

GUIDANCE ON GOOD PRACTICES IN CORPORATE

G.BALASUBRAMANIAM
Company Secretary
Roots Multi Clean Ltd.
Coimbatore

The Pencil Parable

In the beginning, the Pencil Maker spoke to the pencil saying,

"There are five things you need to know before I send you out into the world. Always remember them and you will become the best pencil you can be."



First

You will be able
to do many great
things, but only
if you allow
yourself to be
held in
Someone's
hand.

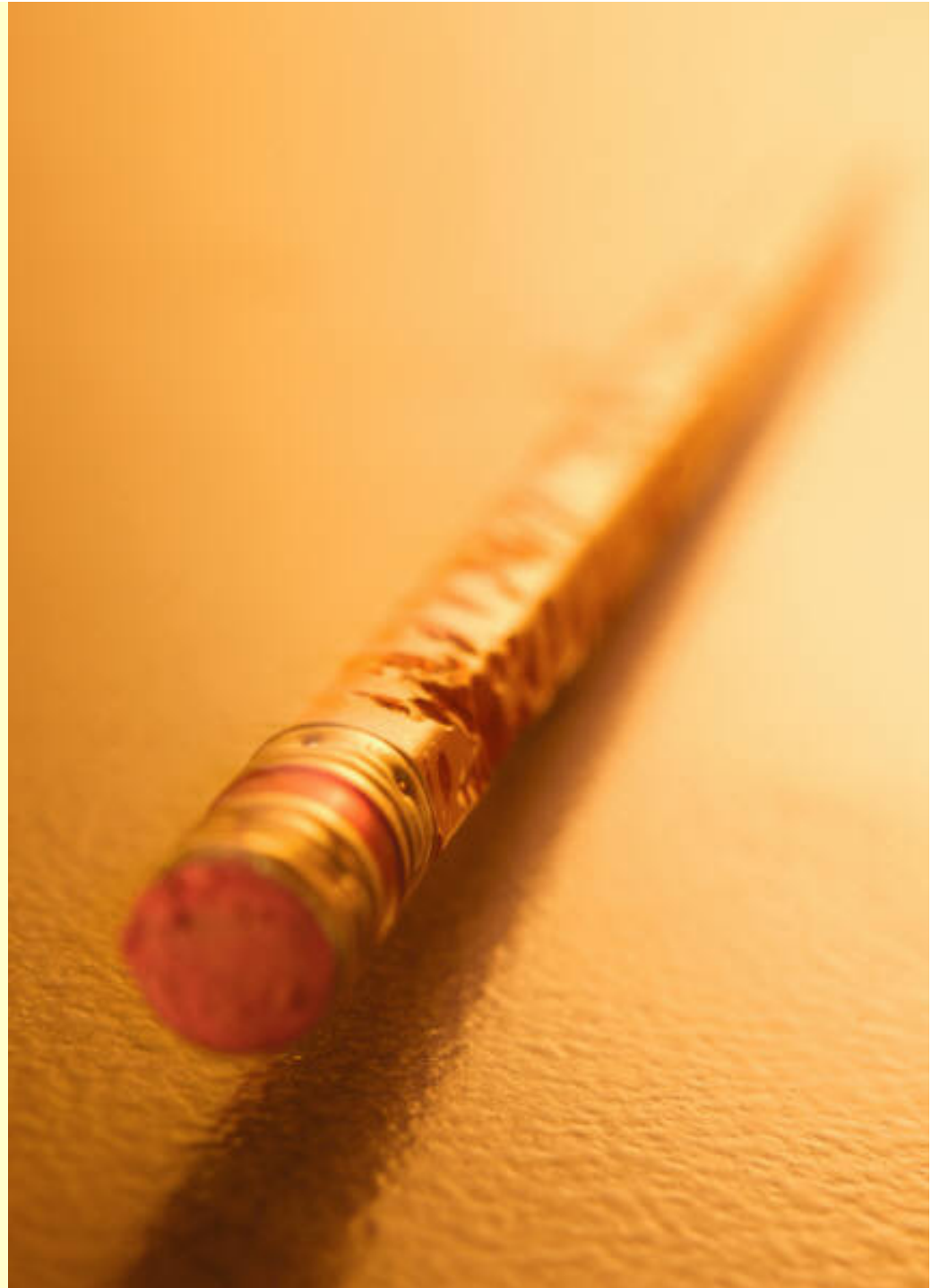
Second



You will experience a painful sharpening from time to time, but this is required if you are to become a better pencil.

Third

You have the
ability to
correct any
mistakes you
might make.





Fourth

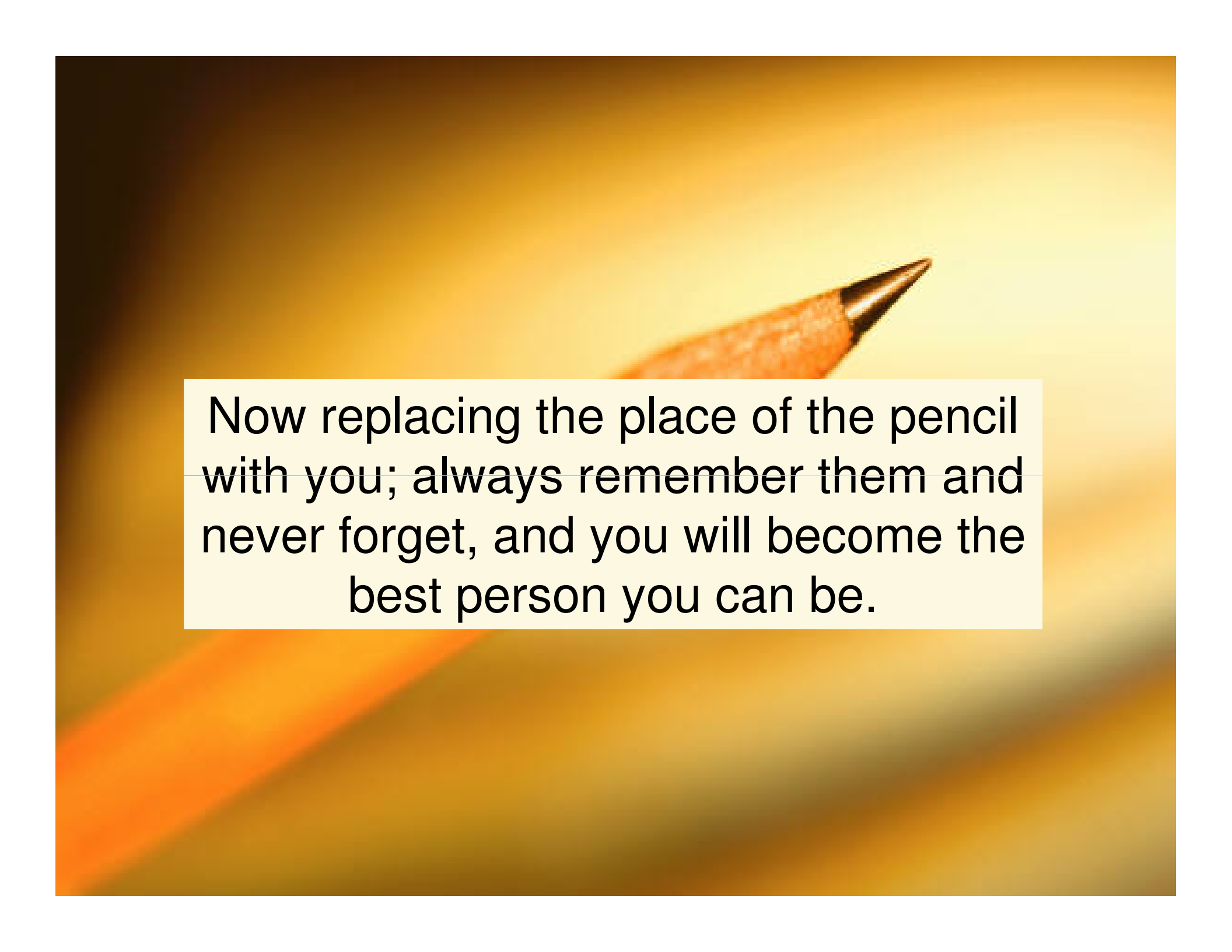
The most important part of you will always be what's inside.

