CS-Professional

Governance, Risk Management, Compliances and Ethics Volume - I

SECRETARIAL STANDARDS
WE MUST BE FOLLOWED

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ACCOUNTING AND AUDIT RELATED ISSUES, RTPs AND VIGIL

GOVERNANCE AND COMPLIANCE RISK

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MEANING AND DEFINITION OF CORPORATE GOVERNANCE

Corporate or a Corporation is derived from the Latin term "corpus" which means a "body". Governance means administering the processes and systems placed for satisfying stakeholder expectation. The root of the word Governance is from 'gubernate', which means to steer. When combined, Corporate Governance means a set of systems, procedures, policies, practices, standards put in place by a corporate to ensure that relationship with various stakeholders is maintained in transparent and honest manner.

The phrase "corporate governance" describes "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account."

DEFINITION

"Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders."

THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

"Corporate Governance is concerned with the way corporate entities are governed, as distinct from the way business within those companies are managed. Corporate governance addresses the issues facing Board of Directors, such as the interaction with top management and relationships with the owners and others interested in the affairs of the company" - Robert Ian (Bob) Tricker (who introduced the words corporate governance for the first time in his book in 1984)

ICSI PRINCIPLE FOR GOVERNANCE

1) Sustainable development of stakeholders.
2) Effective management and distribution of wealth.
3) Discharge of social responsibility.
4) Application of best management practices.

NEED FOR CORPORATE GOVERNANCE

Corporate Governance is needed to create a corporate culture of transparency, accountability and disclosure. IT refers to compliance with all moral and ethical values, legal framework and voluntarily adopted practices.

ADVANTAGES OF GOVERNANCE

Some of the salient advantages of Corporate Governance are stated hereunder:

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.

3. There is a positive impact on the share price.
4. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
5. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
6. It helps in brand formation and development.

ELEMENTS AND SCOPE OF CORPORATE GOVERNANCE

1. Role and powers of Board

Good governance is decisively the manifestation of personal beliefs and values which configure the organizational values, beliefs and actions of its Board. The board is the primary direct stakeholder influencing corporate governance.

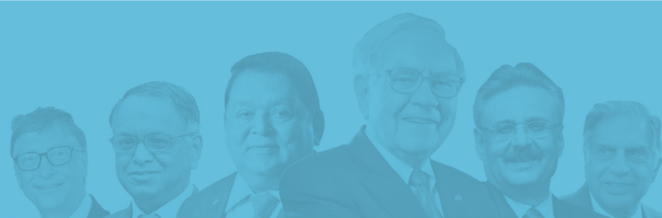
The Board as a main functionary is primary responsible to ensure value creation for its stakeholders. The absence of clearly designated role and powers of Board weakens accountability mechanism and threatens the achievement of organizational goals. Therefore, the foremost requirement of good governance is the clear identification of powers, roles, responsibilities and accountability of the Board, CEO, and the Chairman of the Board. The role of the Board should be clearly documented in a Board Charter.

2. Legislation

Clear and unambiguous legislation and regulations are fundamental to effective corporate governance. Legislation that requires continuing legal interpretation or is difficult to interpret on a day-to-day basis can be subject to deliberate manipulation or inadvertent misinterpretation.

3. Management environment

Management environment includes setting-up of clear objectives and



appropriate ethical framework, establishing due processes, providing for transparency and clear enunciation of responsibility and accountability, implementing sound business planning, encouraging business risk assessment, having right people and right skill for the jobs, establishing clear boundaries for acceptable behaviour, establishing performance evaluation measures and evaluating performance and sufficiently recognizing individual and group contribution.

4. Board skills

To be able to undertake its functions efficiently and effectively, the Board must possess the necessary blend of qualities, skills, knowledge and experience. Each of the directors should make quality contribution. A Board should have a mix of the following skills, knowledge and experience:

- Operational or technical expertise, commitment to establish leadership;
- Financial skills;
- Legal skills; and

5. Code of conduct

It is essential that the organization's explicitly prescribed norms of ethical practices and code of conduct are communicated to all stakeholders and are clearly understood and followed by each member of the organization. Systems should be in place to periodically measure, evaluate and if possible recognise the adherence to code of conduct.

6. Strategy setting

The objectives of the company must be clearly documented in a long-term corporate strategy including an annual business plan together with achievable and measurable performance targets and milestones.

