

# **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

*Adv. Chirag Chotrani*

***Businesses need to go beyond the interest of their companies to  
the communities they serve***

**-RATAN TATA**





**CS VIKAS VOHRA**



**CA CS HARISH A. MATHARIYA**

Welcome to YES Family!!

To begin with, we endorse our heartfelt thank you for showing your trust and confidence in YES Academy. We take pride in welcoming you to this prestigious Academy, foundations of which are based on commitment, quality education and integrity. It has been our constant endeavour to deliver better and better. In our attempt to achieve the mark of excellence and beyond, we are extremely grateful to receive your continued faith and love. We assure you that your trust will not go in vain, and as reflected by our Vision Statement, we would continue to produce Best Company Secretaries as we have been doing for almost a decade now.

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**On behalf of TEAM YES**

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**CS VIKAS VOHRA**  
(Founder)

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**CA CS HARISH A. MATHARIYA**  
(Founder)

# **A JOURNEY INTO THE HEART OF LAW**

**Dear Readers,**

**As I pen down these words, I am filled with a profound sense of gratitude and an overwhelming surge of emotions. It is with great pleasure and heartfelt enthusiasm that I present to you Environmental, Social and Governance (New Syllabus).**

**It is a combination of countless hours, unwavering dedication, and an immeasurable love for this subject and, most importantly, for my students.**

**Within these pages, you will find a wealth of legal knowledge carefully crafted to ignite your passion, expand your understanding, and equip you with the most practical aspects of this law. But this book aims to do more than impart knowledge; it seeks to instill in you a profound appreciation for justice, integrity, and compassion — the core values that underpin the law.**

**None of this would have been possible without the dedicated team who supported me behind the scenes. Their expertise and commitment have been invaluable in shaping the content and ensuring its accuracy and clarity. My heartfelt gratitude goes out to each one of them.**

**To my students, I extend my deepest admiration and appreciation. Your thirst for knowledge, resilience in the face of challenges, and determination to make a positive impact have been my greatest inspiration. As you move in this legal journey, approach each lesson with passion, embracing the complexities as opportunities for growth.**

**While this book has been meticulously crafted with utmost caution and attention to detail, it is important to acknowledge that, despite our best efforts, there is always a possibility of inadvertent errors. If you come across any inaccuracies or have any suggestions for improvement, I wholeheartedly encourage you to reach out to me. Your feedback is invaluable in ensuring the ongoing refinement and accuracy of this work. Please feel free to contact me at 8446427759 or alternatively email me at [chirag.chotrani2@gmail.com](mailto:chirag.chotrani2@gmail.com). Your assistance in maintaining the quality of this book is deeply appreciated.**

**In the end, I invite you to embark upon this literary voyage with an open heart and a curious mind. Let the pages of this book be your guide, and let its creation remind you of the unbreakable bond between you and me.**

**With utmost sincerity and an abundance of love,**

**Adv. Chirag Chotrani**

# MESSAGE TO MY STUDENTS

To my beloved students, I am deeply grateful for your unwavering belief in me and the unconditional love you have shown me. As you navigate through this course, there may be moments when doubt creeps in—when you feel exhausted and question the worth of pursuing this path. But I want you to recall the overwhelming sense of accomplishment when you cleared your CSEET, and the sheer joy it brought to your parents. Remember the enthusiasm that you felt that day.

This course is not solely for those deemed "geniuses," but rather for individuals with perseverance and patience. When you find yourself feeling low, always remember that I am here to support you, and together, we will overcome any obstacles that come our way. No matter what it takes, I have faith that you will become a remarkable Company Secretary. Go forth, my dear students, and pursue your dreams for the sake of all of us.

**शुरू तुमने किया है, पूरा हम करेंगे।**

## MY SINCERE THANKS TO:

My Mother - Sunita Chotrani  
You have inculcated innocence in me, Mumma.

My Father - Omprakash Chotrani  
You have taught me honesty and the value of hard work.

My Wife - Madhuri Chotrani  
You have been the best thing that ever happened to me.

My Brother - Vikas Vohra  
You are like a God to me.

My Brother - Harish  
I am here just because of you. Thank you.

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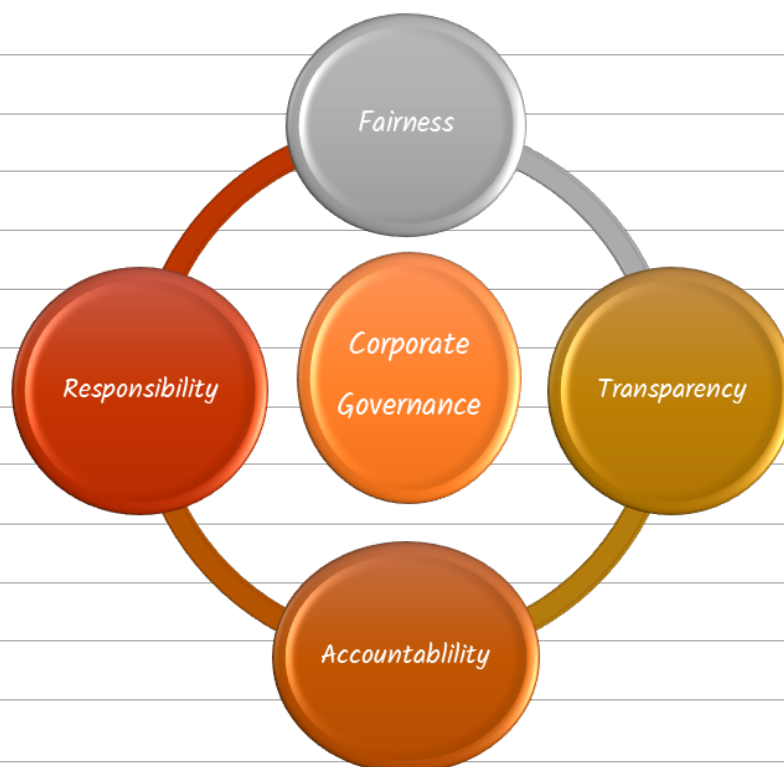
# CHAPTER 1 - CONCEPTUAL FRAMEWORK OF CORPORATE GOVERNANCE

## MEANING AND DEFINITIONS OF CORPORATE GOVERNANCE

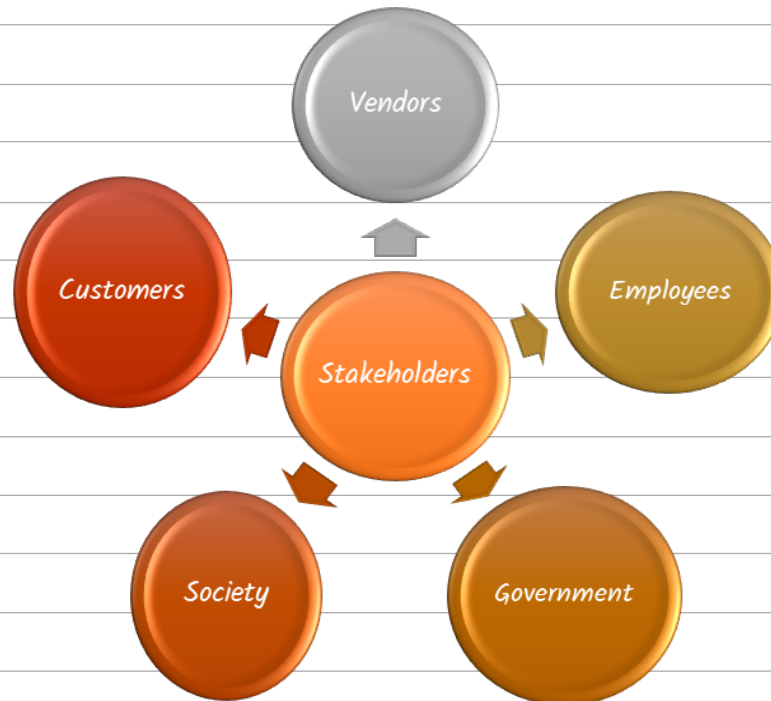


“Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.” **The Institute of Company Secretaries of India**

1. Corporate governance means to steer an organization in the desired direction by determining ways to take effective strategic decisions. It also deals with the accountability of the individuals through a mechanism which reduces the principal-agent problem in the organization.
2. Good corporate governance promotes investor confidence, which is crucial to the ability of entities listed on stock exchanges to compete for capital. Good corporate governance is essential to develop additional values to the stakeholders as it ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.