Fifth

No matter what the condition, you must continue to write. You must always leave a clear, legible mark no matter how difficult the situation.



The pencil
understood,
promising to
remember, and
went into the
box fully
understanding its
Maker's purpose.



Now replacing the place of the pencil with you; always remember them and never forget, and you will become the best person you can be.



One

You will be able to do many great things, but only if you allow yourself to be held in God's hand. And allow other human beings to access you for the many gifts you possess.

Two

You will experience a painful sharpening from time to time, by going through various problems, but you'll need it to become a stronger person.



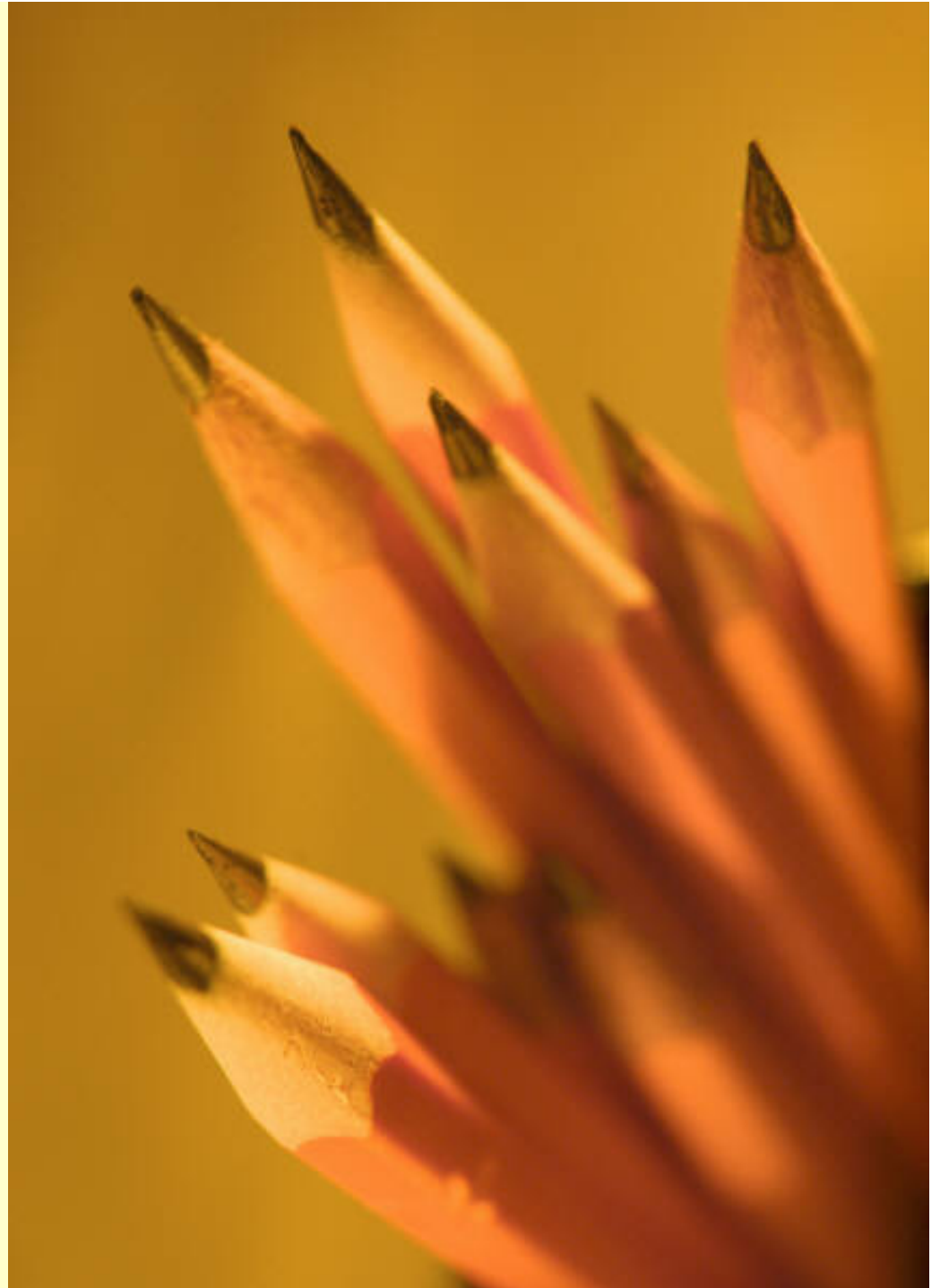
Three

You will be able to correct mistakes you might make or grow through them.



Four

The most important part of you will always be what's on the inside.



And Five

On every surface you walk, you must leave your mark. No matter what the situation, you must continue to serve God in everything.



Everyone is like a pencil...
created by the Maker for a unique and special
purpose.

By understanding and remembering, let us proceed
with our life on this earth having a meaningful
purpose in our heart and a relationship with God
daily.