7. Business and community obligations

Though basic activity of a business entity is inherently commercial yet

it must also take care of community's obligations. Commercial objectives and community service obligations should be clearly documented after approval by the Board. The stakeholders must be informed about the proposed and ongoing initiatives taken to meet the community obligations.

8. Audit Committees

The Audit Committee is inter alia responsible for liaison with the management; internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the Board on the key issues. The quality of Audit Committee significantly contributes to the governance of the company.

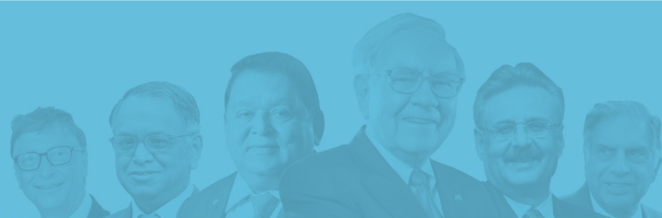
9. Risk management

Risk is an important element of corporate functioning and governance. There should be a clearly established process of identifying, analyzing and treating risks, which could prevent the company from effectively achieving its objectives. It also involves establishing a link between risk-return and resourcing priorities. Appropriate control procedures in the form of a risk management plan must be put in place to manage risk throughout the organization. The plan should cover activities as diverse as review of operating performance, effective use of information technology, contracting out and outsourcing.

EVOLUTION OF GOVERNANCE THEORIES

a) Agency Theory

According to this theory, managers act as 'Agents' of the corporation. The owners set the central objectives of the corporation. Managers are responsible for carrying out these objectives in day-to-day work of the company. Corporate Governance is control of management through designing



the structures and processes.

The principals who are widely scattered may not be able to counter this in the absence of proper systems in place as regards timely disclosures, monitoring and oversight. Corporate Governance puts in place such systems of oversight.

b) Stockholder/shareholder Theory

According to this theory, it is the corporation which is considered as the property of shareholders/ stockholders. They can dispose off this property, as they like. They want to get maximum return from this property.

The owners seek a return on their investment and that is why they invest in a corporation. But this narrow role has been expanded into overseeing the operations of the corporations and its mangers to ensure that the corporation is in compliance with ethical and legal standards set by the government. So the directors are responsible for any damage or harm done to their property i.e., the corporation.

c) Stakeholder Theory

According to this theory, the company is seen as an input-output model and all the interest groups which include creditors, employees, customers, suppliers, local-community and the government are to be considered. From their point of view, a corporation exists for them and not the shareholders alone.

The different stakeholders also have a self interest. The interests of these different stakeholders are at times conflicting. The managers and the corporation are responsible to mediate between these different stakeholders interest. The stake holders have solidarity with each other. This theory assumes that stakeholders are capable and willing to negotiate

and bargain with one another. This results in long term self interest.

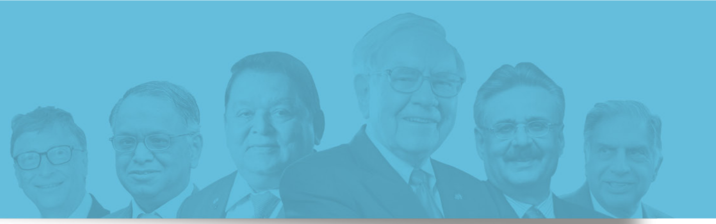
d) Stewardship Theory

The word 'steward' means a person who manages another's property or estate. Here, the word is used in the sense of guardian in relation to a corporation, this theory is value based. The managers and employees are to safeguard the resources of corporation and its property and interest when the owner is absent. They are like a caretaker. They have to take utmost care of the corporation. They should not use the property for their selfish ends. This theory thus makes use of the social approach to human nature.

CONCEPT OF MAJORITY VS MINORITY

As a company is an artificial person with no physical existence, it functions through the instrumentality of the board of directors who is guided by the wishes of the majority, subject, of course, to the welfare of the company as a whole. It is, therefore, a cardinal rule of company law that prima facie a majority of members of the company are entitled to exercise the powers of the company and generally to control its affairs.

The rule of majority was established way back in 1843 in the case of Foss v. Harbottle [1843] 67 ER 189 wherein it was held that the Courts would not generally interfere with the decisions of the company which it was empowered to take insofar they had been approved of by the majority and made exceptions to breaches of charter documents, fiduciary duties and frauds or oppression and inadequate notice to the shareholders.



