

CORPORATE GOVERNANCE GOLDMINE FOR PROFESSIONAL SERVICES

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THINK AND GROW RICH IN 13 STEPS

@FREELIONAIRE

1. BURNING DESIRE
YOU HAVE TO WANT IT



2. ABSOLUTE FAITH
BELIEVE THAT YOU CAN
ACHIEVE YOUR GOAL



3. AUTO-SUGGESTION
USE AFFIRMATIONS TO
REACH YOUR GOAL



4. SPECIALIZED KNOWLEDGE
GAIN EXPERIENCES AND
CONTINUE LEARNING



5. IMAGINATION
COME UP WITH IDEAS
AND VISUALIZE YOUR
SUCCESS



6. ORGANIZED PLANNING
TAKE ACTION



7. DECISION
DEFEAT PROCRASTINATION
WITH DECISIVENESS



8. PERSISTENCE
DON'T STOP UNTIL YOU
GET WHAT YOU WANT



**9. POWER OF THE
MASTER MIND**
SURROUND YOURSELF
WITH THE BEST



**10. THE MYSTERY OF
SEX TRANSMUTATION**
CHOOSE A COMPATIBLE
PARTNER



11. THE SUBCONSCIOUS MIND
MASTER POSITIVITY AND
DISMISS NEGATIVE EMOTIONS



12. THE BRAIN
ASSOCIATE WITH OTHER
SMART PEOPLE AND
LEARN FROM THEM



13. THE SIXTH SENSE
TRUST YOUR GUT



PARETO PRINCIPLE



80%
RESULTS



20%
RESULTS



TONY BUZAN'S MIND MAPPING TECHNIQUES TO REMEMBER FAST



The
expert in
anything
was
once a
beginner.

List of services in the world of corporate governance

1. Independent Director - industry segment wise - mutual funds/ NBFC / Co-operative societies / insurance co's / PSUs / banks / pension funds etc.
2. Risk Management
3. Internal control
4. Board Members Training
5. Board Performance Evaluation
6. Making Governance Framework
7. Setting up ethical framework at different level
8. Evaluation of board & board members
9. Vigil Mechanism
10. Compliance of the Prevention of Corruption Act ,1988
11. Minority Shareholders Rights Protection - their representative on board and advisor to their forum

List of services in the world of corporate governance

12. Advisor to Audit Committee / Chairman / Members

13. Sustainability / Integrated Reporting Advisor

14. Advisor to Regulators for Governance Framework

15. Advisor to Institutional Investors - Stewardship Code

16. UN 17 SUSTAINABLE DEVELOPMENT GOALS SDGS TO BE ACHIEVED BY 2030

17. Legal Compliance Audit

18. CSR Project Management / Policy / law Compliances

19. Governance Ratings / Evaluation / Bench Markings

List of services in the world of corporate governance

20. Business Sustainability Audit

21. Corporate Governance Audit

22. Performance Evaluation Audit

23. Internal Control Effectiveness Audit

24. Sustainability Audit

25. CSR Audit

26. Economic Offences Compliance Audit

27. Sector specialization like insurance , banking , pension funds etc.

28. Project as world leader 1 in corporate governance

Ignite your unlimited goals without any boundary

- Having knowledge and expertise is one thing and sharing them among fellow aspirants is another thing.
- When you share your knowledge it helps to deepen your knowledge and engrains what you know
- The legendary Greek Philosopher “Aristotle” once said- “Man is by very nature a social animal; Society is something that precedes the individual.”

Use of powerful tools - social media - reach out to society who needs our services without cost

- If we know something it becomes our duty to reach out as success is not just about achieving your goal but to inspire others.
- We are blessed to be born in the internet age where we can meet 1000s of people on a single digital platform.
- It helps us to reach out to society that needs our services.

SOCIAL NETWORKING PLATFORMS

- Facebook - <https://www.facebook.com/>
- Instagram - <https://www.instagram.com/>
- LinkedIn - <https://in.linkedin.com/>
- Pinterest - <https://www.pinterest.ca/>
- Snapchat - <https://www.snapchat.com/>
- Twitter - <https://twitter.com/explore>
- WhatsApp - <https://www.whatsapp.com/>
- You Tube - <https://www.youtube.com/>
- Google my buisness
- E-books

LET US DO OUR DUTY TO SHARE WHAT WE KNOW WITH SOCIETY

- No code of ethics of any profession Debars knowledge sharing
- You may be a legal professional, or a doctor, or a sports person. A doctor will share his health tips, a sportsperson may share his fitness tips and a lawyer may share his knowledge for general legal awareness
- Become member and addressing community which needs our services like state and national chambers of commerce ,community forums like rotary , Jaycees etc
- The Facebook group can join 6000 groups, similarly, a person can send over 2000 emails daily, and professional expertise tools such as linked in allows you to be part of 100s of the group.