You were Made to do Great Things!

Guidance on Good Practices in Corporate

- Good corporate practices are a sine qua non for sustainable business that aims at generating long term value to all its shareholders and other stakeholders.
- Some aspects of corporate practices have been enshrined in the law that is administered by the Ministry of Corporate Affairs, SEBI and other sectoral regulators.
- However, a transparent, ethical and responsible corporate practice framework essentially emanates from the intrinsic will and passion for good governance ingrained in the business entity.

Guidance on Good Practices in Corporate

➤ The global financial crisis during the recent past, along with some of the large format corporate failures and frauds have convincingly revealed that while the Corporate Governance super structure in India is fairly durable, there are certain weaknesses that may have their roots in the ethos of individual business entities.

Good Practices in Corporate

Corporate

Governance



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

Corporate Governance

The Narayana Murthy Committee on Corporate Governance has given the following definition for Corporate Governance:

“ Corporate Governance deals with conducting the affairs of a company such that there is fairness to all stakeholders and that its actions benefit the greatest number of stakeholders. *It is about openness, integrity and accountability.*”

Corporate Governance



The Element of Transparency and disclosure is the important factor in Corporate Governance. A Company with high level of good corporate practices would always endeavour to disclose to shareholders and public on a periodic basis, more than what is required by regulation.

This can be achieved by strong MIS, active role of audit committee, proper internal control, and professional Board of Directors.

Four Pillars of Corporate Governance

- Accountability
- Fairness
- Transparency
- Independence





95% of the people work for 5% of the people

5% rule the world

Corporate Governance

**Good Corporate
Governance**



is key to

**Growing
Profits and
Reputation**

Global Initiatives to impose Corporate Governance



- ❖ **Sir Adrian Cadbury committee** – to address the issues related to corporate governance in United Kingdom (Combined Code in the UK).

- ❖ **Corporate Governance report of Singapore Government**

- ❖ **Sarbanes-Oxley Act, 2002 by the American congress** which came into effect in July 2002 – to address all the issues associated with corporate failures to achieve quality governance and to restore investors' confidence

- ❖ The Cromme Code in Germany and

- ❖ The King I, II, III Code in South Africa



Sir Adrian Cadbury was a pioneer in raising the awareness and stimulating the debate on Corporate Governance. His most celebrated achievement is the Cadbury Code, a code of Best Practice which served as a basis and inspiration for reform around the world.

- »was born in 1929 in the United Kingdom
- »studied Economics at Cambridge
- » joined the Cadbury business in 1952; became Chairman of Cadbury Ltd. in 1965 and retired as Chairman of Cadbury Schweppes in 1989
- »was Director of the Bank of England from 1970-1994 and of IBM from 1975-1994
- »was Chairman of the UK Committee on the Financial Aspects of Corporate Governance which published its Report and Code of Best Practice ("Cadbury Report and Code") in December 1992
- » was member of the OECD Business Sector Advisory Group on Corporate Governance
- »publications include: Ethical Managers Make Their Own Rules; The Company Chairman; Corporate Governance and Chairmanship -A Personal View

Corporate Governance

Sarbanes-Oxley Act 2002 also known as the "Public Company Accounting Reform and Investor Protection Act" (in the Senate) and "Corporate and Auditing Accountability and Responsibility Act" (in the House) was passed by U.S. to ensure the accuracy of financial reporting by public traded corporations. The Act:

- **Mandates corporate governance reforms.** Requires corporations to establish audit committees, precludes publicly audited clients from engaging an accounting firm that audits financial statements for non-audit services, and requires corporations to disclose all material off-balance sheet transactions.



U.S. Senator Paul Sarbanes and U.S. Representative Michael G. Oxley

Corporate Governance



Enhances the role and independence of audit committees. The Act requires that audit committees pre-approve all audit and non-audit services, receive regular reports from the auditor on accounting treatments, be responsible for oversight of the auditor, and be independent of the company who registers and sells securities.

Creates public accounting firm restrictions. The Act creates a new Accounting Oversight Board to set standards and supervise accounting firms, requires all audit or review working papers to be retained for 7 years that support conclusions in audit reports, requires the rotation of audit partners every 5 years, and requires audit team members to wait a year before accepting employment with a client in key financial positions.

Corporate Governance

Is Corporate Governance a tough task?



Corporate Governance

Corporate Governance
is Built on

Independence

Ethics

Excellence





Compare you with you - not with your neighbour

Evolution of Corporate Governance

The principles of Governance have been in existence for centuries.

History reveals that Kautilya also called Chanakya in 300 BC propounded principles of good governance.

In his celebrated treatise on statecraft “Arthashastra”, he provided principles of governance.

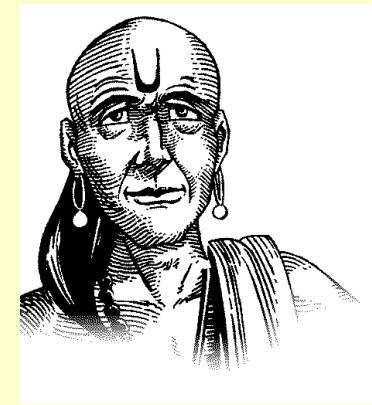
He states the fourfold duty of a King as:

Raksha (Protection)

Vridhhi (Enhancement)

Palana (Maintenance)

Yogakshema (Safeguard)



Evolution of Corporate Governance

These four principles can be elaborated in the modern context as:

Protecting shareholders wealth;

Enhancing the wealth through proper utilization of assets;

Maintenance of that wealth and not frittering away in unconnected and non profitable ventures or through appropriation; and

Safeguarding the interests of the shareholders

CI's Desirable Corporate Governance Code



Confederation of Indian Industry

The full board should meet a minimum of six times a year, preferably at an interval of two months

Any listed companies with a turnover of Rs.100 crores and above should have professionally competent, independent, non-executive directors

No single person should hold directorships in more than 10 listed companies.

While re-appointing members of the board, companies should give the attendance record of the concerned directors





**take
action,
not notes**

Committees' on Corporate Governance



Shri. Kumar Mangalam Birla

❖ Shri Kumar Mangalam Birla committee

– constituted in may 1999 to promote and raise the standard of corporate governance in India

Mandatory recommendations of Birla committee:

❖ Applies To Listed Companies With Paid Up Capital of Rs.3 Crores and above

❖ Composition of board of directors – optimum combination of executive & non-executive directors

❖ Audit committee – with 3 independent directors with one having financial and accounting knowledge.