HISTORY OF CORPORATE GOVERNANCE

Stages of development of Corporate Governance in USA

Years	Developments
1977 The Foreign Corrupt Practices Act	Provides for specific provisions regarding establishment, maintenance and review of systems of internal control.
1979 US Securities Exchange Commission	Prescribed mandatory reporting on internal financial controls.
1985 Treadway commission	Emphasized the need of putting in place a proper control environment, desirability of constituting independent boards and its committees and objective internal audit function. As a consequence, the Committee of Sponsoring Organisations (COSO) took birth.
1992 COSO issued Internal Control – Integrated Framework.	The Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued Internal Control – Integrated Framework. It is a framework "to help businesses and other entities assess and enhance their internal control systems".
2002 Sarbanes – Oxley Act	The Act made fundamental changes in virtually every aspect of corporate governance in general and auditor independence, conflict of interests, corporate responsibility, enhanced financial disclosures and severe penalties for willful default by managers and auditors, in particular.

YES ACADEMY Say Yes to CS

DEVELOPMENT OF CORPORATE GOVERNANCE IN UK

THE CADBURY REPORT 1992

Due to several scandals and financial collapses in the UK in the late 1980s and early 1990s, London Stock Exchange setup the Cadbury Committee in May 1991 to raise the standard of corporate governance.

This report recommended mainly;

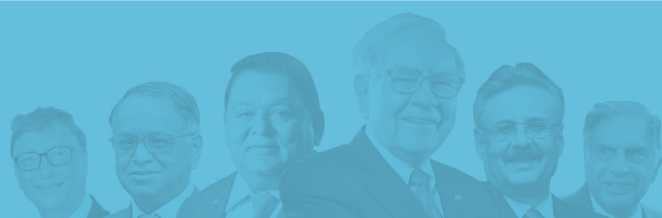
- The CEO and Chairman of companies should be separated;
- Boards should have at least three non-executive directors, two of whom should have no financial or personal ties to executives; and
- Each board should have an audit committee composed of non- executive directors.

THE GREENBURY REPORT, 1995

The Confederation of British industry set up a group under the chairmanship of Sir Richard Greenbury to examine the remuneration of the directors. It recommended the formation of remuneration committee composed of non executive directors. Its recommendation were incorporated in the Listing rules of the The London Stock Exchange.

THE HAMPEL REPORT, 1998

The Hampel Committee was established in November, 1995 to review and revise the earlier recommendations of the Cadbury and Greenbury Committees. An important development was in the area of accountability and audit. The Board was identified as having responsibility to maintain a sound system of internal control, thereby safeguarding shareholders' investments. Further, the Board was to be held accountable for all aspects of risk management Recommendations of this Report and further consultations by the London Stock Exchange became the Combined Code on Corporate Governance.



THE UK STEWARDSHIP

The UK Stewardship Code traces its origins to 'The Responsibilities of Institutional Shareholders and Agents: Statement of Principles,' first published in 2002 by the Institutional Shareholders Committee (ISC), and was converted to a code in 2009.

The Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at general meetings. The Code is addressed in the first instance to firms who manage assets on behalf of institutional shareholders such as pension funds, insurance companies, investment trusts and other collective investment vehicles

CORPORATE GOVERNANCE ACROSS THE WORLD

USA

U.S. Securities and Exchange Commission: The aim of U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC oversees the key participants in the securities world, including securities exchanges, securities brokers and dealers, investment advisors, and mutual funds. The SEC is concerned primarily with promoting the disclosure of important market-related information, maintaining fair dealing, and protecting against fraud.

The SEC is the primary overseer and regulator of the U.S. securities markets. It works closely with many other institutions, including Congress,

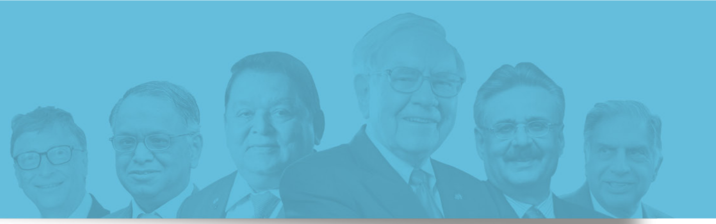
other federal departments and agencies, the self-regulatory organizations (e.g. the stock exchanges), state securities regulators, and various private sector organizations. In addition, the Chairman of the SEC represents the agency as a member of the Financial Stability Oversight Council (FSOC).