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 include:

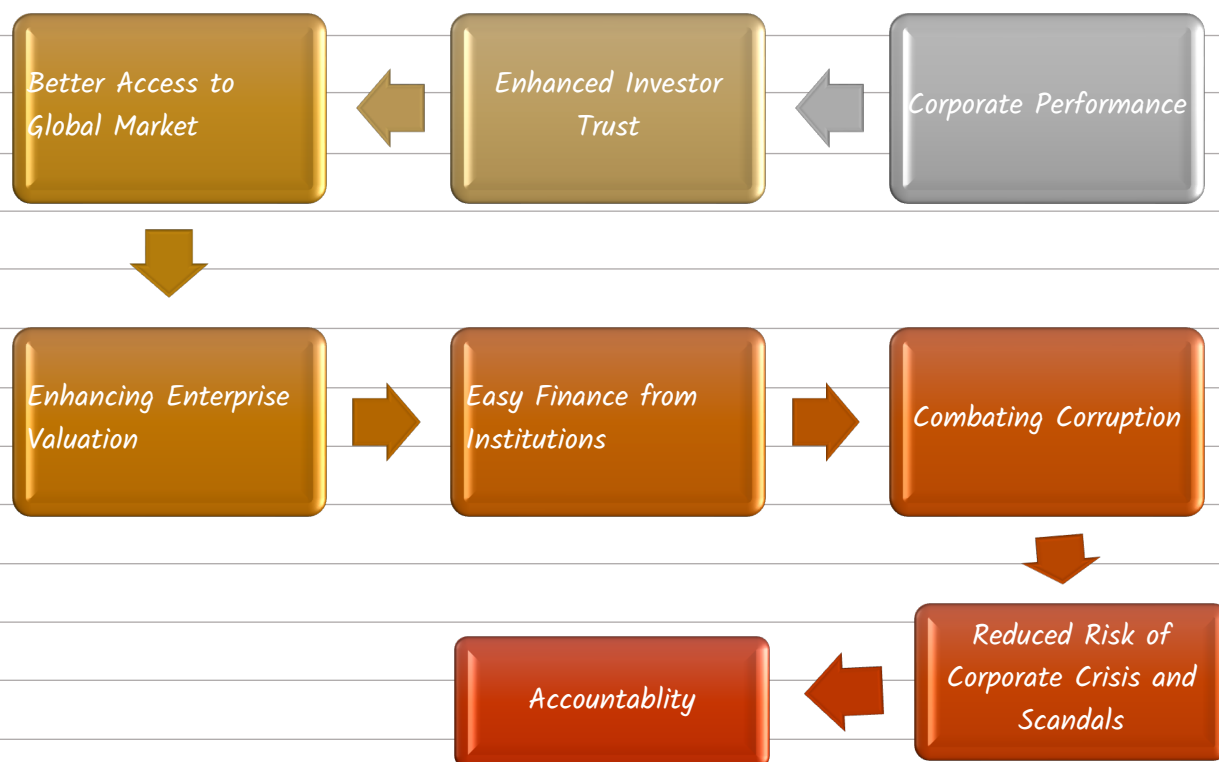


### ADVANTAGES OF CORPORATE GOVERNANCE

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.

## NEED FOR CORPORATE GOVERNANCE

Corporate Governance is integral to the existence of the company. Corporate Governance is needed to create a corporate culture of transparency, accountability and disclosure.



## ELEMENTS / SCOPE OF GOOD CORPORATE GOVERNANCE

Some of the important elements of good corporate governance are discussed as under:

### 1. Role and powers of Board

The Board of Directors is like the bridge between a company and its supporters. Chosen by shareholders, they decide on important things such as executive roles, pay, and dividends. Sometimes, they also handle social and environmental issues raised by shareholders. To create value for supporters, it's vital to clearly state the roles and responsibilities of the Board, CEO, and Chairman in a document called the Board Charter. If these roles aren't clear, accountability suffers, and the company's goals are at risk. Good governance starts with setting up these guidelines.





## 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 within the organisation.

## 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 to the organizations policies, operations and management.

## 5. **Board appointments**

To ensure that the most competent people are appointed on the Board, the Board positions should be filled only after making an extensive search. A well-defined and open procedure must be in place for re-appointments as well as for appointment of new directors. Appointment mechanism should satisfy all statutory and administrative requirements. High on the priority should be an understanding of skill requirements of the Board particularly at the time of making a choice for appointing a new director.

Orientation program for new directors should also be provided to apprise them about the company, its internal and external management and the expectations from the directors and the Board.

**6. Board induction and training**

Directors must have a broad understanding of the area of operation of the company's business, corporate strategy and challenges being faced by the Board. Attendance at continuing education and professional development programmes is essential to ensure that directors remain abreast of all developments, which are or may impact their corporate governance and other related duties.

**7. Board independence**

Independent Board is essential for sound corporate governance. This goal may be achieved by associating sufficient number of independent directors with the Board. It also ensures that the Board is effective in supervising and, where necessary, challenging the activities of management. Accordingly, a portion of the Board members should be independent of both the management team and any commercial dealings with the company. At the same time a proper balance between independent and non-independent directors is also very important.

**8. Board meetings**

Directors must devote sufficient time and give due attention to meet their obligations. Attending Board meetings regularly and preparing thoroughly before entering the Boardroom increases the quality of interaction at Board meetings. The effectiveness of Board meetings is dependent on carefully planned agendas and providing relevant papers and material to directors sufficiently prior to Board meetings.

**9. 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. Corporate Social Responsibility is rapidly becoming an integral part of the management's role and responsibility.

### 10. Monitoring the Board performance

The Board must monitor and evaluate its combined performance and also that of individual directors at periodic intervals.

### 11. Audit Committee

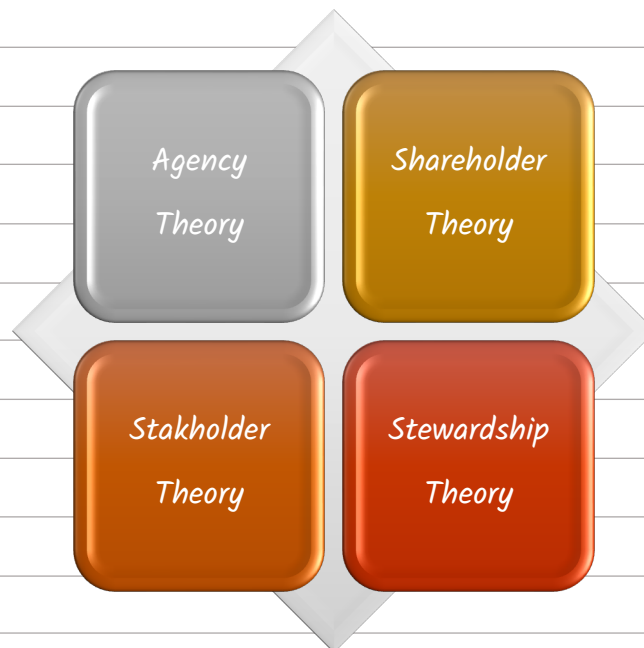
The quality of Audit Committee significantly contributes to the governance of the company.

### 12. Risk management

Risk is an important element of corporate functioning and governance. There should be a clearly established process of identifying, analysing and treating risks, which could prevent the company from effectively achieving its objectives.

## EVOLUTION OF CORPORATE GOVERNANCE

The following theories elucidate the basis of evolution of corporate governance.



#### 1. 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. In agency theory, the owners are the principals. But principals may not have knowledge or skill for getting the objectives executed. Thus, principal



authorizes the managers to act as 'Agents' and a contract between principal and agent is made. Under the contract of agency, the agent should act in good faith. He should protect the interest of the principal and should remain faithful to the goals. In modern corporations, the shareholding is widely spread. The management (the agent) directly or indirectly selected by the shareholders (the Principals), pursue the objectives set out by the shareholders. The main thrust of the Agency Theory is that the actions of the management differ from those required by the shareholders to maximize their return. 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.

## 2. Shareholder Theory

According to this theory, it is the corporation which is considered as the property of shareholders. 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 managers 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. The role of managers is to maximise the wealth of the shareholders. They, therefore should exercise due diligence, care and avoid conflict of interest and should not violate the confidence reposed in them. The agents must be faithful to shareholders.

## 3. 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. Different stakeholders have different 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.



The role of shareholders is reduced in the corporation. But they should also work to make their interest compatible with the other stake holders. This requires integrity and managers play an important role here. They are faithful agents but of all stakeholders, not just stockholders.

#### 4. 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. 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.

The managers should manage the corporation as if it is their own corporation. They are not agents as such but occupy a position of stewards. The managers are motivated by the principal's objective and the behaviour pattern is collective, pro-organizational and trustworthy. Thus, under this theory, first of all values as standards are identified and formulated. Second step is to develop training programmes that help to achieve excellence. Thirdly, moral support is important to fill any gaps in values.

The following exhibit elucidate the eye-catching development in the sphere of ESG chronologically since 1972 and how the past almost 50 years have been watershed years in the arena of ESG.

Years	Global Developments	Brief on Global Developments Initiatives
1972	Stockholm Conference	The 1972 United Nations Conference on the Human Environment in Stockholm was the first world conference to make the environment a major issue. The participants adopted a series of principles for sound management of the environment including the Stockholm Declaration and Action Plan for the Human Environment and several resolutions.
1992	Rio Earth Summit	The United Nations Conference on Environment and Development (UNCED), also known as the 'Earth Summit', was held in Rio de Janeiro, Brazil.