Mandatory recommendations of Birla Committee

❖ **Remuneration of directors** – Remuneration of non-executive directors to be decided by the board. Details of remuneration package, stock options, performance incentives of directors to be disclosed

❖ **Board procedures** – At least 4 meetings in a year. Director not to be member of more than 10 committees and chairman of more than 5 committees across all companies

❖ **Management discussion & analysis report** – should include:

Industry structure & developments

Opportunities & threats

Segment wise or product wise performance

Mandatory recommendations of Birla Committee

❖ **Management discussion & analysis report** – to include:

- Outlook
- Risks & concerns
- Internal control systems & its adequacy
- Discussion on financial performance
- Disclosure by directors on material financial and commercial transactions with the company

❖ **Shareholders information** - brief resume of new/re-appointed directors, quarterly results to be submitted to stock exchanges and to be placed on web-site, presentation to analysts.

Clause 49 requirements



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हिन्दी
मराठी
ગુજરાતી
Group Websites ▾

Consumer Sentiment Index 98.47 | **Unemployment Rate** 9.41

S&P BSE SENSEX 26,366.68
+485.51 +1.88%

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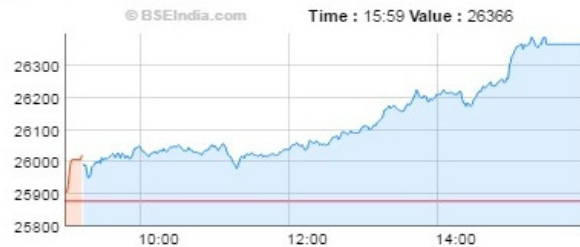
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Equity | **Derivatives** | **Currency Derivatives** | **IRD** | **Debt** | **Market Turnover**
RBI Ref Rate : 1\$ / ₹: 67.2855
 1€ / ₹: 75.2185

As On 26 May 16 | 15:59 | [Close](#)

S&P BSE SENSEX



[S&P BSE SENSEX Streamer](#)

[S&P BSE SENSEX View](#)

BSE officials presenting a cheque worth Rs. 1.01 crore for Swachh Bharat Kosh to Hon'ble Prime Minister, Shri Narendra Modi



Indices	Gainers	Losers	Top Turnover	Trending
Index	Current	Pt. Change	% Change	
S&P BSE SENSEX	26,366.68	+485.51	+1.88	
S&P BSE 100	8170.77	+130.74	+1.63	
S&P BSE 200	3396.84	+51.50	+1.54	
S&P BSE MidCap	11191.27	+111.30	+1.00	
S&P BSE SmallCap	11048.11	+94.28	+0.86	

[More](#)

Market Statistics

Market Capitalization of BSE Listed Co. (Rs.Cr)	98,11,603
Registered Investors	3,10,58,130
Median Response Time (μS)	6

Listing Statistics

No. of Companies Traded	2,747	Total No. of Orders	34,07,98,961
Advances	1,407	Equity Orders	33,67,17,237
Declines	1,142	Equity Derivatives Orders	23,497
Unchanged	198	Currency and Interest Rate Orders	40,58,227

Clause 49 requirements

49. CORPORATE GOVERNANCE

I. Board of Directors

- (A) Composition of Board**
- (B) Non executive directors' compensation and disclosures**
- (C) Other provisions as to Board and Committees**
- (D) Code of Conduct**

II. Audit Committee

- (A) Qualified and Independent Audit Committee**
- (B) Meeting of Audit Committee**
- (C) Powers of Audit Committee**
- (D) Role of Audit Committee**
- (E) Review of information by Audit Committee**

III. Subsidiary Companies



Clause 49 requirements

IV. Disclosures

(A) Basis of related party transactions

(B) Disclosure of Accounting Treatment

(C) Board Disclosures – Risk management

(D) Proceeds from public issues, rights issues, preferential issues etc.