Sarbanes-Oxley Act of 2002

In 2002, the United States Congress passed the Sarbanes-Oxley Act (SOX) to protect shareholders and the general public from accounting errors and fraudulent practices in enterprises, and to improve the accuracy of corporate disclosures.

The summary highlights of the most important Sarbanes-Oxley sections for compliance are listed below.

SOX Section 302 - Corporate Responsibility for Financial Reports	a) CEO and CFO must review all financial reports. b) Financial report does not contain any misrepresentations. c) Information in the financial report is "fairly presented". d) CEO and CFO are responsible for the internal accounting controls. e) CEO and CFO must report any deficiencies in internal accounting controls, or any fraud involving the management of the audit committee. f) CEO and CFO must indicate any material changes in internal accounting controls.



SOX Section 401: Disclosures in Periodic Reports	*All financial statements and their requirement to be accurate and presented in a manner that does not contain incorrect statements or admit to state material information. Such financial statements should also include all material off-balance sheet liabilities, obligations, and transactions.*
SOX Section 404: Management Assessment of Internal Controls	*All annual financial reports must include an Internal Control Report stating that management is responsible for an "adequate" internal control structure, and an assessment by management of the effectiveness of the control structure. Any shortcomings in these controls must also be reported. In addition, registered external auditors must attest to the accuracy of the company management's assertion that internal accounting controls are in place, operational and effective.*
SOX Section 409: Real Time Issuer Disclosures	*Companies are required to disclose on a almost real-time basis information concerning material changes in its financial condition or operations.*
SOX Section 802 Criminal Penalties for Altering Documents	*This section specifies the penalties for knowingly altering documents in an ongoing legal investigation, audit, or bankruptcy proceeding.*

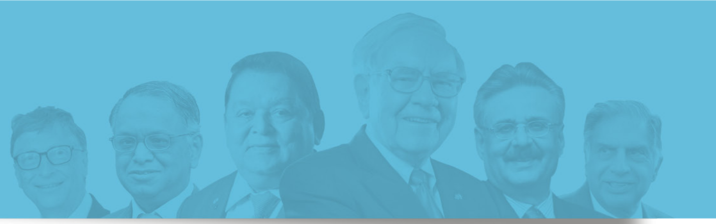
UK GOVERNANCE CODE 2018

The Code is applicable to all companies with a premium listing, whether incorporated in the UK or elsewhere. The new Code applies to accounting periods beginning on or after 1 January 2019.

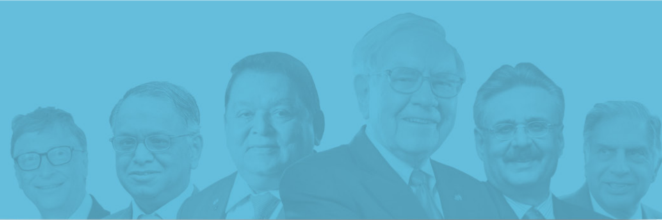
The 2018 Code sets out the principles by which the board of directors should promote the purpose, values and future success of the company. The Code sets out standards of good practice in relation to issues such as leadership, effectiveness, accountability, remuneration, and relations with shareholders. The Code does not set out a rigid set of rules; instead it offers flexibility through the application of Principles and through 'comply or explain' Provisions and supporting guidance. It is the responsibility of boards to use this flexibility wisely and of investors and their advisors to assess differing company approaches thoughtfully.

Main Principles of code

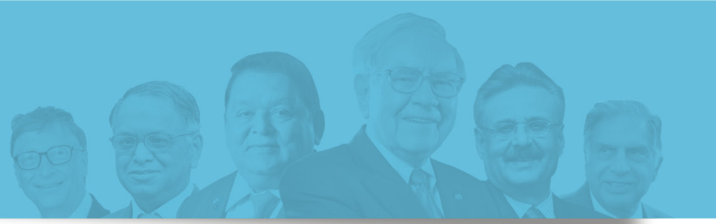
HEADING	PRINCIPLES
BOARD LEADERSHIP AND COMPANY PURPOSE	A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.



	C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
DIVISION OF RESPONSIBILITIES	D. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information. E. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business. F. Non-executive directors should have sufficient time to meet their board responsibilities.