		<i>The primary objective of the Rio 'Earth Summit' was to produce a broad agenda and a new blueprint for international action on environmental and development issues that would help guide international cooperation and development policy in the twenty-first century.</i>
<b>1999</b>	<i>Accountability (AA)(Institute of Social and Ethical Accountability)</i>	<i>AA 1000 Accountability Principles. The principles were updated in 2018. The AA 1000 AP (2018) is an internationally accepted, principles-based framework that guides organisations through the process of identifying, prioritizing, and responding to sustainability challenges, with the goal of improving long-term performance.</i>
	<i>OECD</i>	<i>The OECD Council, meeting at Ministerial level on 27-28 April 1998, called upon the OECD to develop, in conjunction with national governments, other relevant international organisations and the private sector, a set of corporate governance standards and guidelines. In order to fulfil this objective, the OECD established the Ad-Hoc Task Force on Corporate Governance to develop nonbinding principles that embody the views of Member countries on this issue. The Principles developed areas under: 1. The Rights of Shareholders. 2. The Equitable Treatment of Shareholders. 3. The Role of Stakeholders in Corporate Governance. 4. Disclosure and Transparency. 5. The Responsibilities of the Board.</i>
<b>2003</b>	<i>Equator Principles</i>	<i>The Equator Principles are a risk management framework for financial institutions to determine, assess and manage environmental and social risk in projects. They are primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.</i>

2004	<p>A4S: Accountability for Sustainability</p>	<p>The Accounting for Sustainability Project (A4S) was established with the aim to “make sustainable business decision making business as usual”. It laid the foundation for the development of other initiatives such as IIRC.</p> <p>A4S aims to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy.</p> <p>To do this, A4S has three core aims:</p> <ol style="list-style-type: none"> <li>i. Inspire finance leaders to adopt sustainable and resilient business models.</li> <li>ii. Transform financial decision making to enable an integrated approach, reflective of the opportunities and risks posed by environmental and social issues.</li> <li>iii. Scale up action across the global finance and accounting community</li> </ol>
2005	<p>Kyoto Protocol</p>	<p>The Kyoto Protocol is based on the principles and provisions of the Convention. It only binds developed countries, and places a heavier burden on them under the principle of “common but differentiated responsibility and respective capabilities”, because it recognizes that they are largely responsible for the current high levels of GHG emissions in the atmosphere. It provided for a flexible market mechanisms, which are based on the trade of emissions permits. Under the Protocol, countries must meet their targets primarily through national measures.</p> <p>However, the Protocol also offers them an additional means to meet their targets by way of three market-based mechanisms:</p> <ol style="list-style-type: none"> <li>i. International Emissions Trading.</li> <li>ii. Clean Development Mechanism (CDM).</li> <li>iii. Joint implementation (JI)</li> </ol>

2009	Sustainable Stock Exchanges (SSE)	United Nations Sustainable Stock Exchanges Initiative (UN SSE) has a mission to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organisations, can enhance performance on ESG issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals.
2010	ISO	<p>ISO 26000 Standard is intended to assist organisations in contributing to sustainable development.</p> <p>ISO 26000 provides guidance to all types of organizations, regardless of their size or location, on:</p> <ol style="list-style-type: none"> <li>i. concepts and definitions related to social responsibility,</li> <li>ii. the background, trends and characteristics of social responsibility,</li> <li>iii. principles and practices relating to social responsibility,</li> <li>iv. the core subjects and issues of social responsibility,</li> <li>v. integrating, implementing and promoting socially responsible behaviour throughout the organization,</li> <li>vi. identifying and engaging with stakeholders, and</li> <li>vii. communicating commitments, performance and other information related to social responsibility.</li> </ol>
2013	IR (Integrated Reporting)	International Integrated Reporting Framework published by International Integrated Reporting Committee has a framework that provides a tool for all companies to report on their efforts to embed ESG and non-financial management into their core business, and report on ESG and financial performance together, in a single, streamlined report.
2020	IOSCO	The International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognized as the global



standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation.

Its membership regulates more than 95% of the world's securities markets in more than 130 jurisdictions, securities regulators in emerging markets account for 75% of its ordinary membership.

They are the overarching core principles that guide IOSCO in the development and implementation of internationally recognized and consistent standards of regulation, oversight and enforcement.

## GOVERNANCE FROM INDIAN SCRIPTURES

To a great extent, the epics – Ramayana and Mahabharata (including Bhagavad Gita and Vidur Niti) have been a great influence on the National and Corporate Governance in India. The Arthashastra by Kautilya can be regarded as one of the first and significant source in the development of principles of National as well as Corporate Governance in India.

Some of the relevant principles of Ramayana which have a bearing in the modern day society can be summed up in these 5 points:

1. Governance has no inequality, no differences between rich and poor.
2. The structure of governance should be such that the environment of mutual trust and love is promoted and this means that there is no jealousy or malice amongst the subjects.
3. Governance should promote commitment to duty and doing the duty properly gives ultimate happiness.
4. Governance systems should promote education of one and all, whether man or woman. Education is everyone's right.
5. Governance should promote the good health of all the persons in the society.



## SHANTIPARVA

Shantiparva, meaning the book of peace, It is believed to be the set of instructions given by Shri Bhishma (eldest among the Kuru Family, also called “Pitamah”) to King Yudhisthira. The book is divided into three sub-parvas namely:

1. Raja Dharma Parva: Duties of king and his governance.
2. Apad Dharma Parva: Rules of conduct when one faces adversity.
3. Moksha Dharma Parva: Behaviour and rules to achieve moksha.

## BHAGAVAD GITA

The emphasis of Bhagavad Gita is “Dharma”. Dharma means righteousness, accountability of self, family, organisation and society for order and progress. It is the right path, which will uphold the family, organisational and the social fabric. Hence, it helps in the long-term upliftment of all living beings and ensures welfare of society. Some of the important aspects of governance touched upon in this epic of Mahabharata based on the above ethical principles:

1. Public Interest should be given priority over private or personal interest.
2. Uphold Dharma regardless of conflict of interest, following the principle of “Sva-Dharma” (meaning own dharma), which is unique to that person.
3. Transparency should be maintained in demonstrating the path of Dharma.

## ARTHASHASTRA

Kautilya’s Arthashastra is considered to be one of the ancient Indian discussion on statecraft, economic policy, and military strategy, written in Sanskrit. “Kautilya” also known as Chanakya was a scholar at Takshashila. He was also the teacher and guardian of Emperor Chandragupta Maurya, the creator of the Mauryan Empire. Though, Arthashasthra was literally meant to deal with the discipline of politics, its scope in fact is much wider. The scope of Arthashastra is wide enough to cover the nature of government, law, civil and criminal court systems, ethics, economics, markets and trade, the methods for screening ministers, diplomacy, theories of war, nature of peace, and the duties and obligations of a king.

According to Arthashastra, the King has a major responsibility towards ensuring a strong governance framework.



Some of the important aspects of the governance framework to which the King should give attention are briefly discussed below:

1. King is a servant of the State.
2. Leaders should be responsive, accountable and removable.
3. Strict ethical guidelines and code of conduct.
4. Emphasis of Stakeholder concept.
5. Effective Administration.

In the context of today's corporate world, a well governed corporate entity which sets high standards of governance following the above and other applicable principles of Arthashastra will always stand out distinctly in the eyes of the stakeholder as compared to other corporates.

## THEORIES OF BUSINESS ETHICS

The theories of business ethics can be divided into two categories:

1. Teleological theories, and
2. Deontological theories.

### 1. Teleological Theories:

The word 'teleological' comes from the Greek 'telos,' meaning an end. Teleological theories say that an action is right or wrong based on its consequences, not its inherent features. If an action leads to the most overall good or least harm, it's considered ethical. These theories focus on the idea of what is good. In classic utilitarianism, pleasure is seen as good, and pain is seen as bad. More broadly, goodness is linked to human well-being.

**The doctrine of utilitarianism:**

### 1. The Principle of Utility:

**Jeremy Bentham explains this principle as follows:**

“By the principle of utility is meant that principle which approves or disapproves of every action whatsoever, according to the tendency which it appears to have to augment or diminish the happiness of the party whose interest is in question or what is the same thing in other words, to promote or to oppose that happiness.”



Thus, the consequences of an action are measured in terms of the pleasure and pain caused to different individuals. Bentham's theory is criticised for two reasons. First, it is not always possible to measure in quantities the pleasure and pain caused by an action. Second, pleasure does not constitute human wellbeing.

## 2. The Principle of Utilitarianism:

John Stuart Mill modified the principle of utility by recognising that pleasures differ in their quality which is an important as the quantity of pleasure. Mill concluded, "It is better to be a human being dissatisfied than a pig satisfied, better to be Socrates (A Greek philosopher related to wisdom) dissatisfied than a fool satisfied. And if the fools, or the pig, are of a different opinion, it is because they know only their side of the question."