(E) Remuneration of Directors

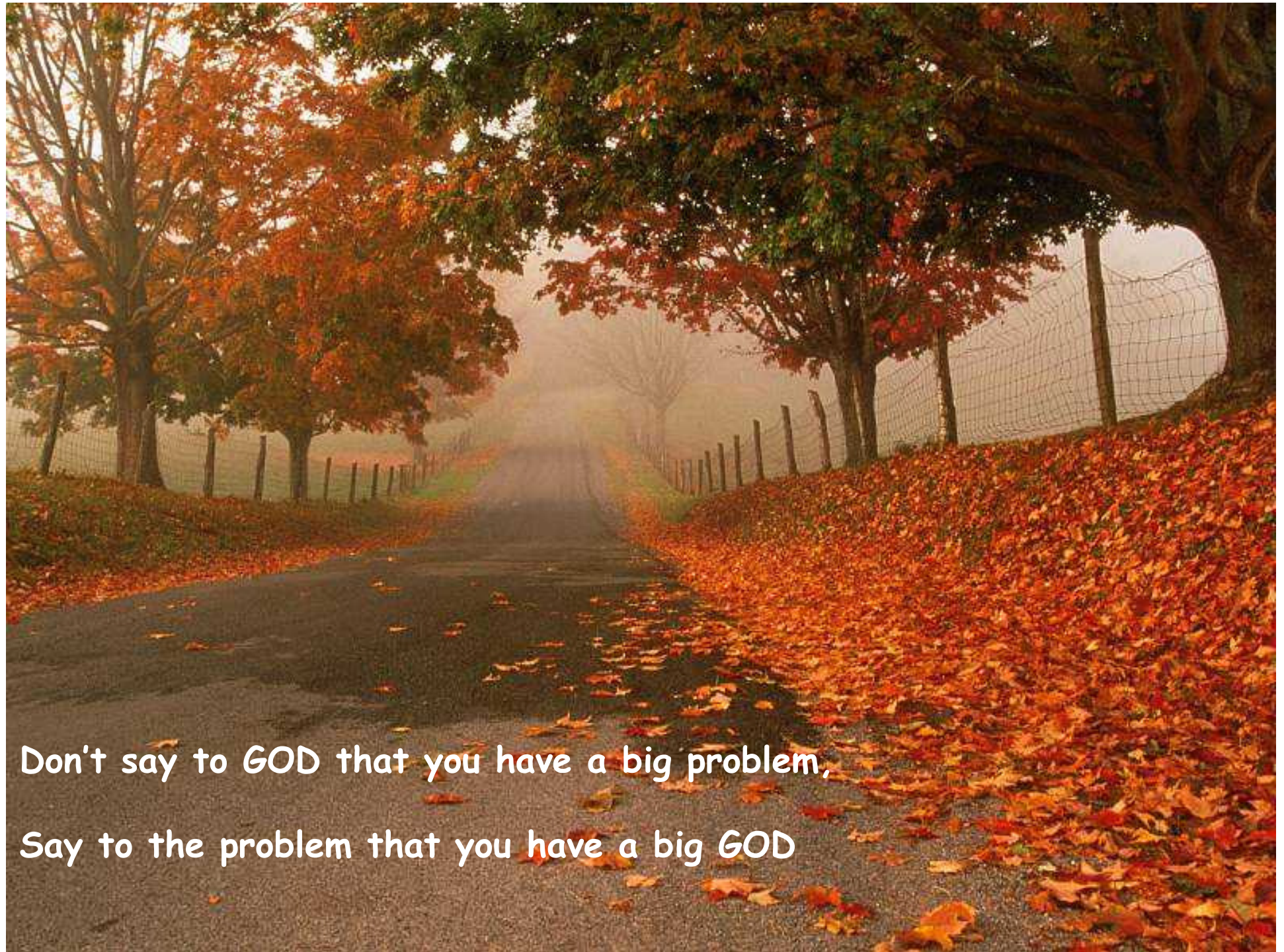
(F) Management

(G) Shareholders

V. CEO/CFO certification

VI. Report on Corporate Governance

VII. Compliance



Don't say to GOD that you have a big problem,
Say to the problem that you have a big GOD

Naresh Chandra Committee

Committee headed by Shri Naresh Chandra constituted in August 2002 to examine corporate audit, role of auditors, relationship of company & auditor



❖ Recommendation of Naresh Chandra committee:

- ❑ Recommended a list of disqualifications for audit assignments like direct relationship with company, any business relationship with client, personal relationship with director
- ❑ Audit firms not to provide services such as accounting, internal audit assignments etc. to audit clients
- ❑ Auditor to disclose contingent liabilities & highlight significant accounting policies



Narayana Murthy Committee

❖ **SEBI constituted a committee headed by Shri N. R. Narayana Murthy to review existing code of corporate governance**

❖ **Recommendations:**

- ❑ Strengthening the responsibilities of audit committee
- ❑ Improving quality of financial disclosures
- ❑ Utilisation of proceeds from IPO
- ❑ To assess & disclose business risks
- ❑ Formal code of conduct for board
- ❑ Whistle blower policy to be place in a company providing freedom to approach the audit committee
- ❑ Subsidiaries to be reviewed by audit committee of holding company



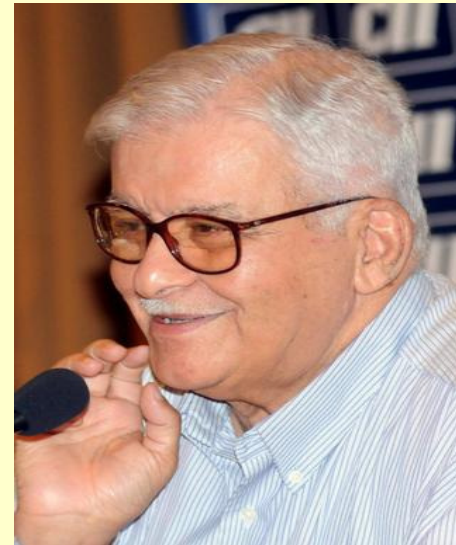


**“when people leave companies,
they tend not to quit the company,
they are more
likely to have quit the boss.”**

Dr.J.J.Irani Expert Committee

❖ Dr.J.J.Irani Expert Committee on Company Law

❖ Recommendations:



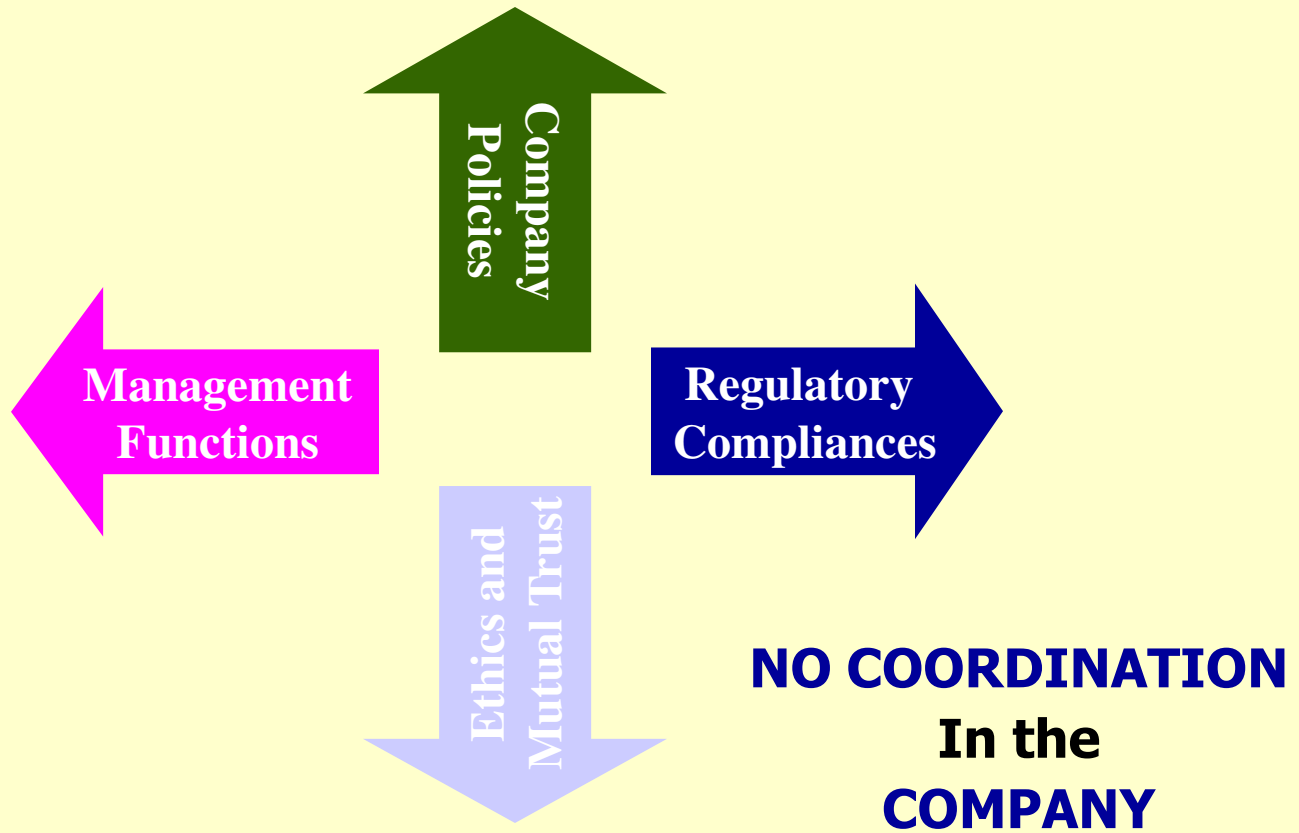
❑ The Board of Directors has to exercise strategic oversight over business operations while directly measuring and rewarding management's performance.