Be A Leader- Stand Up – Be Vocal About What You Have To Offer

Podcast power

- Although there are lots of tools available across the internet for knowledge sharing, audio content is more digestible and absorbable, than is possible through the podcast
- Consultant, Advisors, Motivational coach, experts-podcast allows such professionals who have the desire to motivate others and possess valuable knowledge and expertise that they can share with society

UNEXPLORED SECTORS OF CONSULTANCY

1. how to earn online income from specialized knowledge and very successful professional / consultancy / training / capacity building / knowledge is money / additional skills / diplomas of professional bodies
2. how to write global best selling book on professional , hobby subjects , self development in 7 days
3. Independent director (including woman director) & corporate governance
4. Arbitration , Mediation , Conciliation
5. Internal Control & Risk Management
6. A to Z of MSME , Non MSME , Startups
7. Recovery mechanism guidance Insolvency , SARFAESI , criminal actions , tort etc
8. Labour laws compliances
9. preparation for valuation exam and valuers
10. forensic investigations general and also under IBC , NPA , disputes
11. preparation for IP exam
12. business tribunal practice - 30 plus tribunals
13. drafting of business and other documents

UNEXPLORED SECTORS OF CONSULTANCY

14. RERA and Real Estate Practice including specialization in registration of documents and stamping of documents
15. IPR advisory services
16. financial crimes and laws like PMLA , Benami , black money fugitive offenders act
17. cooperative sector opportunities
18. non profit organization , trust , section 8 companies , societies
19. CSR & sustainability reporting
20. will , financial planning , power of attorney etc
21. atmanirbhar Bharat projects
22. Hindu laws , family laws
23. insolvency & bankruptcy
24. mergers & amalgamations
25. NBFC , chit funds
26. Information technology , private data protection
27. enhancing global trade / services /FEMA
28. how to be best speaker for professional and soft skill subjects
29. MOTIVATIONAL TOPICS like time management / how to be charged 100% / emotion management / stress management / time management / how to have 96 hours in a day

UNEXPLORED SECTORS OF CONSULTANCY

- 30. social media use consultancy
- 31. subsidies schemes of states
- 32. MSME finance and schemes
- 33. how to be no 1 in world in your passionate area
- 34. compliance & importance of auditing standards - peer review / disciplinary mechanism / regulator enquiry
- 35. coaching to students CA , CS, CMA, law
- 36. finance for non finance executives
- 37. Startups FDI Advisory
- 38. virtual legal counsel / CFO /

“Transforming INDIA by Transforming Profession”

- Being adherent of sharing knowledge and using our expertise for the benefit of society at large
- I urge you all students, professionals to contribute our services in all levels of economic activities and take the nation's economy to new heights.

MY PASSION

- ❖ I am very passionate from the time of beginning of my professional practice and been vocal about expanding our professional reach to serve better
- MENTORING FOR PERSONAL & PROFESSIONAL GROWTH, WRITING BOOKS, BECOMING SPEAKERS
- MENTORING MEMBER, PARTNERS & TEAM MEMBERS
- MENTORING STUDENTS & YOUR OFFICE TEAM MEMBERS
- To motivate everyone
 - **To acquire new qualifications**
 - **To become entrepreneur**
 - **To learn one's passion**
 - **To acquire ones' goal**
 - **To write books**
 - **To become speakers**
 - **To become CEO**

CORPORATE GOVERNANCE

BASIC FUNDAS' OF CORPORATE GOVERNANCE

- ❑ It is myth that the corporate governance is good management of company,
- ❑ certainly it is not, as it applies to every form of organization
- ❑ whether a Limited Liability Partnership, Family Trust, Partnership, Cooperatives, Charitable Organization, NGO etc
- ❑ Governance – can be good or bad
- ❑ Corporate governance means – best management of an organization

Why Corporate Governance



- Better access to external finance.
- Improve Company performance and sustainability.
- Higher firm valuation and share performance.
- Reduced risk of corporate crisis and scandals like Satyam, Harshad Mehta's Securities Scams, MF scam, NBFC scam and international giant scams like Enron, World Com, etc.