	They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. G. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.
AUDIT, RISK AND INTERNAL CONTROL	H. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. I. The board should present a fair, balanced and understandable assessment of the company's position and prospects. J. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.
REMUNERATION	K. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company



	K. purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy. L. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management10 remuneration should be established. No director should be involved in deciding their own remuneration outcome. M. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

AUSTRALIA

The Corporate Governance Principles and Recommendations ("Principles and Recommendations") were first introduced in 2003. A second edition was published in 2007 and a third in 2014. In 2017, the Council agreed that it was an appropriate time to commence work on a fourth edition of the Principles and Recommendations to address emerging issues around culture, values and trust, fuelled by recent examples of conduct by some listed entities falling short of community standards and expectations.

These Principles and Recommendations set out recommended corporate governance practices for entities admitted to the ASX official list as an ASX listing, regardless of the legal form they take, whether they are established in Australia or elsewhere, and whether they are internally or externally managed.

The Principles and Recommendations are not mandatory and do not seek to prescribe the corporate governance practices that a listed entity must adopt.

The "if not, why not" approach is fundamental to the operation of the Principles and Recommendations. This approach ensures that the market receives an appropriate level of information about the entity's governance arrangements so that investors and other stakeholders can have a meaningful dialogue with the board and management on governance matters and can factor the information provided into their decision on whether or not to invest in the entity and how to vote on particular resolutions.

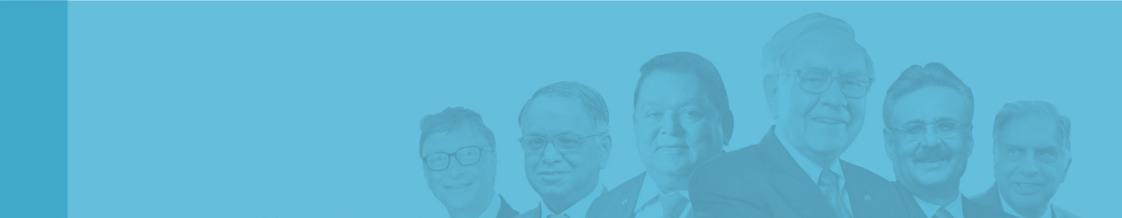
SINGAPORE

The Code of Corporate Governance (the "Code"), which is applicable to listed companies in Singapore on a comply-or-explain basis, first came into effect on 1 January 2003.

On August 6, the Monetary Authority of Singapore ("MAS") announced the adoption of a new Code of Corporate Governance (the "Code") along with the new Practice Guidance. The new Code comes after MAS conducted a public consultation on changes to Singaporean corporate governance practices.

Principles

1. The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.
2. The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.
3. There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.



4. The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.
5. The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.
6. The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

SOUTH AFRICA

The King Committee, a private-sector body comprising of former South African Supreme Court Judge, Mervyn King was formed in 1992, to draft corporate governance guidelines. Four reports have been issued by the King Committee since then

- The body issued its first report King I Report on Corporate Governance in South Africa, in 1994 which was regarded by many as ahead of its time in adopting an integrated and inclusive approach to the business life of companies, embracing stakeholders other than shareholders.
- In 2002, the second King Report on Corporate Governance was published. It contained a Code of Corporate Practices and Conduct and referred to seven characteristics of good corporate governance.
- The King III report was released on 1 September 2009 which marked a significant milestone in the evolution of corporate governance in South Africa and brought significant opportunities for organisations that embrace its principles. The King III was on an 'apply or explain' basis. The 'apply or explain' approach required more consideration – application of the mind –

and explanation of what has actually been done to implement the principles and best practice recommendations of governance.

- King IV is structured as a Report that includes a Code, with additional, separate sector supplements for SME's, NPO's, State-Owned Entities, Municipalities and Retirement Funds. The King Code contains both principles and recommended practices aimed at achieving governance outcomes.

OECD PRINCIPLE OF CORPORATE GOVERNANCE

Good corporate governance is not an end in itself. It is a means to create market confidence and business integrity, which in turn is essential for companies that need access to equity capital for long term investment. Access to equity capital is particularly important for future oriented growth companies and to balance any increase in leveraging. The updated G20/OECD Principles of Corporate Governance (the Principles) therefore provide a very timely and tangible contribution to the G20 priority in 2015 to support investment as a powerful driver of growth

The Principles provide guidance through recommendations and annotations across six chapters.