❑ Board's responsibilities inherently demand the exercise of judgment. Therefore the Board necessarily has to be vested with a reasonable level of discretion

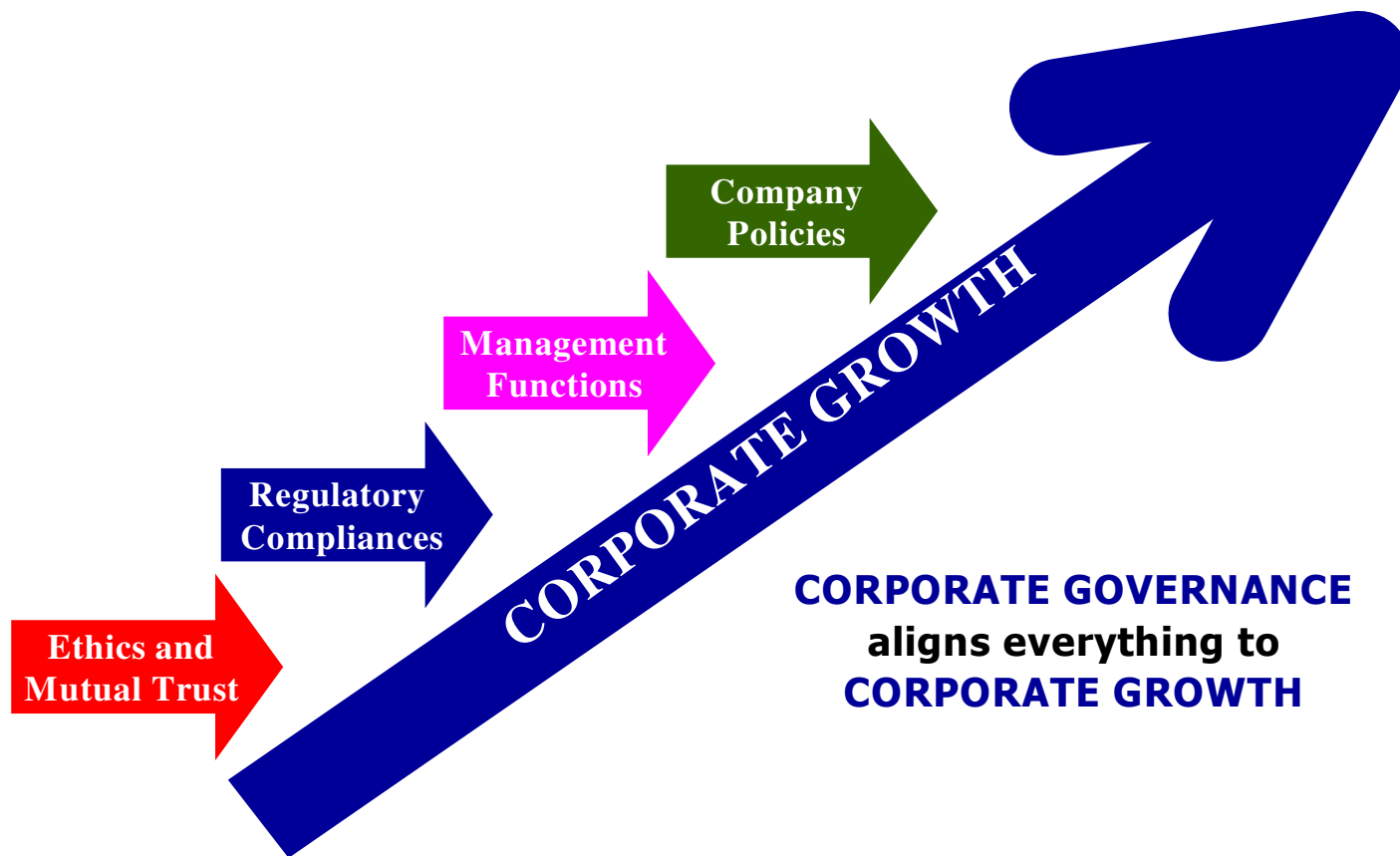
❑ Every Company should have at least one director resident in India to ensure availability in case any issue arises with regard to the accountability of the Board.



Company Without Corporate Governance



Corporate Governance



***We strive for
Excellence in
Corporate Governance
because***

***Best Governed Companies excel even in
turbulent times***

Directors' Responsibility Statement:

Pursuant to Section 134 (3) (c) of the Companies Act, 2013:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

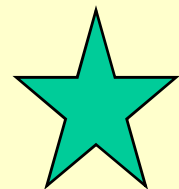
(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