Framework of corporate governance

1. Board of directors- mixed gender, independent women,
2. Committees – remuneration, CSR, audit, nomination, stakeholders relationship
3. Internal control framework
4. Risk management framework
5. Internal audit, statutory audit
6. Evaluation of board functioning
7. Whistle blower policy
8. Transparency and exchange of information

Independent director



CORPORATE GOVERNANCE PROFESSIONAL

- ❑ Corporate governance directly align to the success of organization
 - ❑ Recognizing the importance of same many are in requirement of having someone responsible for it within their organization
- Who will
1. Identify what and advising why certain corporate governance best practices should be adopted by the organization
 2. Implement within the organization best practices through the creation and maintenance of cultures and relationships
 3. Facilitate communication between board members, the board and management, the chairman and the chief executive officer, the company and its shareholders, and the company and its stakeholders

Strong Emotional Intelligence Skills Required By Professionals In Corporate Governance

- ❑ Whatever the qualifications of the person chosen for the position, it is important that, the individual has.
- ✓ Respectful, diplomatic, and effective communication
- ✓ Active listening
- ✓ Bringing issues to the surface, especially those relating to reputational risk
- ✓ Describing common concerns and interests
- ✓ Generating alternative solutions
- ✓ Respecting confidences
- ✓ Appreciation for all parties
- ✓ Disagreeing constructively
- ✓ Emphasizing commercially minded approaches

The Golden Rules of Corporate Governance



Ethics Above Everything



Align Our Business Goals



Perform Strategic Management



Organize Regularly



Report Honestly



How To Build Good Corporate Governance?

- Rights and equitable treatment of shareholders
- Interests of other stakeholders
- Role and responsibilities of the board
- Integrity and ethical behavior
- Disclosure and transparency
- Mechanisms and controls
- Bureaucratic layers
- Board of directors composition and internal governance
- Public reporting
- Board leadership
- Management succession planning
- Management compensation
- Asset manager's role in corporate governance
- Accountability
- Responsibility
- Independency
- Fairness

Best Practices Of Good Corporate Governance

- A clear strategy
- Effective risk management
- Discipline
- Fairness
- Transparency and accountability
- Social responsibility
- An ethical approach
- Balanced objectives
- Each party playing its part
- A fair and balanced decision-making process
- Equal concern
- Legal and regulatory requirements accounted for

INTERNATIONAL PERSPECTIVE ON CORPORATE GOVERNANCE

- **History of Corporate Governance at world level**
- The CG practices traced to 17th century – **dutch republic**
- Corporate governance dispute 1609 b/w shareholders/investor and **Dutch East India Company** – also 1st public listed company of world

□ The Adrian Cadbury Committee Report (1992)- UK

- In 1991 – committee was set up by The Financial Reporting Council <https://www.frc.org.uk/> , London Stock Exchange and the <https://www.londonstockexchange.com/> professional accountancy institutions (6 CA bodies are there <https://www.frc.org.uk/auditors/professional-oversight/oversight-of-the-accountancy-profession>)

Highlight of report

- Role of Board of Directors
- Role of Non-Executive Directors
- Executive Director and their remuneration
- Financial Reporting and Financial Control

□ The Richard Greenbury Committee Report (1995)

- Directors Remuneration – chairman Sir Richard Greenbury- (31 July 1936 – 27 September 2017)- chief executive & chairman of **Marks and Spencer Group plc (1998 to 1999)**
- By the confederation of British Industry <https://www.cbi.org.uk/>
- Est in 1994 , report Published on 17th July 1995
- Nature- voluntary – self regulation would suffice to correct things

Highlight of report

- The Remuneration Committee
- Disclosure and Approval Provisions
- Remuneration Policy
- Service contract and compensation

□ The Hampel Committee on Corporate Governance (1998)

- Chairman **Sir Ronald Hampel**- (chairman and managing director of Imperial Chemical Industry)
- It was formed in November 1995 by FRC , LSE, CBI <https://www.cbi.org.uk/>, Institute of Directors <https://www.iod.com/>
- to assess the progress of implementation of Cadbury and Greenbury recommendations

Some of the important recommendations are as below:

- Narrative statement of how the company has applied the broad principles of corporate governance.
- Board should include balance of executive directors and non-executive directors.
- The majority of non-executive directors should be independent
- The board should present a balanced and understandable assessment of the company's position and prospects.
- The external auditor should independently report to shareholders in accordance with statutory and professional requirements.
- The auditors should have dual responsibility i.e. Public Reporting on the statutory financial statements to shareholders and private reporting to directors on operational matters.
- The requirements on directors to include a going concern statement in the annual report should be retained.