I. **Ensuring the basis for an effective corporate governance framework:**

The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement:

II. **The rights and equitable treatment of shareholders and key ownership functions:**

The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the

opportunity to obtain effective redress for violation of their rights

III. **Institutional investors, stock markets, and other intermediaries:**

The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance

IV. **The role of stakeholders in corporate governance:**

The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises

V. **Disclosure and transparency:**

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company

VI. **The responsibilities of the board:**

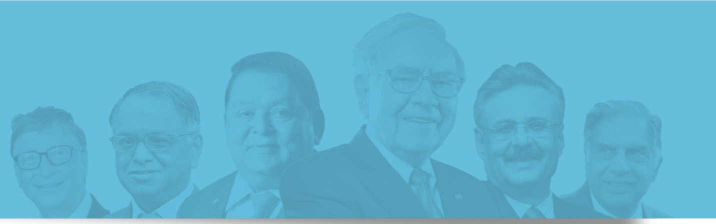
The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

EVIDENCE OF CORPORATE GOVERNANCE FROM THE ARTHASHASTRA

Kautilya's Arthashastra maintains that for good governance, all administrators, including the king are considered servants of the people. Good governance and stability are completely linked. If rulers are responsive, accountable, removable, recallable, there is stability. If not there is instability. These tenets hold good even today.

Kautilya's fourfold duty of a king	The substitution of the state with the corporation, the king with the CEO or the board of a corporation, and the subjects with the shareholders, bring out the quintessence of corporate governance, because central to the concept of corporate governance is the belief that public good should be ahead of private good and that the corporation's resources cannot be used for personal benefit.
Raksha	**Raksha** – literally means protection, in the corporate scenario it can be equated with the risk management aspect.
Vriddhi	**Vriddhi** – literally means growth, in the present day context can be equated to stakeholder value enhancement
Palana	**Palana** – literally means maintenance/compliance, in the present day context it can be equated to compliance to the law in letter and spirit.
Yogakshema	**Yogakshema** – literally means well being and in Kautilya'sArthashastra it is used in context of a social security system. In the present day context it can be equated to corporate social responsibility.

Ramayana: The Ramayana, the saga of Rama's life written by Valmiki, is widely acclaimed as among the greatest of all Indian epics. In fact, this famous Grantha carries useful tips on ethics and values, statecraft and politics, and even general and human resources management. With Rama Rajya as a model for good governance, the Ramayana is a must read for

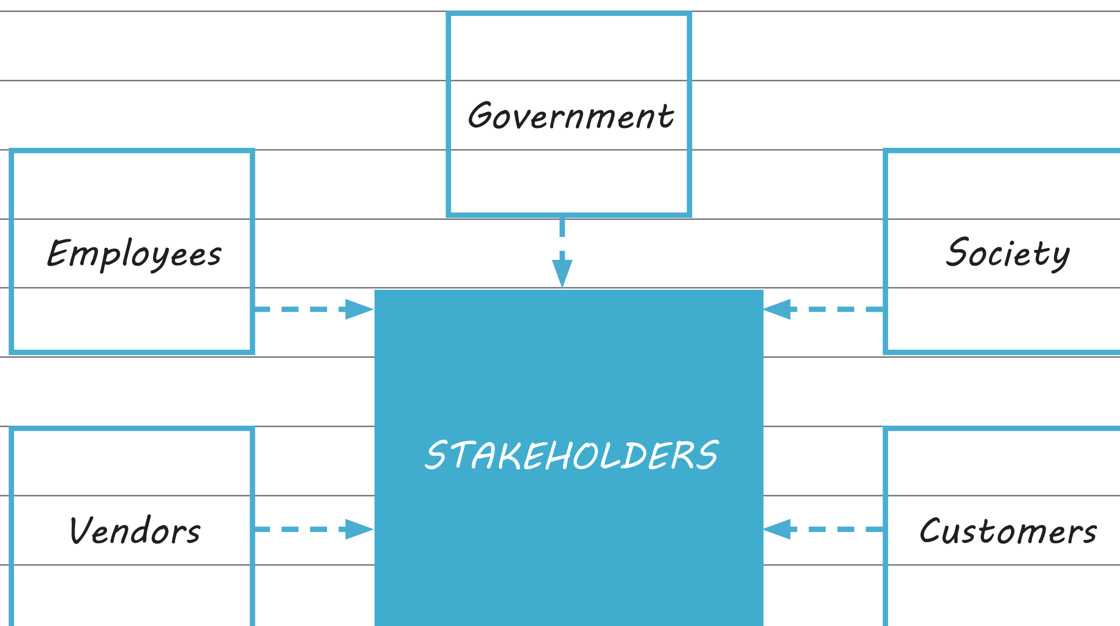


practitioners of statecraft

Bhagwad Gita: In Bhagwad Gita, Lord Krishna details the divine treasure as fearlessness, purity of heart, steadfastness in knowledge and yoga, charity, self control, and sacrifice, study of scriptures, austerity and uprightness. The Bhagavad Gita emphasized the concept of duty and its importance for good leadership.