Thus, there are two forms of utilitarianism:

- i. Action utilitarianism under which an action is right if and only if it produces the greatest balance of pleasure over pain for everyone. For example, telling a lie or breaking a promise is right if its consequences are better than those of any alternative course of action. Thus, classical utilitarianism does not require observing rules such as "Tell the Truth."
- ii. Rule Utilitarianism under which an action is right if and only if it confirms to generally accepted rules and produces the greatest balance of pleasure over pain. Act utilitarianism is simple and easily understood. But rule utilitarianism is morally more sound and does not require calculating the consequences of each action.

The principle of utilitarianism consists of the following elements:

- i. Consequentialism: The Tightness of any action depends solely on its consequences.
- ii. Hedonism: Pleasure alone is good.
- iii. Maximisation: A right action is one that creates greatest amount of net pleasure.
- iv. Universalism: Everyone's consequences are alike.



## 2. Deontological Theories:

The term 'deontological' is derived from the Greek word 'deon' which means duty. Duty or obligation is the fundamental concept in deontological theories. According to deontological theories certain actions are right not due to some benefit to self or others but due to their basic nature or the rules underlying them. For example, bribery by its very nature is wrong irrespective of its consequences. Similarly, the Golden Rule "Do unto others as you want them do unto you" appeals to human dignity and respect for others.

W.D. Ross, Britisher philosopher has given the following moral rules:

- i. Duties of Fidelity: to keep promises, both explicit and implicit, and to tell the truth.
- ii. Duties of Reparation: to compensate people for injury that we have wrongfully inflicted.
- iii. Duties of Gratitude: to return favours that others do for us.
- iv. Duties of Justice: to ensure that goods are distributed according to people's merits.
- v. Duties of Beneficence: to do whatever we can to improve the condition of others.
- vi. Duties of Self-improvement: to improve our own condition with respect to virtue and intelligence.
- vii. Duties of Non-maleficence: to avoid injury to other.

Actions are right or wrong not because of their consequences but because of our duty or obligation.

### CONCEPT OF MANAGEMENT Vs. OWNERSHIP

Theoretically, shareholders own the company and hence the company ought to work according to the dictates of the shareholders. However, it is not practically possible for each shareholder to participate in the decision-making process on a day-to-day basis. Further shareholders generally cannot know and manage the full details of a corporation's business (nor do many wish to), they elect a board of directors to make broad corporate policy. Companies allow for the separation of ownership and management. That means that owners don't need to be managers and managers don't need to be owners. In most small corporations, the owners typically manage the company but it is not necessary that owners run the company or are even involved in the day-to-day operations of the company.



### CONCEPT OF MAJORITY RULE Vs. MINORITY INTEREST

As a company is an artificial person with no human 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* 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.

### ROOTS OF CORPORATE GOVERNANCE IN INDIAN ETHOS

The concept of corporate governance in India has ancient connections. There is a great deal of similarity in the governance structures of the ancient kingdoms and modern corporations as is evident from our ancient text and scriptures.

**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.

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

**Mahabharata:** Shanti Parva which is the part of Indian Epic Mahabharata recites the duties of the ruler, dharma and good governance, as counselled by the dying Bhishmato Yudhishtira and various Rishis. A prosperous kingdom must be guided by truth and justice. The duty of a ruler and his cabinet is to enable people to be happy, pursue truth and act sincerely. The proper function of a ruler is to rule according to dharma, he should lead a simple life and he should not use his power to enjoy the luxuries of life.



*Shanti parva asserts rulers have a dharma (duty, responsibility) to help the upliftment of all living beings. The best law, claims Shanti parva, is one that enhances the welfare of all living beings, without injuring any specific group.*

***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.*

<b>Kautilya's fourfold duty of a king</b>	<i>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 essence 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.</i>
<b>Raksha</b>	<i>literally means protection, in the corporate scenario it can be equated with the risk management aspect.</i>
<b>Vridhhi</b>	<i>literally means growth, in the present day context can be equated to stakeholder value enhancement</i>
<b>Palana</b>	<i>literally means maintenance/compliance, in the present day context it can be equated to compliance to the law in letter and spirit.</i>
<b>Yogakshema</b>	<i>literally means wellbeing and in Kautilya's Arthashastra it is used in context of a social security system. In the present day context it can be equated to corporate social responsibility.</i>

## CORPORATE GOVERNANCE – CONTEMPORARY DEVELOPMENTS 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.

<b>1998 - Desirable Corporate Governance: A Code</b>	<p>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. In April 1998, the Code was released. It was called Desirable Corporate Governance: A Code.</p>
<b>1999 - Kumar Mangalam Birla Committee</b>	<p>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 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.</p>
<b>2002 - Naresh Chandra Committee</b>	<p>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</p>



	<p>and recommend inter alia amendments to the law involving the auditor-client relationships and the role of independent directors. In the year 2002, SEBI analysed 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.</p>
<p><b>2004 - Dr. J.J.Irani Committee on Company Law</b></p>	<p>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 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.</p> <p>With a view to protect the interest of various stakeholders, the <b>Committee also recommended the constitution of a “Stakeholders’ Relationship Committee” and provision of duties of directors in the Act with civil consequences for non-performance.</b></p>
<p><b>2009 - CII’s Task Force on Corporate Governance</b></p>	<p>In 2009, CII’s Task Force on Corporate Governance gave its report and suggested certain voluntary recommendations for industry to adopt.</p>

<b>2009 - Corporate Governance Voluntary Guidelines</b>	<p>Inspired by the industry recommendations, the MCA, in late 2009, released a set of voluntary guidelines on corporate governance. The Guidelines emphasized that responsible businesses alone will be able to help India meet its ambitious goal of inclusive and sustainable all round development. It urged businesses to embrace the “triple bottom-line” approach whereby their financial performance could be harmonized with the expectations of society, the environment and the many stakeholders in a sustainable manner.</p>
<b>2013 - Companies Act</b>	<p>The Companies Act, 2013 brought with it radical changes in the sphere of Corporate Governance in India. It provided a major overhaul in Corporate Governance norms and sought to have far-reaching implications on the manner in which corporate operates in India.</p>
<b>2015 - SEBI (Listing Obligations and Disclosure Requirements) Regulations</b>	<p>With a view to consolidate and streamline the provisions of the erstwhile 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.</p>
<b>2017 - Uday Kotak Committee</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>

- 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,

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
- Enhanced Monitoring of Group Companies
- Promoters/Controlling Shareholders and Related Party Transactions
- Disclosures and Transparency
- Accounting and Audited related Issues
- Investors participation in Meetings of Listed Entities
- Governance aspects of Public Sector Enterprises

In its board meeting on March 27, 2018, SEBI, after detailed consideration and due deliberation, accepted several recommendations of the Kotak Committee without any modifications and accepted a few other recommendations with certain modifications as to timelines for implementation, applicability thresholds among others.

	<p><i>Some of the major changes accepted relate to:</i></p> <ul style="list-style-type: none"> <li>• <i>Increasing Transparency -Enhanced Disclosure Requirements</i></li> <li>• <i>Disclosure of Utilization of Funds from Qualified Institutional Placement (QIP) /Preferential Issues</i></li> <li>• <i>Disclosures of Auditor Credentials, Audit Fee, Reasons for Resignation of Auditors</i></li> <li>• <i>Disclosure of Expertise/Skills of Directors</i></li> <li>• <i>Enhanced Disclosure of Related Party Transactions</i></li> <li>• <i>Mandatory Disclosure of Consolidated Quarterly Results with effect from Financial Year 2019-2020</i></li> <li>• <i>Reshaping the Institution of the Board of Directors and Enhancing the Role of Committees of the Board</i></li> <li>• <i>Separation of the office of the chairperson (i.e. the leader of the board) and CEO/ MD (i.e. the leader of the management)</i></li> <li>• <i>Augmenting board strength and diversity</i></li> <li>• <i>Enhanced Quorum</i></li> <li>• <i>Capping the Maximum Number of Directorships</i></li> <li>• <i>Secretarial Audit to be Mandatory for Listed Entities and their Material Unlisted Subsidiaries</i></li> </ul>
<p><b>2019 - National Guidelines on Responsible Business Conduct (NGRBC)</b></p>	<ul style="list-style-type: none"> <li>• <i>The NGRBC are designed to be used by all businesses, irrespective of their ownership, size, sector, structure or location.</i></li> <li>• <i>It is expected that all businesses investing or operating in India, including foreign multinational corporations (MNCs) will follow these guidelines.</i></li> </ul> <p><b>The principles of NGRBC are:</b></p> <ul style="list-style-type: none"> <li>• <i>Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.</i></li> <li>• <i>Businesses should provide goods and services in a manner that is sustainable and safe</i></li> </ul>

