

E- Resources (for Section A and Section G, Semester 6)

Week 5

Dear Students

I am sending you these e resources on the topics I wanted to cover during the present week. Please use these along with voice memos I have shared in your class group.

You are free to contact me over the medium of your choice. Stay indoor and safe.

Best wishes
Aruna Jha

Contents

- Summary of Cadbury Report, 1992
- The Sarbanes-Oxley Act, 2002
- OECD Principles of Corporate Governance
- SEBI (LODR) Regulations, 2015

Summary of Cadbury Report, 1992

BOD-Role and Composition

- Meet regularly and monitor executive
- Non-executive directors should be included
- Access to advice and services of experts

Role of Non-Executive Directors

- Should be independent of management
- To be appointed for a specified term
- Formal process of appointment

Role of Executive Directors

- Service contracts not to exceed three years.
- Disclosure of emoluments in Annual Report.
- Remuneration Committee to recommend executive directors' pay

Reporting and Control Mechanism

- Formation of Audit Committee
- Rotation of Auditor
- Directors should report on aspects such as effectiveness of internal controls
- Directors should spell out their responsibility with regard to preparation of financial statements.

Separation of Roles

- Separation of role of chairman and CEO.

Institutional Investors

- Institutional investors should take positive interest in the board functioning and make judicious use of their voting rights.

The Sarbanes-Oxley Act, 2002

Working papers to be retained for at least five years and protection to whistle blowers

Setting up of Public Company Accounting Oversight Board

Disclosures of conflict of interest by analysts, brokers and dealers

Auditors' not to take up certain non-audit services for the client

Off-balance sheet transactions to be disclosed and loans to CEOs and CFOs largely prohibited

CEOs and CFOs to certify the financial statements

Drafted by US Senator Paul Sarbanes and US Congressman Michael Oxley.

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G20/ OECD Principles of Corporate Governance

Effective CG framework

- promote transparent and fair markets
- the efficient allocation of resources
- be consistent with the rule of law and
- support effective supervision and enforcement

Rights and equitable treatment of shareholders

- protect and facilitate the exercise of shareholders' rights
- ensure the equitable treatment of all shareholders, including minority and foreign shareholders
- provide for effective redress for violation of their rights.

Institutional investors, stock markets and other intermediaries

- institutional investors act in a fiduciary capacity
- intermediaries act with integrity and
- there is fair and effective price discovery in stock markets

Stakeholders

- recognise the rights of stakeholders
- encourage active co-operation between corporations and stakeholders

Disclosure and Transparency

- ensure that timely and accurate disclosure is made on all material matters
- matters may include financial situation, performance, ownership and governance

Responsibilities of the Board

- ensure strategic guidance of the company,
- ensure effective monitoring of management by the Board,
- ensure Board's accountability to the company and the shareholders.

SEBI (LODR) Regulations, 2015

Important disclosure on the website

- Separate section for disclosure of subsidiary accounts
- Disclosure of credit rating
- Disclosure pertaining to disqualification of directors

Related party transactions

- Policy to be formed
- Prior approval of Audit Committee for RPTs
- Material RPTs to be approved by shareholders through resolution
- Voting by related party on RPTs
- Disclosure of RPTs on website



Monitoring group entities

- For unlisted subsidiaries monitor governance through Governance Committee
- Material unlisted subsidiaries to undertake secretarial audit

Composition and Role of BOD

- Size of Board
- Gender Diversity
- Disclosure of skills of Directors
- Quorum
- No. of directorships
- Chairman and CEO to be separate persons
- Frequency of BoD meetings

The Institution of Independent Directors

- Criteria prescribed
- Submission of declaration of independence
- Disclosure by company of reasons of resignation before expiry of tenure