Corporate Governance is managing, monitoring and overseeing various corporate systems in such a manner that corporate reliability, reputation are not put at stake. Corporate Governance pillars on transparency and fairness in action satisfying accountability and responsibility towards the stakeholders.

The long term performance of a corporate is judged by a wide constituency of stakeholders. Various stakeholders affected by the governance practices of the company:



CORPORATE GOVERNANCE - DEVELOPMENT IN INDIA

The initiatives taken by Government of India in 1991, aimed at economic liberalization, privatization and globalisation of the domestic economy, led India to initiate reform process in order to suitably respond to the developments taking place world over. On account of the interest generated by Cadbury Committee Report, the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry (ASSOCHAM) and, the Securities and Exchange Board of India (SEBI) constituted Committees to recommend initiatives in Corporate Governance.

1998 **Desirable Corporate Governance: A Code**	CII took a special initiative on Corporate Governance, the first institution initiative in Indian Industry. The objective was to develop and promote a code for Corporate Governance to be adopted and followed by Indian companies, whether in the Private Sector, the Public Sector, Banks or Financial Institutions, all of which are corporate entities. The final draft of the said Code was widely circulated in 1997. In April 1998, the Code was released. It was called Desirable Corporate Governance: A Code.
1999 **Kumar Mangalam Birla Committee**	The Securities and Exchange Board of India (SEBI) had set up a Committee on May 7, 1999 under the Chairmanship of Kumar Mangalam Birla to promote and raise standards of corporate governance. The Report of the committee was the first formal and comprehensive attempt to evolve a Code of

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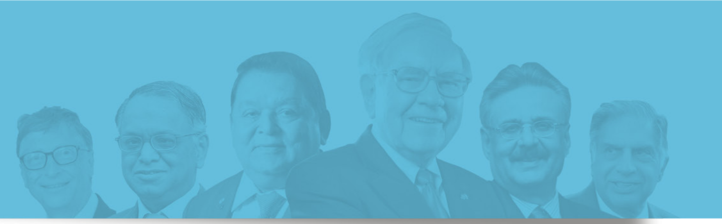

	Corporate Governance, in the context of prevailing conditions of governance in Indian companies, as well as the state of capital markets at that time. The recommendations of the Report, led to inclusion of Clause 49 in the Listing Agreement in the year 2000.
2000 **Task Force on Corporate Excellence through Governance**	In May 2000, the Department of Company Affairs [now Ministry of Corporate Affairs (MCA)] formed a broad-based study group under the chairmanship of Dr. P.L. Sanjeev Reddy, Secretary, DCA. The group was given the ambitious task of examining ways to "operationalise the concept of corporate excellence on a sustained basis", so as to "sharpen India's global competitive edge and to further develop corporate culture in the country". In November 2000, a Task Force on Corporate Excellence set up by the group produced a report containing a range of recommendations for raising governance standards among all companies in India. It also suggested the setting up of a Centre for Corporate Excellence.
2002 **Naresh Chandra Committee**	The Enron debacle of 2001 involving the hand-in-glove relationship between the auditor and the corporate client, the scams involving the fall of the corporate giants in the U.S. like the WorldCom, Qwest, Global Crossing, Xerox and the consequent enactment of the stringent Sarbanes Oxley Act in

	the U.S. were some important factors which led the Indian Government to wake up and in the year 2002, Naresh Chandra Committee was appointed to examine and recommend inter alia amendments to the law involving the auditor-client relationships and the role of independent directors.
2003 **N. R. Narayana Murthy Committee**	In the year 2002, SEBI analyzed the statistics of compliance with the clause 49 by listed companies and felt that there was a need to look beyond the mere systems and procedures if corporate governance was to be made effective in protecting the interest of investors. SEBI therefore constituted a Committee under the Chairmanship of Shri N. R. Narayana Murthy, for reviewing implementation of the corporate governance code by listed companies and for issue of revised clause 49 based on its recommendations.
2004 **Dr. J. J. Irani Committee on Company Law**	The Government constituted a committee under the Chairmanship of Dr. J. J. Irani, Director, Tata Sons, with the task of advising the Government on the proposed revisions to the Companies Act, 1956 with the objective to have a simplified compact law that would be able to address the changes taking place in the national and international scenario, enable

