

Regulatory framework for Corporate Governance in India

MCOM II SEMESTER

UNIT-IV

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The Companies Act, 2013

- All such provisions of new Company Law are instrumental in providing a good Corporate Governance structure.
- Few provisions are:-
- **Section 134**, which mandates to attach a report to every Financial statement by Board of Directors containing all the details of the matter including the statement containing director's responsibility.
- **Section 177**, which requires Board of Directors of every listed company or any other class of committee to constitute an Audit Committee. It also provide the manner to constitute the committee.
- **Section 184**, which mandates the Director disclose his interest in any company or companies, body corporate, firms, or other association of Individuals. The director is required to disclose any such interest at the first meeting of the board and if there is any change in the interest then the first meeting held after such change

Securities and Exchange Board of India (SEBI) guidelines

- SEBI is a regulatory authority established on April 12, 1992. SEBI was established with the main purpose of curbing the malpractices and protecting the interest of its investors. Its main objective is to regulate the activities of Stock Exchange and at the same time ensuring the healthy development in the financial market.

RPT (Related Party Transactions)

- In order to ensure good corporate governance SEBI came up with detailed Corporate Governance Norms.
- As per the new rules the companies are required to get shareholders approval for RPT (Related Party Transactions), it established whistle blower mechanism, clear mandate to have at least one woman director in the Board and moreover it elaborated disclosures on pay packages.

Clause 35B of the Listing Agreement

- Clause 35B of the Listing Agreement is being amended by the regulatory authority. Now as per the amended clause, Listed companies are required to provide the option of e-voting to its shareholders on all proposed or passed at general meetings. Those who do not have access to e-voting facility, they should be provided to cast their votes in writing on Postal Ballot. There was the need to amend the provision so that the provisions of the listing agreement can be aligned with the provisions of Companies Act, 2013. By doing so an additional requirement can be provided to strengthen the Corporate Governance norms in India with respect to Listed companies.

Clause 49 of the Listing Agreement

- The revised Clause 49 of the Listing Agreement forbids the independent directors from being eligible for any kind of stock option. Whistle blower policy is also added in the revised clause whereby the directors and employees can report any unethical behavior, any fraud or if there is violation of Code of Conduct of the company. By the amendment Audit Committee is also enhanced, now it will include evaluation of risk management system and internal financial control, will keep a check on inter-corporate loans and investments. The amendment now requires all the companies to form a policy for the purpose of determination of 'material subsidiaries' and that will be published online.

Secretarial standards issued by ICSI (Institute of Company Secretaries of India)

It is an autonomous body constituted by the Company Secretaries Act, 1980. It is a body to regulate and develop the profession of Company Secretaries in India. It issues secretarial standards as per the provision of the Companies Act, 2013. Section 118(10) of the Companies Act states that every company shall observe secretarial standards specified by Institute of Company Secretaries of India with respect to General and Board meetings.

STANDARDS

- Secretarial standard-1 on Meeting of the Board seeks to prescribe a set of principles for conducting meetings of Board of Directors. These principles are equally applicable to the meetings of committees as well. SS-1 principles are applicable to the Meeting of Board of Directors of all companies except one person company.
- Secretarial standard-2 prescribes a set of principles for conducting and convening general meetings. This standard also deals with the procedure for conducting e-voting and postal ballot. SS-2 is applicable to all types of General meetings of all companies except one person company incorporated under the act.

FEW OTHER INITIATIVES

- Setting up IEPF (Investor Education and protection Fund) for protection of the interest of the investors and promoting investors awareness.
- Empowering investors with the help of VO's, NGO's, Investor Association etc by educating them and providing relevant information.
- Launching websites like www.investorhelpline.in and www.watchoutinvestors.com.
- Setting up NFCG (National Foundation for Corporate Governance) in partnership with ICAI, ICSI, CII with the vision to foster the culture of good governance and to set a framework related to best practices, ethics and processes.