□ The combined code (1998)

- Report released in June 1998 titled “The Combined Code: Principles of Good Governance and Code of Best Practice – 1998
- appended to the listing rules of the London Stock Exchange
- **Requirement of disclosure by listed companies in two parts**
 - ◆ **1st** it required to report on how it has applied the principles of the combined code.
 - ◆ **2nd** the company would be required to confirm that it has complied with the code provisions and if not then has to provide explanation for non-compliances

□ The Blue Ribbon Committee Report (1999) (US)

- Set up by the Securities and Exchange Commission (SEC) <https://www.sec.gov/> , the New York Stock Exchange (NYSE) <https://www.nyse.com/index> and the National Association of Securities Dealers (NASD) <https://www.nasdaq.com/glossary/n/national-association-of-securities-dealers>
- leaders : NYSE CHAIR- Richard Grasso, NASD CHAIR- Frank Zarb, & BLUE RIBBON PANEL CO-CHAIRS- Ira Millstein & John Whitehead

Recommendations in nutshell

- Audit committee members should be financially literate having accounting and financial management related knowledge.
- Audit committee should adopt a former written charter and should review and reassess it on annual basis.
- Audit committee should enjoy the full authority of carrying out discussion with the auditors.
- All reporting companies to include a letter from the audit committee in the company's annual report

❑ Internal Control: Guidance for Directors on the Combined Code (Turnbull Report) – 1999

- For listed companies
- Chaired by Nigel Turbull – The Rank Group Plc
<https://www.rank.com/en/index.html>

Recommendations

- directors detail exactly what their internal control system consisted of, regularly review its effectiveness, issue annual statements on the mechanisms in place, and, if there is no internal audit system in place, to at least regularly review the need for one.

□ The Higgs report 2003

- Derek *Higgs* (3 April 1944 – 28 April 2008)- merchant banker
- Commissioned by UK govt to review role of IDs and audit committees
- Report recommendation released as [Good Practice Suggestions from the Higgs Report](#)

Prime suggestion:

- at least half of a board (excluding the Chair) be comprised of non-executive directors;
- that those non-executives should meet at least once a year in isolation to discuss company performance (a move away from the clear preference for unitary board structures displayed elsewhere);
- that a senior independent director be nominated and made available for shareholders to express any concerns to; and
- that potential non-executive directors should satisfy themselves that they possess the knowledge, experience, skills and time to carry out their duties with due diligence.

□ The Walker Report (2009)

- Sir David Walker (b. 31 December 1939) - British banker and former chairman of [Barclays](#)- a british multinational universal bank (est 1690 in london, UK)
- Commission by UK PM in Feb 2009
- Titled - A Review of Corporate Governance in UK Banks and Other Financial Industry Entities

Key suggestion

- greater dedicated non-executive directorial focus on risk management is required, supported by a dedicated Chief Risk Officer;
- active engagement remains a responsibility of shareholders and, in the case of mutual funds, a commitment to a Stewardship Code;

Corporate Governance- United Kingdom

- Similar to the United States (the Anglo- Saxon model”)
- Governance standards are recommended in “U.K. Corporate Governance Code”
 - a. Separation of Chairman & CEO roles
 - b. Senior Independent director
 - c. Independent Board and committees.
 - d. Board, directors and committees subject to an annual review.
 - e. Emphasis on transparency of procedures and decisions.
 - f. Maintain sound internal controls.
- Companies required to disclose reason for non- compliance with these standards (“comply or explain” approach).

Corporate Governance- United States

- Large and liquid capital markets, active market for corporate control.
- Investors interest protected by the Securities and Exchange Commission.
- Accounting Standards defined by professional body(FASB).
- Governance standards established by
 - a. Exchange listing (New York Stock Exchange(NYSE), National Association of Securities Dealers Automated Quotations(NASDAQ)).
 - b. Legislation (Sarbanes Oxley, Dodd Frank.
 - Mostly Share holder centric.