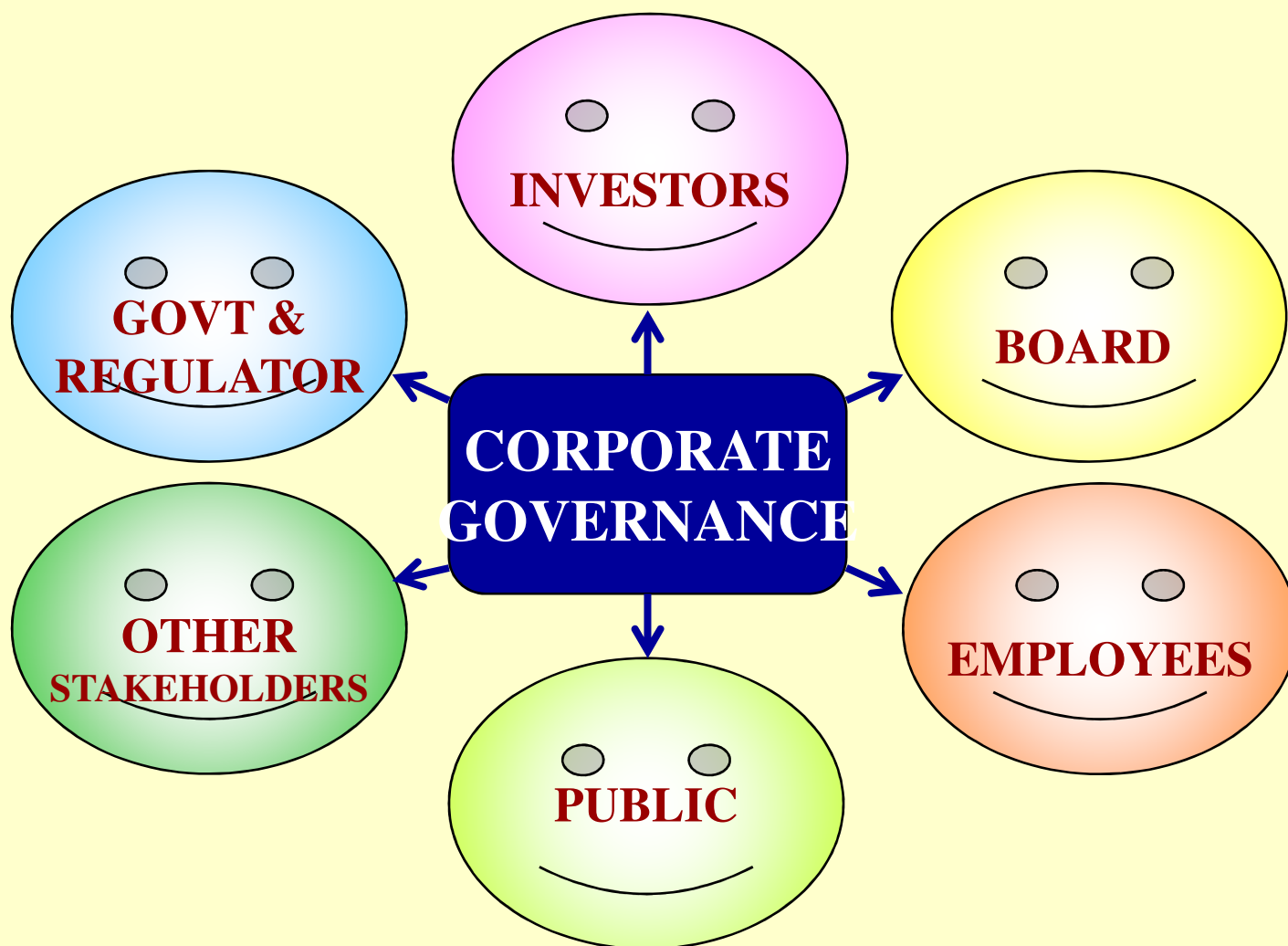
(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Recent Developments

Ministry of Corporate Affairs Initiative on Corporate Governance

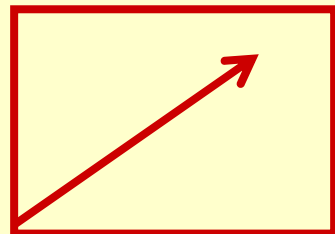


Corporate Governance

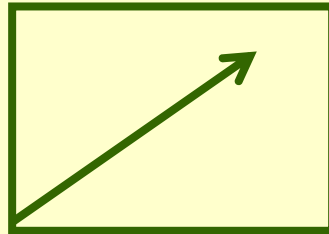


Corporate Governance

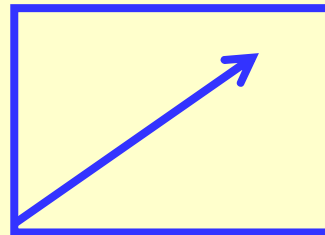
*Corporate
Governance
Leads to
National
Excellence*



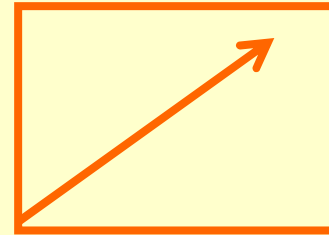
**Corporate
Governance**



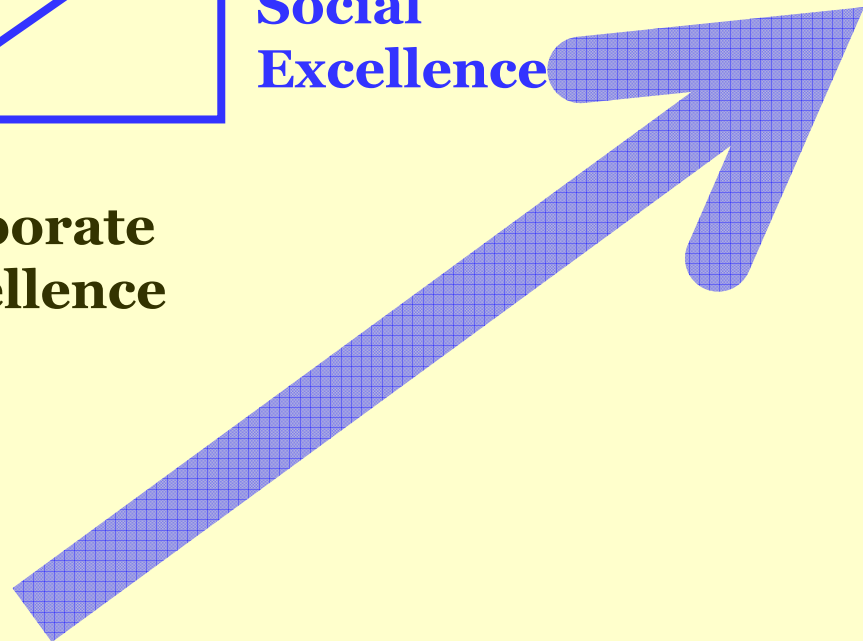
**Corporate
Excellence**



**Social
Excellence**



**National
Excellence**



Promoting Good Corporate Governance

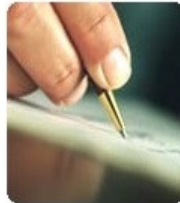
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Research Work

Joseph A. McCahery is Professor of Corporate Governance and Business Innovation at the University of Amsterdam Faculty of Economics and Econometrics. He is also Professor of International Business Law at Tilburg University Faculty of Law.....