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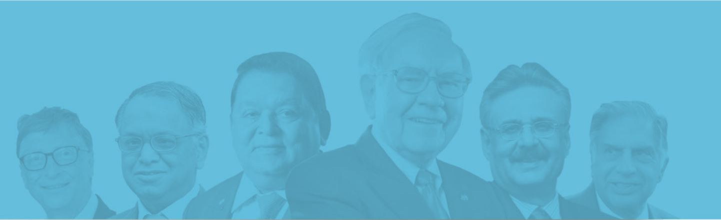
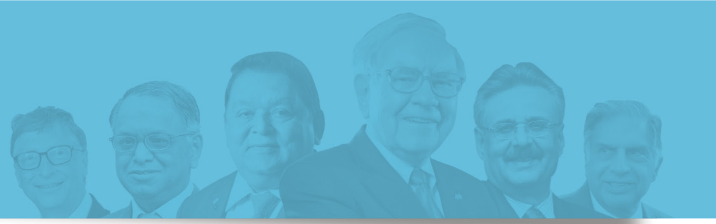


	adoption of internationally accepted best practices as well as provide adequate flexibility for timely evolution of new arrangements in response to the requirements of ever- changing business models.
2013 **Companies Act**	The Companies Act, 2013 envisaged radical changes in the sphere of Corporate Governance in India. It provided a major overhaul in Corporate Governance norms and would have far-reaching implications on the manner in which corporate operates in India in coming times. The Companies (Amendment) Act, 2017 consisting of 93 amendments to the 2013 Companies Act, further resulted in changes related to legal definitions (related party, subsidiary company, associate company, independent directors, etc.) corporate governance, (eg. Ratification of auditors appointment and role of audit committee) and management compliance. It impacts different aspects of business management in India, including key structuring, disclosure, and compliance requirements.
2015 **SEBI (Listing Obligations and Disclosure Requirements) Regulations**	With a view to consolidate and streamline the provisions of existing listing agreements for different segments of the capital market and the provisions pertaining to listed entities with the Companies Act, 2013, the SEBI notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the listed entities having listed designated securities

	on recognized stock exchanges. The provisions of Corporate Governance in SEBI (LODR) Regulations, 2015 are discussed at relevant places in this study material.
2017 **Uday Kotak Committee**	The SEBI Committee on corporate governance was formed in June 2017 under the Chairmanship of Mr.Uday Kotak with the aim of improving standards of corporate governance of listed companies in India. With the aim of improving standards of Corporate Governance of listed companies in India, the Committee was requested to make recommendations to SEBI on the following issues: • Ensuring independence in spirit of Independent Directors and their active participation in functioning of the company; • Improving safeguards and disclosures pertaining to Related Party Transactions; • Issues in accounting and auditing practices by listed companies; • Improving effectiveness of Board Evaluation practices; • Addressing issues faced by investors on voting and participation in general meetings; • Disclosure and transparency related issues, if any;



- Any other matter, as the Committee deems fit pertaining to corporate governance in India.

The Committee submitted its report to SEBI in October 2017. The recommendations of the Committee were given in 11 Chapters as follows:

- Composition and Role of the Board of Directors
- The Institution of Independent Directors
- Board Committees

IMPORTANT POINTS

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Adv. Chirag Chotrani is a young yet experienced faculty in the field of Law. From being the topper of his batch, to creating many All India Rankers in the Field of Company Secretary, Chirag has proved his academic capabilities time and again.

Chirag is a Commerce and Law Graduate and holds a Masters Degree in Corporate Law, earned specialisation in Corporate Laws and in Arbitration Law and is currently completing his PHD in Corporate Laws.

The ease with which this faculty introduces the concepts is commendable and every student who has studied under him has passed in his subjects with flying colours. From the start of his career till now he has always been into teaching and has served in many Prestigious Institutions and is presently the Top Educator for CS Category at UNACADEMY Platform which currently caters to 10 Million students across country.

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