INDIAN PERSPECTIVE

□ **The Working group on the Company's Act, 1956 – (est August 1996)**

- No chairman, although lead by Dr K.R. Chandratre (then President of ICSI) along with 7 other member
- **Recommendations: financial & non financial disclosure-** submitted in february,1997
- **Financial disclosure:** Remuneration of the directors , group resources, foreign holding of the company , funding raised by issuing the shares and debentures of company and the ultimate end use of the such funding separately
- **Non-financial disclosure-** relatives of directors disclose separately in directors report , Details of loan and advances to the directors and The compliance certificate and secretarial requirement under the companies act

□The CII Code (1998)

- The Confederation of Indian Industry: India's largest industry and business association
- Report titled “**Desirable Corporate Governance: A Code**”- prepared in 1997 and published in 1998

Required disclosures as per code:

- To provide details **about issue of Global Depository Receipt**
- To provide details **about the follow up of the Generally Accepted Accounting Principles with transparent accounting system.**
- Details of **monthly averages of share prices** at all stock exchanges where the companies listed for the reporting year.
- Value added statement **disclosing total income.**
- **Cost of all inputs and all administrative expenses.**
- Details of debt performance interest cost, State of receivable and foreign exchange risks and exposure.

□The Kumar Manglam Birla Committee Report (1999)

- Kumar Manglam Birla- (born 14th june 1967) chairman of Aditya Birla Group- A billionaire industrialist
- Both mandatory and voluntary recommendations were made by the committee.
- Such as holding minimum four board meetings a year, 50% of board should be non-executive, Audit committee chairman must be non-executive and in audit committee meetings three members form quorum.

disclosures such as

- consolidated accounts of subsidiary,
- segment reporting,
- related party transactions,
- Environmental and Social Reporting and formation of investors grievances committee.

□ Clause 49 & its Origin

- “Clause 49” refers to clause number 49 of the Listing Agreement between a company and the stock exchanges on which it is listed including the NSE & BSE.
- First introduced in year 2000-01 based on recommendation of Kumar Mangalam Birla Committee.
- After 2 years for improving existing practices, set up a committee under chairmanship of Mr. Narayan Murthy during 2002-2003.
- After holding 3 meetings Committee had submitted draft recommendation on corporate governance norms.
- SEBI accepted recommendation in August 2003.
- Publish on SEBI website on 15th August 2003 for public comment.
- 29th October, 2004 SEBI implemented for the financial year 2005-2006.

□ The Godbole Committee (2001)

- Madhav Godbole (b. August 15, 1936) - Former union Home Secretary (b/w 4th October 1991 – 23rd March 1993)
- Task: good governance guidelines to government
- Provide 190 recommendations
- compulsory retirement of Government officials and
- enacting a law on fiscal responsibility,
- budget management etc.
- review of subsidies

□The Naresh Chandra Committee (2002)

- Mr. Naresh Chandra (1 August 1934 – 9 July 2017) cabinet secretary of India (11 December 1990 – 31 July 1992_)
- appointed in 21st August 2002 by the Department of Company Affairs (DCA) under the ministry of Finance and Company Affairs

The recommendations were:

- Certification by CEO and CFO
- Setting up of the internal control System
- Role, Remuneration and training of Independent Directors.

□ Dr. Ganguly Committee (2002)

- chairman Dr **Ashok Shekar Ganguly** (B. 28th July 1935) – noted industry expert & former chairman of Hindustan lever & Member of RS (till 2015)
- The committee also known as the working group of directors of Banks and financial institutions
- It recommended formation further committees in addition to nomination committee
 1. The audit committee
 2. The shareholders' redressal committee,
 3. The supervisory committee and
 4. The risk management committee

□ The N. R. Narayan Murthy Committee Report (2004)

- set up by SEBI
- chairman- Mr. N. R. Narayan Murthy (born 20 August 1946)- Infosys
- recommendations submitted in february 2003:
- Audit Committee, Audit Report, Audit qualifications, Related Party transactions, Risk Management, code of conduct, Nominee Director, Independent Directors, Compensation of Non-Executive Directors, Whistle Blower Policy, Subsidiary Companies, Evaluation of Board performance, Analyst reports and
- also consider points covered by Naresh Chandra Committee.