	<ul style="list-style-type: none"> <li>• Businesses should respect and promote the well-being of all employees, including those in their value chains.</li> <li>• Businesses should respect the interests of and be responsive to all their stakeholders.</li> <li>• Businesses should respect and promote human rights.</li> <li>• Businesses should respect and make efforts to protect and restore the environment.</li> <li>• Businesses should promote inclusive growth and equitable development.</li> <li>• Businesses should engage with and provide value to their consumers in a responsible manner.</li> </ul>
<p><b>2020 - Guidelines on Integrity and Transparency in Governance and Responsible Code of Conduct, The CII Code 2020</b></p>	<p>The Guidelines on Integrity and Transparency in Governance and Responsible Code of Conduct are as under:</p> <ul style="list-style-type: none"> <li>• Integrity, Ethics and Governance.</li> <li>• Responsible Governance and Citizenship.</li> <li>• Role of High performing Board.</li> <li>• Balance Interests of Stakeholders.</li> <li>• Independent Directors and Women Directors.</li> <li>• Risk Management</li> <li>• Succession Planning.</li> <li>• Improving audit quality, and enhancing accountability of third parties who play a fiduciary role.</li> <li>• Disclosure and transparency related issues.</li> <li>• Vigil Mechanism.</li> <li>• Stakeholder, Vendor and Customer Governance.</li> <li>• Investor Activism.</li> </ul>

**2020 - Report of the  
Committee on  
Business  
Responsibility  
Reporting**

- In 2018, while the NVGs were being updated, it was decided that the SEBI-BRR framework should also be revised to reflect the changes made in the base document.
- The Secretary, Corporate Affairs, constituted a Committee under the chairmanship of Joint Secretary, MCA, to prepare the Business Responsibility Reporting (BRR) formats for both, listed and unlisted companies.
- The formats were developed to serve as a single comprehensive source of non-financial, sustainability information relevant to all business stakeholders - investors, shareholders, regulators, and public at large.
- The formats were developed to be simple, and mindful of the burden and cost of compliance by businesses so as not be onerous or repetitive.
- The information sought in the formats is a mix of quantitative and qualitative data. Quantitative data allows for easy measurement and comparability across companies, sectors, and in time.
- The formats were developed for all companies - listed as well as unlisted. However, different reporting requirements have been considered for different classes of companies, especially smaller companies.
- The formats were developed with a view to be filled electronically and integrated with the MCA21 database.

## INTERNATIONAL REGULATORY FRAMEWORK

## STAGES OF CORPORATE GOVERNANCE ACROSS GLOBE

### Stages of Development of Corporate Governance in USA

Years	Developments
1977 <i>The Foreign Corrupt Practices Act</i>	<i>Provided for specific provisions regarding establishment, maintenance and review of systems of internal control.</i>
1979 <i>US Securities Exchange Commission</i>	<i>Prescribed mandatory reporting on internal financial controls.</i>
1985 <i>Treadway commission</i>	<i>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.</i>
2002 <i>Sarbanes – Oxley (SOX) Act</i>	<i>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.</i>
<i>The Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010</i>	<i>The Dodd-Frank Act places strict regulations on lenders and banks in an effort to protect consumers and prevent another all-out economic recession. Dodd-Frank also created several new agencies to oversee the regulatory process and implement certain changes.</i>

## DEVELOPMENT OF CORPORATE GOVERNANCE IN UNION KINGDOM (UK)

1992

### Cadbury Report

The Committee on the Financial Aspects of Corporate Governance under the chairmanship of Sir Adrian Cadbury was set up in May 1991 for reviewing the standards of financial reporting and accountability. The Committee submitted its report in 1992 and developed a set of principles of good corporate governance which were incorporated into the London Stock Exchange (LSE)'s Listing Rules. It also introduced the principle of 'comply or explain'. It made the following three basic recommendations:

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

1995

### Greenbury Report

A group under the chairmanship of Sir Richard Greenbury to make recommendations on Directors' Remuneration was constituted. The group submitted its report in 1995, its major findings were as under:

1. Constitution of a Remuneration Committee comprising of Non-Executive Directors
2. Responsibility of this committee in determining the remuneration of CEO and executive directors
3. Responsibility of the committee in determining the remuneration policy.
4. Level of disclosure to shareholders regarding the remuneration of directors.
5. Remuneration should be linked more explicitly to performance.





<p><b>1998</b> <b>Hampel Report</b></p>	<p>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.</p>
<p><b>1998</b> <b>Combined Code Corporate Governance</b></p>	<p>The resulting Hampel Report led to the publication of Combined Code which applied to all listed companies. It added that:</p> <ol style="list-style-type: none"> <li>1. The Chairman of the board should be seen as the "leader" of the non- executive directors,</li> <li>2. Institutional investors should be responsible to make considered use of their vote, and</li> <li>3. All kinds of remuneration including pensions should be disclosed.</li> </ol>
<p><b>2003</b> <b>Higgs Report</b></p>	<p>Sir Derek Higgs was commissioned by the UK Government to review the roles of independent directors and of audit committees. The resulting Report proposed that:</p> <ol style="list-style-type: none"> <li>1. At least half of a board (excluding the Chair) be comprised of non- executive directors,</li> <li>2. That the non-executives should meet at least once a year in isolation to discuss company performance,</li> <li>3. That a senior independent director be nominated and made available for shareholders to express any concerns to, and</li> <li>4. 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.</li> </ol>



**2020**

**The UK**

**Stewardship Code**

**2020**

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The UK Stewardship Code 2020 is a substantial and ambitious revision to the 2012 edition of the Code which took effect from 1 January 2020. The UK Stewardship Code 2020 (the Code) sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code comprises a set of 'apply and explain' Principles for asset managers and asset owners, and a separate set of Principles for service providers.

The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

## CORPORATE GOVERNANCE CODES IN MAJOR JURISDICTIONS ACROSS THE WORLD

### CORPORATE GOVERNANCE FRAMEWORK IN USA

1. The companies in U.S are governed by a variety of legal regimes relating to corporate governance matters.
2. These consist of state laws and federal statutory rules and regulations of various government agencies including rules promulgated by U.S. Securities and Exchange Commission (the SEC) and self-regulatory organizations such as stock exchanges that impose requirements on companies whose securities are listed on such stock exchanges.
3. Other regulations imposing disclosure and compliance requirements include the Sarbanes Oxley Act of 2002 and the Dodd-Frank Wall Street reform and Consumer Protection Act of 2010.
4. Also, major stock exchanges like NYSE and NASDAQ provides for the rules pertaining to corporate governance matters which companies must comply as a condition to being listed on the stock exchange.



## SARBANES-OXLEY ACT OF 2002

1. 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.
2. The Act became effective since 2006 for all publicly traded companies which are required to implement and report to the SEC for compliance. In addition, certain provisions of Sarbanes-Oxley also apply to privately-held companies.
3. The summary highlights of the most important Sarbanes-Oxley sections for compliance are listed below.

### SOX Section 302 Corporate Responsibility for Financial Reports

1. CEO and CFO must review all financial reports.
2. Financial report does not contain any misrepresentations.
3. Information in the financial report is "fairly presented".
4. CEO and CFO are responsible for the internal accounting controls.
5. CEO and CFO must report any deficiencies in internal accounting controls, or any fraud involving the management of the audit committee.
6. 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 409 Real Time Issuer Disclosures

Companies are required to disclose on an almost real-time basis information concerning material changes in its financial condition or operations.

### SOX Section 802 Criminal Penalties for Altering Doc.

This section specifies the penalties for knowingly altering documents in an ongoing legal investigation, audit, or bankruptcy proceeding.



<b>SOX Section 806</b>	<i>This section deals with whistleblower protection.</i>
<b>SOX Section 902 Attempts &amp; Conspiracies to Commit Fraud Offenses</b>	<i>It is a crime for any person to corruptly alter, destroy, mutilate, or conceal any document with the intent to impair the object's integrity or availability for use in an official proceeding.</i>
<b>SOX Section 906</b>	<i>Section 906 addresses criminal penalties for certifying a misleading or fraudulent financial report. Under SOX 906, penalties can be upwards of \$5 million in fines and 20 years in prison.</i>

## **SECTION 303A CORPORATE GOVERNANCE STANDARDS- NYSE**

### **General Application**

*Companies listed on the Exchange must comply with certain standards regarding corporate governance as codified in the Section 303A.*

### **Equity Listings**

*It applies in full to all companies listing common equity securities, with the following exceptions:*

### **Controlled Companies**

*A listed company of which more than 50% of the voting power is held by an individual, a group or another company need not comply with the requirements of Sections 303A.*

*A controlled company that chooses to take advantage of any or all of these exemptions must disclose that choice, that it is a controlled company.*

### **Limited Partnerships and Companies in Bankruptcy**

*Due to their unique attributes, limited partnerships and companies in bankruptcy proceedings need not comply with the requirements of Sections 303A.*

### **Closed-End and Open-End Funds**



### **Foreign Private Issuers**

Listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the provisions of this Section 303A.

### **Preferred and Debt Listings**

Section 303A does not generally apply to companies listing only preferred or debt securities on the Exchange.

## **UK CORPORATE GOVERNANCE CODE, 2018**

1. The Financial Reporting Council (FRC), an independent regulator in the UK and Ireland, is responsible for regulating auditors, accountants and actuaries and promotes transparency and integrity in business.
2. The FRC published its new **2018 UK Corporate Governance Code (2018 Code)** on July 16, 2018. The Code is applicable to all companies with a premium listing, whether incorporated in the UK or elsewhere.
3. The 2018 Code sets out the principles by which the board of directors should promote the purpose, values and future success of the company.
4. 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.
5. The Listing Rules require companies to explain how they have applied the main principles of the Code and the extent to which they have complied with the detailed provisions. The main principles provided in the code are given hereunder.

