Accountants Society; iii) Chamber of Income-tax Consultants and iv) Sales Tax Practitioners' Association of Maharashtra

## **Contribution to Education & Training**

1. Address to Insolvency and Bankruptcy Board of India
2. Address to Institute of Chartered Accountants of India
3. Address to Institute of Company Secretaries of India
4. Address to Institute of Cost Accountants of India
5. Address to Chamber of Indian Micro Small & Medium Enterprises
6. Speaker in IIA's 2013 International Conference in Orlando on Green Audit.
7. Faculty at Indian Institute of Corporate Affairs for courses on Insolvency Laws and Corporate laws.
8. Faculty Speaker in Workshop on Risk Management for Bankers organized by CAFRAL (Centre for advanced Financial Research and Learning)
9. Faculty at National Institute of Securities Management (NISM) and Indian Institute of Corporate Affairs (IICA.)
10. Addressed the Program for Principal Inspecting Officers & Inspecting Officers by Reserve Bank of India- Department of Non-Banking Supervision.
11. Addressed the National apex Chamber of Commerce and State apex Chamber of Commerce including his address to ASSOCHAM, Confederation of Indian Industry (CII), Federation of Indian Chamber of Commerce and Industry (FICCI), and All India Manufacturers Organization(AIMO).
12. Addressed the CBI officers, officers of Serious Fraud Investigation Office (SFIO), and various State Police Academies.
13. Addressed the SCOPE- Standing Conference of Public Enterprises which is an apex professional organization representing the Central Government Public Enterprises. It has also some State Enterprises, Banks and other Institutions as its members.
14. Addressed the National Academy of Audit and Accounts (NAAA)
15. Addressed Congress of Fiji Institute of Chartered Accountants

## **My contribution to Government and Global level**

1. Member of International Federation of Accountants – professional accountants in business committee - 2001-2004
2. Addressed twice international annual seminar of Institute of Internal auditors
3. Addressed international seminar of association of certified fraud examiners

4. Addressed international seminar of ISACA
5. Gave training to official of Comptroller and Auditor General, Central Bureau of Investigations, officials of various ministries
6. Addressed to almost all training forums of Government of India
7. Visited 90% branches of ICAI and addressed students and members
8. Member of IFRS foundation - small and medium enterprises implementation group - 2018 to 2020
9. On board of SBI mutual fund, BOI Mutual fund
10. Member of Standards board of ICAI, ICSI & ICAI
11. Addressed Reserve Bank of India officials and officers of many private and public sector banks

### **Positions held in Past**

1. INSOL India National Committee for Regional Affairs
2. International Financial Reporting Standards (IFRS) Foundation SME Group
3. CAG Advisory Committee
4. Quality Review Board, Government of India
5. International Member of Professional Accountants in Business Committee (PAIB) of International Federation of Accountants (IFAC) from 2001 to 2004
6. Member of Inspection Panel of Reserve Bank of India
7. Member of J.J. Irani committee (which drafted Companies Bill 2008)
8. Member of Working Group of Competition Commission of India, National Housing Bank, NABARD, RBI, CBI etc.
9. President - Association of Indian Investors (A Section 8 Company)
10. Visiting Lecturer at S.P. Jain Institute of Management, Intensive Coaching Classes for Inter & Final CA organized by WIRC of ICAI.
11. Hon. Consultant to Bombay Industries Association and many trade bodies.
12. Faculty member for Entrepreneurship Development Programme of Ministry of Industrial Development, Government of India
13. Lecturer at Intensive Coaching Classes conducted by Institute of Chartered Accountants of India for Intermediate & Final C.A. students.
14. Faculty at Direct Taxes Regional Training Institute of CBDT, SFO, CBI and many regulators and banking institutions



15. Hon. Sec. of Western India Regional Council of Institute of Chartered Accountants of India in 1991-92 and Chairman of WIRC in 1997-98.
16. Hon. Sec. of All-India Importers & Exporters Association.
17. President of Rotary Club of Bombay Sea Pearl.
18. Hon. Sec. of All India Manufacturers' Organisation.
19. Hon. Sec. of Western India Chamber of Commerce

### **Academic Achievements**

1. Graduated from Sydenham College of Commerce & Economics & was adjudged Best Student of College, winner of many Scholarships including most coveted award of the college 'Jeejeebhoy Cup for Proficiency & Character'
2. Secured Fifth Rank in Bombay University in April, 1980.
3. Received Gold Medal for highest marks in Accountancy & Auditing in B.Com. Examination.
4. Secured First Rank in Inter CA in November, 1981.
5. Received G. P. Kapadia prize for the best student of the year 1981.
6. Secured Sixth Rank in Final CA in May, 1983.
7. Secured Third Rank in Final I.C.W.A in December, 1983.