□ Dr. J. J. Irani Committee (2004)

- chairman- Dr. Jamshed Jiji Irani (2 June 1936) – former TATA steel MD (retired in 2007)
- expert committee set up on 2nd December 2004
- companies bill 2008 introduced
- bill lapsed due to dissolution of loksabha
- although it was presented in 2009
- **recommendation-** single framework of governance provisions for all companies , tenure of ID, related party transactions

❑ **The Corporate Governance Voluntary Guidelines (2009)**

- It was triggered by satyam computer services scandal – 2009. Satyam computer services – IT service company based in Hyderabad chairman Byrraju Ramalinga Raju- scam triggered on falsification of company's account
- CII task force released recommendation
- In 2009 MCA published voluntary guidelines
- That include independence of the BOD, the responsibilities of the board, secretarial audits and mechanism to encourage and protect whistle blowing

□ The companies Act, 2013

- Major structural shifts
- New company act introduced

Composition: chapters XXIX, Sections: 470, Schedules: VII

- Schedule IV: code for Independent Director
- Chapter IX Accounts of Companies
- Section 135 – Corporate Social Responsibility,
- Section 149- Board of Director: Significant changes in the composition of the Board of Directors- Resident Directors, Independent Directors, Women Directors.
- Section 177- Audit Committee ,
- Section 178- Nomination and Remuneration Committee and Stakeholders Relationship Committee,
- Section 134- Financial statement, Board's report, etc,
- Section 138- Internal Audit,
- Section 447- Punishment for fraud

Composition of the Board of Directors



- Every Public Company shall have minimum three directors, private company shall have two directors and one-person company shall have one director.
- In case of more than 15 directors to be appointed, then only after passing Special Resolution.
- At least one women Director.

Classes of Directors under the Companies Act, 2013.

1. Resident Directors:[Section 149 (3)]

Person who has stayed in India for a total period of not less than 182 days in the previous calendar year.

2. Independent Directors: [Section 149(4)]& (6) of CA-2013 and R.4 of the Companies (Appointment and Qualification of Directors)Rules , 2014)

- Public listed company: At least **one third of the board** to be comprised of independent directors.
- **At least two independent directors** for public companies which have paid up share capital of Rupees 10 crore or more, a turnover of Rupees 100 crore or more having in the aggregate, outstanding loans, debentures and deposits exceeding Rupees. 50 crore or more.(R.4)
- An independent director **shall possess** appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business. (R.5)

3. Women Directors:[Section 149 (1) & R. 3): At least **one Women Director** for all Listed Companies and Non- Listed public companies having paid up share capital of Rs. 100 Crore or more or having turnover of Rs. 300 Crores or more. (Eg. Nita Ambani for Reliance Industries, Kiran Shaw for Infosys)

Different types of directors

- Whole time directors
- Part time directors
- Executive directors
- Non executive directors
- Independent directors
- Dependent directors
- Additional directors
- Nominee directors
- Women directors
- Sleeping directors
- Pseudo directors

Maximum tenure of Independent Directors.

- For a term up to 5 consecutive years and shall be eligible for reappointment for another term of up to 5 consecutive years on passing of a special resolution by the company.
- Any tenure of the Independent Directors on the date of commencement of the Act not to be counted.

Cooling period for appointment of an Independent Director.

- An independent director, who completes his term shall be eligible for appointment as independent director in the company only after the expiration of 3 years of ceasing to be an independent director in the company.

Duties and Liabilities of Independent Directors

- Section 166 of the Companies Act, 2013
- Schedule IV to the Companies Act, 2013
- Section 149(12) of the Companies Act, 2013
- Listing Regulations, 2015
- The Identification Principles
- Vicarious Liability
- Board Process
- Consent or Connivance

SKILLS OF INDEPENDENT DIRECTOR

1. Industry knowledge
2. Financial knowledge
3. Laws of particular industry
4. Global and national business happenings
5. Sustainability
6. Internal control
7. Risk management

SUCCESS MANTRA FOR INDEPENDENT DIRECTOR

1. Write left, right , Centre to all corporate governance institutes , 51 + ministries, CPSEs, SPSEs, MNCs, listed companies , Stock exchanges , all RDs etc. all regulators for ID , services in CG
2. Write book
3. Use extensive social media
4. Write articles
5. Be bullish

Powers of the Board-(Section 179 of the Companies Act, 2013).

- To make calls on shareholders on unpaid due on shares, authorize buy-back of securities, issue of shares including debentures.
- To invest funds in the company.
- To borrow monies.
- To approve financial statement and Board's Report.
- To appoint or remove KMPs, internal auditors and secretarial auditors.
- To approve mergers, amalgamation or reconstruction.
- To make political contributions.
- To diversify the business.

Constitution of a number of Committees

1. Audit Committee

- Both private and public company have to constitute audit Committee. With minimum three independent directors on the board along with the chairperson who should be able to read and understand the financial statement. (Section 177 of CA, 2013).