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Gallery



Seminar



Research Work



- [National Declaration Contest 2015 \(7th March 2015 by Symbiosis Institute of Management Studies, Pune\)](#)
- [Expression of Interest - 2014](#)
- [The Companies Act, 2013](#)
- [Financial Policy for Accredited Institutions](#)
- [Financial Policy for Partner Institutions](#)
- [Coffee Table Book - India Unlimited : A Corporate Journey](#)
- [Criteria for Selection of National Centres of Corporate Governance and Accreditation Policy of NFCG](#)

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Vision:

Be A Catalyst In Making India The Best In Corporate Governance Practices

**when two people
in business
always agree,
one of them is
unnecessary**

***A little bit of effort will open the path
to Corporate Leadership***

Our Target

*“To emerge as a
leader
in
Corporate governance”*

Suggested List of Items

Suggested List of Items to Be Included In the Report on Corporate Governance in the Annual Report of Companies

1. A brief statement on company's philosophy on code of governance.

2. Board of Directors:

- a. Composition and category of directors, for example, promoter, executive, nonexecutive, independent nonexecutive, nominee director, which institution represented as lender or as equity investor
- b. Attendance of each director at the Board meetings and the last AGM
- c. Number of other Boards or Board Committees in which he/she is a member or Chairperson
- d. Number of Board meetings held, dates on which held.

Suggested List of Items

Suggested List of Items to Be Included In the Report on Corporate Governance in the Annual Report of Companies

3. Audit Committee:

- i. Brief description of terms of reference
- ii. Composition, name of members and Chairperson
- iii. Meetings and attendance during the year.

4. Nomination and Remuneration Committee:

- i. Brief description of terms of reference
- ii. Composition, name of members and Chairperson
- iii. Attendance during the year
- iv. Remuneration policy
- v. Details of remuneration to all the directors, as per format in main report.

Suggested List of Items

Suggested List of Items to Be Included In the Report on Corporate Governance in the Annual Report of Companies

5. Stakeholder's Grievance Committee:

- i. Name of non-executive director heading the committee
- ii. Name and designation of compliance officer
- iii. Number of shareholders' complaints received so far
- iv. Number not solved to the satisfaction of shareholders
- v. Number of pending complaints.

6. General Body meetings:

- i. Location and time, where last three AGMs held
- ii. Whether any special resolutions passed in the previous 3 AGMs
- iii. Whether any special resolution passed last year through postal ballot – details of voting pattern
- iv. Person who conducted the postal ballot exercise
- v. Whether any special resolution is proposed to be conducted through postal ballot
- vi. Procedure for postal ballot.

Suggested List of Items

7. Disclosures:

- i. Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large
- ii. Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years
- iii. Whistle Blower policy and affirmation that no personnel has been denied access to the audit committee
- iv. Details of compliance with mandatory requirements and adoption of the non - mandatory requirements of this clause.

8. Means of communication

- i. Quarterly results
- ii. Newspapers wherein results normally published
- iii. Any website, where displayed
- iv. Whether it also displays official news releases; and
- v. The presentations made to institutional investors or to the analysts.

Suggested List of Items

9. General Shareholder information:

- i. AGM: Date, time and venue
- ii. Financial year
- iii. Date of Book closure
- iv. Dividend Payment Date
- v. Listing on Stock Exchanges
- vi. Stock Code
- vii. Market Price Data : High, Low during each month in last financial year
- viii. Performance in comparison to broad-based indices such as BSE Sensex, CRISIL index etc.
- ix. Registrar and Transfer Agents
- x. Share Transfer System
- xi. Distribution of shareholding
- xii. Dematerialization of shares and liquidity
- xiii. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity
- xiv. Plant Locations
- xv. Address for correspondence

Format

Format of Quarterly Compliance Report on Corporate Governance

Name of the Company:

Quarter ending on:

<i>Particulars</i>	<i>Clause of Listing Agreement</i>	<i>Compliance Status Yes/No</i>	<i>Remarks</i>
I Board of Directors	49II		
(A) Composition of Board	49 (IIA)		
(B) Independent Director	49 (IIB)		
(C) Non-executive Directors' compensation & disclosures	49(IIC)		
(D) Other provisions as to Board and Committees	49(IID)		
(E) Code of Conduct	49(IIE)		
(F) Whistle Blower Policy	49(IIF)		

Format

<i>Particulars</i>	<i>Clause of Listing Agreement</i>	<i>Compliance Status Yes/No</i>	<i>Remarks</i>
II. Audit Committee	49 (III)		
(A) Qualified & Independent Audit Committee	49 (IIIA)		
(B) Meeting of Audit Committee	49 (IIIB)		
(C) Powers of Audit Committee	49 (IIIC)		
(D) Role of Audit Committee	49 (IIID)		
(E) Review of Information by Audit Committee	49 (IIIE)		
III. NOMINATION AND REMUNERATION COMMITTEE	49(IV)		

Format

IV. Subsidiary Companies.	49 V
V Risk Management	49(VI)
VI. Related Party Transactions	49 (VII)
VII Disclosures	49 (VIII)
(A) Related party transactions	49 (VIII A)
(B) Disclosure of Accounting Treatment	49 (VIII B)
(C) Remuneration of Directors	49 (VIII C)
(D) Management	49 (VIID)
(E) Shareholders	49 (VIIE)
(F) Disclosure of Resignation of Directors	49 (VIIF)
(G) Proceeds from public issues, rights issue, preferential issues, etc.	49(VIII I)

Format

IX. CEO/CFO Certification	49 (IX)
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X. Report on Corporate Governance	49 (X)
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XI. Compliance	49 (XI)
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Elements of Corporate Governance

- Good Board practices
- Control Environment
- Transparent disclosure
- Well-defined shareholder rights
- Board commitment



Way Forward

- **Better process for appointment of Independent Directors.**
- **Board training programs.**
- **Sub Committees of Board to be more active.**
- **Administrative Ministry not to be on Board.**
- **Segregation of Chairman and Managing Director position.**
- **Chairman to be a person of eminence.**
- **Involvement of employees and other stakeholders on board.**
- **Independent Directors to be rotated every 3 years.**



Harley Davidson's Values:

- *Tell The Truth*
- *Be Fair*
- *Keep Your Promises*
- *Respect The Individual*
- *Encourage Intellectual Curiosity*
- *Mutually Beneficial Relationships*



"It has always been an unbearable thought to me, that someone could prove on testing my products, that I produce anytime of inferior quality."

"I have always tried to let only such work go out that would stand any objective test, work that was superior in every respect."

"I have always acted on the principle - Rather lose money than the confidence of the customers."

"The integrity of my goods and my given words always meant more to me than temporary gain."

"We should always strive to improve what we already have, no one should be satisfied with what has already been accomplished but rather should always endeavour to make it better."

Robert Bosch
(1861-1942)

OPEN HOUSE



**“Take the first
step in faith. You do not have
to see the whole
staircase.
Just take
the first
step.”**

**T
H
A
N
K
Y
O
U**

Martin Luther King