Heading	Principles
<b>BOARD LEADERSHIP AND COMPANY PURPOSE</b>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned.</li> <li>3. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them.</li> <li>4. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.</li> <li>5. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success.</li> </ol>
<b>DIVISION OF RESPONSIBILITIES</b>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. The board should include an appropriate combination of executive and nonexecutive directors, such that no one individual or small group of individuals dominates the board's decision making.</li> <li>3. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.</li> <li>4. Non-executive directors should have sufficient time to meet their board responsibilities.</li> <li>5. The board, supported by the company secretary.</li> </ol>

<p><b>COMPOSITION, SUCCESSION AND EVALUATION</b></p>	<ol style="list-style-type: none"> <li>1. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management.</li> <li>2. The board and its committees should have a combination of skills, experience and knowledge.</li> <li>3. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives.</li> </ol>
<p><b>AUDIT, RISK AND INTERNAL CONTROL</b></p>	<ol style="list-style-type: none"> <li>1. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions.</li> <li>2. The board should present a fair, balanced and understandable assessment of the company's position and prospects.</li> <li>3. 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.</li> </ol>
<p><b>REMUNERATION</b></p>	<ol style="list-style-type: none"> <li>1. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.</li> <li>2. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.</li> <li>3. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.</li> </ol>



## CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS, AUSTRALIA – 2019

1. The Principles and Recommendations are not mandatory and do not seek to prescribe the corporate governance practices that a listed entity must adopt.
2. The “if not, why not” approach is fundamental to the operation of the Principles and Recommendations.
3. The Principles and Recommendations are structured around, and seek to promote, 8 central principles.

### 8 Central Principles

1. **Lay solid foundations for management and oversight:** A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.
2. **Structure the board to be effective and add value:** The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.
3. **Instill a culture of acting lawfully, ethically and responsibly**
4. **Safeguard the integrity of corporate reports**
5. **Make timely and balanced disclosure**
6. **Respect the rights of security holders:** A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.
7. **Recognise and manage risk:** A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.
8. **Remunerate fairly and responsibly:** A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity’s values and risk appetite.





## NEW CODE OF CORPORATE GOVERNANCE, SINGAPORE - 2018

1. The Code of Corporate Governance which is applicable to listed companies in Singapore on a comply or explain basis, first came into effect on 1 January 2003.
2. The Code aims to promote high levels of corporate governance in Singapore by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply.
3. This version of the Code, has at its core broad Principles of corporate governance. Compliance with, and observation of, these Principles mandatory.
4. These Principles set out broadly accepted characteristics of good corporate governance. Companies are required to describe their corporate governance practices with reference to both the Principles and Provisions, and how the company's practices conform to the Principles.

### 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.
7. The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.



8. *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*
9. *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*
10. *The Board has an Audit Committee (“AC”) which discharges its duties objectively.*
11. *The company treats all shareholders fairly and equitably.*
12. *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*
13. *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

Note:

- a. *From January 1, 2022, independent directors will have a tenure limit of nine years. Where an independent director has served nine consecutive years of service, continuation on the board as an independent director will be subject to a two-tier voting system and the boards must be majority independent where the board chair is not independent, and the Code establishes that regardless of board chair, non-executive directors will need to comprise the majority of boards.*
- b. *The threshold to qualify as a “substantial shareholder” will now be 5% of issued share capital, previously 10%.*

### **Remuneration Matters**

1. *Companies must disclose how the board and key management personnel’s remuneration are appropriate and proportionate to a company’s sustained performance and value creation.*
2. *Annual reports will include the disclosure of remuneration for each director and CEO. Companies will also need to disclose the names and remuneration of substantial shareholders, or immediate family members if their remuneration exceeds \$100,000/Year.*



### **Audit, Risk Management, and Internal Controls**

1. Companies may choose to establish a separate board-level risk committee.
2. While there will only be a two-year look back for former audit partners serving as a director, audit committees should meet independently with external and internal auditors without the presence of management at least annually.

### **Shareholder Rights and Engagement**

1. Shareholders would gain the ability to abstain from voting, provided a company's Constitution or other documents allow for such a voting option.
2. Improved disclosure on board and shareholder communication, as part of policies to promote communication with shareholders.
3. The development of new mechanisms to enable shareholders to contact companies with questions.
4. Strengthened policies regarding engagement with stakeholder groups, including the role of corporate websites to communicate with stakeholders.

The Code also calls for the formation of a Corporate Governance Committee to promote industry-led good corporate practice.

### **KING IV REPORT ON CORPORATE GOVERNANCE, SOUTH AFRICA – 2016**

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:

(King I),

(King II),

(King III),

(King IV)

The King Code contains both principles and recommended practices aimed at achieving governance outcomes.

King IV requires an "Apply AND Explain" approach to disclosure, as opposed to King III which was 'Apply or Explain'.

*This means that application of the principles is assumed and that an explanation is disclosed on the practices that have been implemented and how these support achieving the associated governance principle.*

## **KING IV PRINCIPLES**

<b>GOVERNANCE ELEMENT</b>	<b>PRINCIPLES</b>
<b>LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP</b>	<ol style="list-style-type: none"> <li>1. <i>The governing body should lead ethically and effectively.</i></li> <li>2. <i>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</i></li> <li>3. <i>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</i></li> </ol>
<b>STRATEGY, PERFORMANCE AND REPORTING</b>	<ol style="list-style-type: none"> <li>4. <i>The governing body should appreciate that the organisation's score purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</i></li> <li>5. <i>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</i></li> </ol>
<b>GOVERNING STRUCTURES AND DELEGATION</b>	<ol style="list-style-type: none"> <li>6. <i>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</i></li> <li>7. <i>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</i></li> <li>8. <i>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</i></li> </ol>

	<p>9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p> <p>10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>
<p><b>GOVERNANCE FUNCTIONAL AREAS</b></p>	<p>11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p> <p>12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p> <p>13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p> <p>14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p> <p>15. The governing body should ensure that assurance services and functions enable an effective control environment.</p>
<p><b>STAKEHOLDER RELATIONSHIPS</b></p>	<p>16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p> <p>17. The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>



## OECD PRINCIPLES OF CORPORATE GOVERNANCE

1. 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.
2. Access to equity capital is particularly important for future oriented growth companies and to balance any increase in leveraging.
3. The Principles are also about inclusiveness. Today, millions of households around the world have their savings in the stock market, directly or indirectly. And publicly listed companies provide for more than 200 million jobs. The Principles also address the rights of these stakeholders and their ability to participate in corporate wealth creation.

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

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

1. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and well-functioning markets.
2. The legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable.
3. The division of responsibilities among different authorities should be clearly articulated and designed to serve the public interest.
4. Stock market regulation should support effective corporate governance.
5. Supervisory, regulatory and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner.

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

1. **Basic shareholder rights** should include the right to:
  - i. secure methods of ownership registration,
  - ii. convey or transfer shares,
  - iii. obtain relevant and material information on the corporation on a timely and regular basis,
  - iv. participate and vote in general shareholder meetings,



v. elect and remove members of the board, and

vi. share in the profits of the corporation.

2. Shareholders should be sufficiently informed about, and have the right to approve or participate in, decisions concerning fundamental corporate changes such as:

i. amendments to the statutes, or articles of incorporation or similar governing documents of the company,

ii. the authorisation of additional shares, and

iii. extraordinary transactions.

3. Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings:

i. Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.

ii. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders.

iii. Shareholders should have the opportunity to ask questions to the board

iv. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated.

v. Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.

4. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.

5. All shareholders of the same series of a class should be treated equally.



6. *Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.*

7. *Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited.*

### **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:*

1. *Institutional investors acting in a fiduciary capacity should disclose their corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.*

2. *Votes should be cast by custodians or nominees in line with the directions of the beneficial owner of the shares.*

3. *Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.*

4. *The corporate governance framework should require that proxy advisors, analysts, brokers, rating agencies and others that provide analysis or advice relevant to decisions by investors, disclose and minimise conflicts of interest that might compromise the integrity of their analysis or advice.*

5. *Insider trading and market manipulation should be prohibited and the applicable rules enforced.*

6. *For companies who are listed in a jurisdiction other than their jurisdiction of incorporation, the applicable corporate governance laws and regulations should be clearly disclosed. In the case of cross listings, the criteria and procedure for recognising the listing requirements of the primary listing should be transparent and documented.*

7. *Stock markets should provide fair and efficient price discovery as a means to help promote effective corporate governance.*





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

1. The rights of stakeholders that are established by law or through mutual agreements are to be respected.
2. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.
3. Mechanisms for employee participation should be permitted to develop.
4. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.
5. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board  
The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.

