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

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.

Role of Non-Executive Directors

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

Separation of Roles

Separation of role of chairman and CEO.

Role of Executive Directors

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

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



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.

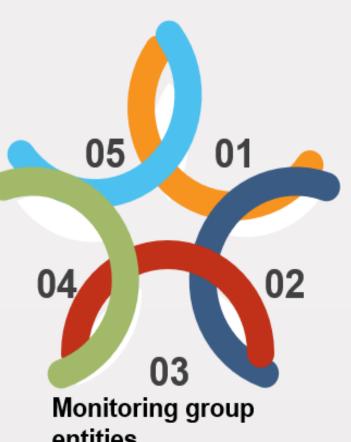
SEBI (LODR) Regulations, 2015

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 shareholders through resolution
- Voting by related party on **RPTs**
- Disclosure of **RPTs** on website



entities

- unlisted subsidiaries For 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 mettings

The Institution of Independent **Directors**

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