All listed and following class of companies should have Audit Committee (Rule 6 of Companies (Meetings of Board and its powers) Rules, 2014.)

- a. All Public companies with a paid-up capital of Rs. 10 Crores or more;
- b. All public companies having turnover of Rs. 100 Crores or more.

❑ **Internal Audit** (S.138 of the Companies Act, 2013 R.13 of the Companies (Accounts) Rules, 2014]

These companies include:

- All the listed companies,
- All the non-listed companies having paid up share capital of Rs. 50 crores or more, turnover of Rs. 200 crores or more in the preceding financial year, outstanding loans or borrowings from the banks or public financial institution of Rs. 100 crores or more.

Nomination & Remuneration Committee - (S.178(1) of the Companies Act, 2013 and R.6 of the Companies (Meetings of Board and its Powers) Rules, 2014. the Companies (Meetings of Board and its Powers), Rules 2014.

Every listed Company and following class of the companies shall have NRC:

The Public company

- a. Having paid-up capital of Rs. 100 crores or more; or
- b. Which have, in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs. 50 Crores.

The NRC shall

- Identify persons who are qualified to become directors and who may appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal.
- And shall carry out evaluation of every director's performance

□ Stakeholder Relationship Committee (s.178 (5) & (6) of the Companies Act,2013).

- The Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a **SRC** consisting of a chairperson who shall be a non- executive director and such other members as may be decided by the Board.
- The SRC shall consider and resolve the grievances of security holders of the company.

❑ **Corporate Social Responsibility Committee: (S.135(1) of the Companies Act,2013).**

Every company having

- Net worth of rupees five hundred crore or more, or
- Turnover of rupees one thousand crore or more, or

During any financial year shall constitute a **CSR Committee** of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

The Committee shall:

- a) Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII.
- b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- c) Monitor the CSR policy of the company from time to time.

❑ **Serious Fraud Investigation Office.**

- Section 211(1) of the CA, 2013, the Central Government shall establish an office called the Serious Fraud Investigation office to investigate fraud relating to Company SFIO can investigate the affairs of the company (S.212):
 - a. On receipt of a report of the Registrar or inspector under section 208 where further investigation into the affairs of the company is necessary;
 - b. On intimation of a special resolution passed by a company that its affairs are required to be investigated;
 - c. In the public interest; or
 - d. On request from any Department of the Central Government or a State Government.

□ Compliance Report

- The 2013 Act has made the requirement of compliance by stipulating a mandatory requirement of positive affirmation from the Directors as part of the Directors responsibility statement under section 134. The Report should state that directors have devised proper system to ensure compliance with the applicable laws and that such systems are operating effectively.
- Section 205 of the Act requires the Company Secretary to provide a report to the board about compliance with the provisions of this Act, the rules made there under and other laws applicable to the company.

❑ **The Securities and Exchange Board of INDIA (Listing Obligations and Disclosures Requirements Regulations),2015 (LODR)**

- Notified on 2nd September 2015
- Came into force 90 days – 1st December 2015
- **Regulation 27 (2)** specifies the formats for compliance Report on corporate governance for each quarter, at the end of the financial year and within six months from end of financial year
- In addition to this , secretarial Audit Report prepared under sec 204 of the companies Act 2013

To whom is LODR Regulations, 2015 applicable?

- Specified securities listed on Main Board, SME platform and Institutional Trading Platform.
- Non-convertible debt securities.
- Non-convertible redeemable preference shares.
- Indian Depository Receipts.
- Perpetual non-cumulative preference shares.
- Perpetual debt instruments.
- Securitized Debt Instruments.
- Units issued by Mutual Funds.
- Any other securities as may be specified by SEBI.

STEWARDSHIP

International position

- **UK** The Stewardship Code - first in 2010 later updated in 2019
- Aim to enhance quality engagement b/w investors and company resulting in long term adjustment to shareholders
- institutional investors expected to follow – voluntary
- code applies to asset owners and asset managers, and for service providers that support them
- **Compliance by institutional investors**
 - Publish a statement on their website stating they have complied with code
 - Notifying the FRC - <https://www.frc.org.uk/> who is responsible to publish the code
 - Giving contact details of the individual in the compliance statement who can be contacted for further information and by those interested in collective engagement.