**V. Disclosure and transparency:**

1. Disclosure should include, but not be limited to, material information on:
  - i. The financial and operating results of the company.
  - ii. Company objectives and non-financial information.
  - iii. Major share ownership, including beneficial owners, and voting rights.
  - iv. Remuneration of members of the board and key executives.
  - v. Information about board members, including their qualifications, the selection process.
  - vi. Related party transactions.
2. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting.
3. An annual audit should be conducted by an independent, competent and qualified, auditor in accordance with high-quality auditing standards in order to provide an external and objective assurance to the board and shareholders.
4. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.
5. Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.



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

1. *Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.*
2. *Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.*
3. *The board should apply high ethical standards. It should take into account the interests of stakeholders.*
4. *In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.*
5. *When employee representation on the board is mandated, mechanisms should be developed to facilitate access to information and training for employee representatives, so that this representation is exercised effectively and best contributes to the enhancement of board skills, information and independence.*

## **THE FINNISH CORPORATE GOVERNANCE CODE, 2020**

1. *The purpose of the Corporate Governance Code is to harmonise the procedures of listed companies and to promote openness with regard to corporate governance and remuneration.*
2. *From the perspective of a shareholder and an investor, the Corporate Governance Code increases the transparency of corporate governance and the ability of shareholders and investors to evaluate the practices applied by individual companies.*
3. *The Corporate Governance Code also provides investors with an overview of the kinds of corporate governance practices that are acceptable for Finnish listed companies.*
4. *The 2020 CG Code also introduces changes to the recommendation concerning the audit committee.*
5. *The company's remuneration statement has been replaced by the remuneration policy for governing bodies ("remuneration policy").*
6. *The remuneration policy and report concern the company's board of directors, supervisory board, if any, and the managing director and deputy managing director. Information on the remuneration of the rest of the management team will in future be provided on the company's website. The remuneration reporting section also includes a checklist to clarify the reporting obligations.*



7. Similarly, the board must in future report, which of the board members are independent of the company and which are independent of the company's significant shareholders. In addition, the reasoning for determining that a board member is not independent must also be reported.
8. The criteria to be taken into account in the overall assessment of independence have also been supplemented so that under the interpretation of the criteria, the benefits paid and offered to a member of the board by a shareholder otherwise than on the basis of an employment or service relationship may require assessment.
9. The 'comply or explain' principle applies to the CG Code. Thus, the starting point is that the company must comply with all recommendations set out in the CG Code.

### THE ITALIAN CORPORATE GOVERNANCE CODE

1. The Italian Corporate Governance Code applies to all companies with shares listed on the Italian main market.
2. Adoption of this Code is voluntary
3. The code has 6 articles and each article of the Code is divided into principles
4. There are 2 types of Board, "one-tier" and "two-tier".
5. For companies adopting the "two-tier" model, the Code requires that the supervisory board is to be assigned the task of deliberating on the company's strategic guidelines and transactions of strategic importance (so-called "high level" management powers).
6. Companies apply the Code according to the principle of substance over form and the recommendations thereof on a "comply or explain" basis.
7. Companies adopting the Code provide in their corporate governance report accurate, easily understandable and exhaustive, albeit concise, information on how the Code is applied.
8. The choice to depart from one or more recommendations of the Code may depend on factors internal and external to the company, whereby the practice recommended by the Code may not be functional or compatible with its governance model.
9. The application of the Code implies, however, that each deviation is clearly indicated in the corporate governance report and that companies:
  - i. explain how the best practice recommended by the Code has been disregarded,
  - ii. describe the reasons for the deviation,



- iii. describe how the decision to depart from the recommendations has been made within the company,
- iv. if the deviation is limited in time, indicate when they plan to apply the related best practice,
- v. describe any action adopted as an alternative to the best practice which they have not implemented and explain how this choice helps the company achieving the objective underlying the Code's principles and in any case contributes to good corporate governance.

### **JAPAN'S STEWARDSHIP CODE - PRINCIPLES FOR RESPONSIBLE INSTITUTIONAL INVESTORS**

1. In this Code, "stewardship responsibilities" refers to the responsibilities of institutional investors to enhance the medium- to long-term investment return for their clients and beneficiaries by improving and fostering the investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue.
2. This Code defines principles considered to be helpful for institutional investors who behave as responsible institutional investors in fulfilling their stewardship responsibilities with due regard both to their clients and beneficiaries and to investee companies.
3. By fulfilling their stewardship responsibilities properly in line with this Code, institutional investors will also be able to contribute to the growth of the economy as a whole.
4. Activities by institutional investors done to discharge their stewardship responsibilities should not be seen to be confined to voting, although voting is an essential element of stewardship activities.
5. Stewardship activities include proper monitoring of the investee companies and constructive engagement with them done to discharge the stewardship responsibilities to foster sustainable growth of the companies
6. In the Code, two categories of institutional investors are identified: "institutional investors as asset managers" (hereafter, "asset managers"), which are entrusted to manage funds and invest in companies; and "institutional investors as asset owners" (hereafter, "asset owners"), including providers of funds.
7. The asset managers are expected to contribute to the enhancement of the corporate value of investee companies through day-to-day constructive dialogue with them.



8. *The asset owners are expected to disclose their policies on fulfilling their stewardship responsibilities and contribute to the enhancement of the corporate value of investee companies through their own actions and/or the actions of the asset managers, to which they outsource their asset management activities.*
9. *The asset managers should aim to know the intention of the asset owners so that they can provide services as expected, and the asset owners should aim to assess the asset managers in line with the Code, not placing undue emphasis on short-term performance.*
10. *Parties such as proxy advisors and investment consultants for pensions which provide services at the request of institutional investors, etc. to contribute to the institutional investors' effective execution of stewardship activities (hereafter "service providers for institutional investors") are expected to play important roles in enhancing the functions of the entire investment chain running from their clients and beneficiaries to the investee companies.*

## **GLOBAL CORPORATE GOVERNANCE FORUMS**

### **1. ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT**

1. *The Organization of Economic Cooperation and Development released its first set of corporate governance principles in 1999. A revised version was then released in 2004.*
2. *The principles were developed and endorsed by the ministers of OECD member countries in order to help OECD and Non-OECD governments in their efforts to create legal and regulatory frameworks for corporate governance in their countries.*
3. *The Organization for Economic Cooperation and Development (OECD) is a unique forum where the governments of 36-member states with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity, and sustainable development.*

### **2. NATIONAL FOUNDATION FOR CORPORATE GOVERNANCE (NFCG)**

*With the goal of promoting better corporate governance practices in India, the Ministry of Corporate Affairs, Government of India, has set up National Foundation for Corporate Governance (NFCG) in the year 2003 in partnership with Confederation of Indian Industry*



(CII), Institute of Company Secretaries of India (ICSI) and Institute of Chartered Accountants of India (ICAI).

In the year 2010, Institute of Cost Accountants of India and National Stock Exchange and in 2013 Indian Institute of Corporate Affairs were included in NFCG as trustees.

**The Mission of NFCG are:**

1. To foster a culture of good governance, voluntary compliance and facilitate effective participation of different stakeholders;
2. To catalyse capacity building in new emerging areas of Corporate Governance.

### 3. THE INSTITUTE OF DIRECTORS (IOD), UK

The IOD is a non-party-political business organisation established in United Kingdom in 1903.

The IOD seeks to provide an environment conducive to business success.

The objects of IOD are:

1. To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations,
2. To promote the study, research and development of the law and practice of corporate governance, and to publish, disseminate or otherwise make available the useful results of such study or research,
3. To represent the interests of members and of the business community to government and in all public fora and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation, and
4. To advance the interests of members of the Institute, and to provide facilities, services and benefits for them. The day-to-day running of the Institute is managed by the Executive Directorate, headed by the Director General.



#### 4. INTERNATIONAL CORPORATE GOVERNANCE NETWORK

The International Corporate Governance Network (“ICGN”) is a not-for-profit company limited by guarantee and not having share capital under the laws of England and Wales founded in 1995. ICGN’s mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide. ICGN’s positions are guided by the ICGN Global Governance Principles and Global Stewardship Principles, which were first published in 2003, as a statement on shareholder stewardship responsibilities both of which are implemented by:

1. Influence policy by providing a reliable source of investor opinion on governance and stewardship,
2. Connect peers at global events to enhance dialogue between companies and investors around long-term value creation, and
3. Inform dialogue through education to enhance the professionalism of governance and stewardship practices.
4. It has four primary purposes:
  - i. to provide an investor-led network for the exchange of views and information about corporate governance issues internationally,
  - ii. to examine corporate governance principles and practices,
  - iii. to develop and encourage adherence to corporate governance standards and guidelines, and
  - iv. to generally promote good corporate governance.

The Network’s mission is to develop and encourage adherence to corporate governance standards and guidelines, and to promote good corporate governance worldwide.

Membership of ICGN is open to those who are committed to the development of good corporate governance.

The Membership section explains the benefits of membership, the different types of membership and how to join the ICGN.

The ICGN is governed by the ICGN Memorandum and Articles of Association.

The management and control of ICGN affairs are the responsibility of the Board of Governors.

The Board in turn appoints a number of committees to recommend policy positions, to implement approved projects and to perform such functions that the Board may specify.