### **Awards and Accolades**

1. Recipient of Samajratna Award by Government of Rajasthan.
2. "Rajasthan Shree" by Rajasthan Udgosh, a noted Social Organization of Rajasthan
3. Winner of Rifacimento International award for Asia's Who's Who of Men and Women of achievement. My bio data is published in Reference Asia.
4. State Trainer by the Indian Junior Chamber
5. Winner of National Book Honors Award, 2018

# Some Other Publications Authored by CA (Dr.) Rajkumar Adukia

## HOW TO BECOME SUPER SUCCESSFUL BY EXPLORING UNLIMITED OPPORTUNITIES

**[Become Professional (Traditional) Non-Traditional areas, Thought Leader, Entrepreneur, CEO]**

**Mr. Rishabh Adukia**  
Chief Advisor

**CA, (Dr.) Rajkumar Adukia**  
FCA, FIC, FCMA, LL.B., LL.M (Constitution), MBA, B. Com (Hons.), M. Com, Dip. CE, IPFR (S&P), CE (Investing), MBA, Cyber Law, D.L.L.M., Mutual Fund Certification and Financial Services, Ph.D. (Medicine), IPFR (S&P), NEFT certificate courses 20 plus, self development courses 75 plus, Student of MA (Psychology), MA (Economics), PGD CSR, PGD Crime Investigation, IBSB  
 (RV) \*\*\*\*\*  
 Chairman: The Institute of Chartered Accountants of India Committee on Members in Entrepreneurship and Public Service Group Member CA 1986-2016 & 2022 onwards | IIR 800000100  
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**CA, (Dr.) Rajkumar Adukia**  
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Author of more than 300 books & Global business, professional growth and motivational coach

Member ICAI-IPFR committee 2001-2004, Member IPFR S&P5 London 2016-2020, Supervisor - IBSB mutual fund, IBSB mutual fund, global mediator and international arbitrator, B. Com (Hons.), M. Com, FCA, FIC, FCMA, LL.B., LL.M (Constitution), Dip. CE, MBA, Dip. IPFR (S&P), D.L.L.M., Dip. IPFR (S&P), C. Com (Hons.), Ph.D. (Medicine), IPFR (S&P), NEFT certificate courses 20 plus, self development courses 75 plus, Student of MA (Psychology), MA (Economics), PGD CSR, PGD Crime Investigation IBSB (RV) \*\*\*\*\*

Ranked ALL INDIA 1st in Inter CA, 6th in CA Final, 3rd in CMA Final, 5th in Mumbai University \*\*\*  
 Chairman - Institute of CA 1997, Council Member CA 1998-2016 & 2022-23  
 Main: 98200 61046, Email: [rjkumar@caadrkumaradukia.com](mailto:rjkumar@caadrkumaradukia.com)  
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Author of more than 300 books & Global Business, Professional Growth and Motivational Coach. Passionate to make everyone Smarter, Wealthy, Acquiring New Knowledge, Professional Qualifications, Growth in Business & Personal Life. Chairman: The Institute of Chartered Accountants of India Committee on Members in Entrepreneurship and Public Service Group Member CA 1986-2016 & 2022 onwards | IIR 80000100  
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Chairman: The Institute of Chartered Accountants of India Committee on Members in Entrepreneurship and Public Service Group Member CA 1986-2016 & 2022 onwards | IIR 80000100  
 Main: 98200 61046, Email: [rjkumar@caadrkumaradukia.com](mailto:rjkumar@caadrkumaradukia.com)  
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# Author's Profile

**CA (Dr.) Rajkumar S Adukia**

Author of more than 350 books & Global business, Professional Growth and Motivational Coach, NLP Master Practitioner, Thought Leader

Passionate to make anyone Global Speaker, Writer, Entrepreneur, Global Practitioner, Acquiring New Knowledge, Professional Qualifications, Growth in Business & Promotion As CEO.

## My Profile:

### Educational Qualification

- ❶ Educational Qualification - B. Com (Hons), M. Com, FCA, FCS, FCMA, LL. B, LL.M, Ph. D, MBA, Dip CG, Dip IFRS (UK), DLL&LW, Dip IPR, Dip in Criminology, Mediation, IP(IBBI), MBF, Dip HRD, Dip Cyber Law
- ❷ All India Ranks - AIR 1st Rank in CA-Inter; AIR 6th Rank in CA-Final; AIR 3rd Rank in CMA-Final, AIR 5th Rank in Mumbai University
- ❸ 20+ Certificate courses; 75+ Self Development Courses
- ❹ Ex-director - SBI Mutual Fund, BOI Mutual Fund
- ❺ ICAI Central Council Member 1998-2016 and 2022-2025

CA (Dr.) Adukia left no stone unturned during his career spanning more than 40 years. He is ever enthusiastic and passionate to mentor, guide and assist in matters of professional growth, self-development and goal fulfillment. He is renowned for his competency in identifying new professional opportunities and accelerating professional growth. His education, skill-set, experience, networking aptitude and a positive go-getter mindset make him a sought after professional. Having addressed more than 100 International Conferences, he has shared his vast experience through training, workshops & professional services with banks, financial institutions, corporate, Government departments and Regulators.