The Stewardship Code 2020

principles for asset owners & managers

- Purpose and governance
- Investment approach
- Engagement
- Exercising rights and responsibilities

principles for service providers

- Purpose strategy and cultures
- Governance resource and incentives
- Conflicts of interest
- Promoting well-functioning market
- Supporting clients stewardship
- Review and assurance

INDIAN STEWARDSHIP CONCEPT

Stewardship Code for all Mutual Funds and all categories of AIFs, in relation to their investment in listed equities- by SEBI 24th December 2019 u/s 11 of SEBI Act 1992 r. w. regulation 77 of SEBI (MF) Regulations 1996 and Regulation 36 SEBI (AIF) Regulations 2012

- Nature – mandatory
- To keep up with global trend
- relies upon the UK Stewardship Code (“**UK Code**”), which follows the ‘comply or explain’ approach.
- The idea 1st mooted in fifth meeting of the International Advisory Board (1 and 2nd may 2015)
- Reiterated by Uday [Kotak Committee on Corporate Governance](#)- 5th october 2017
- Cast obligation/responsibility to protect the interests of their investors/beneficiaries
- Effective from 1st april 2020

Other framework

- ❑ **THE GUIDELINES ON STEWARDSHIP CODE FOR INSURERS IN INDIA 2017** 20th March 2017
- ❑ **THE PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY COMMON STEWARDSHIP CODE 2018** Vide circular PFRDA/2018/01/PF/01 dated 4th May, 2018
- ❑ **THE NBFCs– CORPORATE GOVERNANCE (RESERVE BANK) DIRECTIONS, 2015-** for every non-deposit accepting, Non-Banking Financial Company with asset size of Rs.500 crore and above as per its last audited balance sheet, and all deposit accepting Non-Banking Financial Companies (NBFCs-D), henceforth called as Applicable NBFCs dated April 10, 2015

Other framework

- ❑ **GUIDELINES ON CORPORATE GOVERNANCE FOR CPSEs, 2010**-Guidelines covers issues like composition of Board of CPSEs, Audit Committee, Remuneration Committee, Subsidiary companies, Disclosures, Code of conduct and ethics, Risk management and reporting
- ❑ **SECRETARIAL STANDARDS ISSUED BY ICSI**
 - ICSI has issued 10 Secretarial Standards.

LINKS

- ❑ THE SECURITIES AND EXCHANGE BOARD OF INDIA <https://www.sebi.gov.in/>
- ❑ THE MINISTRY OF CORPORATE AFFAIRS <https://www.mca.gov.in/>
- ❑ THE INSTITUTE OF COMPANY SECRETARIES OF INDIA <https://www.icsi.edu/>
- ❑ THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA <http://www.icai.org.in/>
- ❑ THE NATIONAL FOUNDATION FOR CORPORATE GOVERNANCE <http://www.nfcgindia.org/>
- ❑ THE CORPORATE GOVERNANCE SECTION FROM THE BUSINESS PORTAL OF INDIA <https://www.india.gov.in/>
- ❑ THE CENTER FOR CORPORATE GOVERNANCE www.ipeindia.org
- ❑ THE INDIAN INSTITUTE OF CORPORATE AFFAIRS [www.iica.nic.in-](http://www.iica.nic.in)
- ❑ THE COMPETITION COMMISSION OF INDIA <http://www.cci.gov.in/>
- ❑ THE CENTRAL VIGILANCE COMMISSION <https://cvc.gov.in/>
- ❑ THE CONFEDERATION OF INDIAN INDUSTRY <https://www.cii.in/>
- ❑ THE INSTITUTE OF INTERNAL AUDITORS OF INDIA <http://www.iiaindia.org/>
- ❑ THE BOMBAY CHARTERED ACCOUNTANTS' SOCIETY <https://www.bcasonline.org/>
- ❑ THE ASIAN CORPORATE GOVERNANCE ASSOCIATION <https://www.acga-asia.org/>
- ❑ THE INFORMATION SYSTEM AUDIT AND CONTROL ASSOCIATION <https://www.isaca.org/>
- ❑ www.thecorporategovernanceinstitute.com

International organizations for CG

- ❑ THE EUROPEAN CORPORATE GOVERNANCE INSTITUTE
www.ecgi.global
- ❑ Banks www.bis.org
- ❑ IOSCO www.iosco.org
- ❑ THE ASIAN CENTRE FOR CORPORATE GOVERNANCE
www.asiancentre.org
- ❑ THE INSTITUTE OF DIRECTORS
www.iod.com
- ❑ IAIS www.iaisweb.org



THANK YOU FOR
YOUR LISTENING

DO YOU HAVE
ANY QUESTIONS?