The Institute of Company Secretaries of India is a member of ICGN and also the country correspondent from India.



## 5. THE EUROPEAN CORPORATE GOVERNANCE INSTITUTE

1. The European Corporate Governance Institute (ECGI) was founded in 2002. It has been established to improve corporate governance through fostering independent scientific research and related activities.
2. The ECGI is an international scientific non-profit association. It provides a forum for debate and dialogue between academics, legislators and practitioners, focusing on major corporate governance issues and thereby promoting best practice.
3. Its primary role is to undertake, commission and disseminate research on corporate governance. Based upon impartial and objective research and the collective knowledge and wisdom of its members, it advises on the formulation of corporate governance policy and development of best practice and undertake any other activity that will improve understanding and exercise of corporate governance.
4. It acts as a focal point for academics working on corporate governance in Europe and elsewhere, encouraging the interaction between the different disciplines, such as economics, law, finance and management.
5. The Institute articulates its work by expanding on the activities of the European Corporate Governance Network, disseminating research results and other relevant material.
6. It draws on the expertise of scholars from numerous countries and brings together a critical mass of expertise and interest to bear on this important subject.

### **Vision Statement of ECGI:**

1. Corporate governance lies at the heart of our capitalist systems. It is the interface between capital markets and companies, between employees and executives, and between society and the corporate sector. It is the driver of what companies do, how they do it and the effects they have on others. In other words, it sits at the centre of the success and failure of our economic systems.
2. As such it warrants knowledge, research and insights of the best thinkers, practitioners and policymakers of our age. That is precisely what ECGI seeks to provide. It draws on the finest minds in academia from all over the world to tackle some of the most important issues that confront business and governments today. It uses the power of research to change ideas, influence practice and formulate policy to benefit all of us.





3. Corporate governance refers to the way in which private and public companies, enterprises, entrepreneurship and financial institutions are governed and run in relation to their purpose, values, ownership, representation, accountability, financing, investment, performance, leadership, direction, management, employment, law, regulation and taxation.

#### **Mission Statement of ECGI:**

The mission of ECGI is to assist the top academics in the field of corporate governance in bringing their research to the attention of leading practitioners, policymakers and thought leaders by making state of the art knowledge accessible and relevant to them. It promotes the development of new ideas through research that extends the boundaries of our understanding of how corporate governance contributes to the flourishing of business, economies and societies.

## **7. CONFERENCE BOARD**

1. The Conference Board was established in year 1916 in the United States of America. The Conference Board is a global, independent business membership and research association working in the public interest and is a not-for-profit organization.
2. The Conference Board creates and disseminates knowledge about management and the marketplace to help businesses strengthen their performance and serve the society in a better way.
3. **Mission:** The Conference Board is dedicated to equipping the world's leading corporations with the practical knowledge they need to improve their performance and better serve society. It is an objective, independent source of economic and business knowledge with only one agenda: to help our members understand and deal with the most critical issues of our time.
4. It works as a global, independent membership organization in the public interest, it conducts research, convenes conferences, makes forecasts, assesses trends, publishes information and analysis, and brings executives together to learn from one another.
5. The Conference Board governance programs helps companies improve their processes, inspire public confidence, and ensure they are complying with regulations.
6. The Conference Board Directors' Institute is a premiere provider of governance education for directors. Through the Directors' Institute, the program provides corporate directors with a



non-academic, impartial forum for open dialogue about the real-world business challenges they face.

7. The Corporate Governance program at The Conference Board has helped corporations develop strong core principals by improving their governance processes through a variety of programs including director training and global ethics education.
8. The Conference Board Global Corporate Governance Research Centre brings together a distinguished group of senior corporate executives from leading world- class companies and influential institutional investors in a no adversarial setting. In small groups of prominent senior executives, all discussions are confidential, enabling a free-flowing exchange of ideas and effective networking. This highly unique forum allows industry leaders to debate, develop, and advance innovative governance practices, and to drive landmark research in corporate governance.

## 8. THE ASIAN CORPORATE GOVERNANCE ASSOCIATION

The Asian Corporate Governance Association (ACGA) is an independent, non- profit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. ACGA was founded in 1999 from a belief that sound and improving corporate governance is fundamental to the long-term development of Asian economies and capital markets. ACGA's scope of work covers three areas:

### 1. Research:

Tracking corporate governance developments across 12 markets in Asia Pacific and producing independent analyses of new laws and regulations, investor engagement and corporate practices.

### 2. Advocacy:

Engaging in a constructive dialogue with financial regulators, stock exchanges, institutional investors and companies on practical issues affecting the regulatory environment and the implementation of better corporate governance practices in Asia.



### 3. Education:

Organising conferences and seminars that foster a deeper understanding of the competitive benefits of sound corporate governance and ways to implement it effectively.

ACGA is funded by a network of sponsors and corporate members, including leading pension and investment funds, other financial institutions, listed companies, accounting firms and educational institutions. It is incorporated under the laws of Hong Kong and is managed by a secretariat based there. Its governing Council comprises directors from around Asia and other parts of the world.

### 4. CORPORATE SECRETARIES INTERNATIONAL ASSOCIATION (CSIA)

CSIA, a Geneva- registered body, which was established on 23rd March 2010 as an international organization whose members comprise national bodies of professionals at the frontline of governance. It is dedicated to promoting the values and practices of governance professionals in order to create, foster or enhance the environment in which business can be conducted in a fair, profitable and sustainable manner. CSIA issued Twenty Practical Steps to Better Corporate Governance.

#### Twenty Practical Steps to Better Corporate Governance

1. Recognize that good corporate governance is about the effectiveness of the governing body – not about compliance with codes.
2. Confirm the leadership role of the board chairman.
3. Check that non-executive directors have the necessary skills, experience, and courage.
4. Consider the Caliber of the non-executive directors.
5. Review the role and contribution of non-executive directors.
6. Ensure that all directors have a sound understanding of the company.
7. Confirm that the board's relationship with executive management is sound.
8. Check that directors can access all the information they need.
9. Consider whether the board is responsible for formulating strategy.
10. Recognize that the governance of risk is a board responsibility.
11. Monitor board performance and pursue opportunities for improvement.



12. Review relations with shareholders — particularly institutional investors.
13. Emphasise that the company does not belong to the directors.
14. Ensure that directors' remuneration packages are justifiable and justified.
15. Review relations between external auditors and the company.
16. Consider relations with the corporate regulators.
17. Develop written board-level policies covering relations between the company and the societies it affects.
18. Review the company's attitudes to ethical behaviour.
19. Ensure that company secretary's function is providing value.
20. Consider how corporate secretary's function might be developed.

## 10. INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC)

The IIRC, is a powerful, international cross section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors as well as civil society. The IIRC was established in 2010 in recognition of the need to move towards an International Integrated Reporting Framework that is fit-for-purpose for the 21st century.

### **Mission:**

The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

### **Vision:**

The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

The IIRC seeks to build upon, enhance and support the work that has been done to date, and is ongoing, to achieve a reporting framework that:

1. Communicates the organization's strategy, business model, performance and plans against the background of the context in which it operates;
2. Provides a coherent framework within which market and regulatory driven reporting requirements can be integrated;
3. Is internationally agreed, so as to encourage convergence of approach and hence more ready



*understanding of information presented;*

- 4. Reflects the use of and effect on all of the resources and relationships or “capitals” (human, natural and social as well as financial, manufactured and intellectual) on which the organization and society depend for prosperity; and*
- 5. Reflects and communicates the interdependencies between the success of the organization and the value it creates for investors, employees, customers and, more broadly, society.*

*The IIRC is developing an International Integrated Reporting Framework that will facilitate the development of reporting over the coming decades. The core objective of the Framework is to guide organizations on communicating the broad set of information needed by investors and other stakeholders to assess the organization’s long-term prospects in a clear, concise, connected and comparable format. This will enable those organizations, their investors and others to make better short-and long-term decisions.*



Adv. Chirag Chotrani, stands as an esteemed faculty in the realm of Law. From his days as the distinguished topper of his batch to his remarkable contributions in nurturing countless All India Rankers in the field of company secretaryship, he has consistently showcased his unrivalled academic prowess.

A commerce graduate, he embarked on a journey of intellectual growth by completing his LLB from Symbiosis College in Pune. He further pursued a master's degree in Corporate Law, displaying an insatiable hunger for knowledge. However, his quest for expertise did not stop there. His unyielding passion for learning led him to specialize in Arbitration Law. He still remains committed to expanding his intellectual horizons, currently pursuing PhD in corporate laws.

He is celebrated for his trailblazing initiatives that have revolutionized the entire CS Fraternity. He fearlessly launched the first-ever free batch of CSEET. His innovative methods, such as the introduction of coloured notes, Analysis sheets, Lori Series, and the transformative I M Possible revision series, have redefined the landscape of legal education.

It is no wonder that his students affectionately refer to him as the "king of law"

Universally respected and admired, he stands as a figure untouched by negativity, earning the remarkable distinction of being the man with no haters. He is considered a name synonymous with excellence.

**Adv. Chirag Chotrani**



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