

CORPORATE GOVERNANCE

Ensuring transparency, integrity, reputation, accountability towards stakeholders & creating sustainable businesses

Milton Friedman, an economist and Nobel Laureate's describes *“Corporate Governance is to conduct the business in accordance with the owner’s or shareholders’ desires, which generally will be to make as much money as possible, while conforming to the basic rules of the society embodied in law and local customs.”*

Confederation of Indian Industries (CII) describes *“Corporate governance as it deals with laws, procedures, practices and implicit rules that determine a company’s ability to take informed managerial decisions vis-a-vis its claimants – in particular, its shareholders, creditors, customers, the state and employees. There is global consensus about the objective of good corporate governance: maximizing long term shareholder value.”*

INTRODUCTION

Every company wants to observe basic principles of good corporate governance for performing efficiently and to increase their valuation in the market. A good corporate can easily attract capital, foreign investment, investors’ trust and confidence and also takes advantages somewhere in vibrant stock market. Corporate governance are code of business conduct and ethics which would greatly benefit the companies enabling them to thrive and prosper.

Need for Corporate Governance

Separation of Management from Owners: In most of the companies, promoters who are holding major shares are holding key positions in the management of the company. They have effective control of the management. Management should be separated from owners, so it can be impartial, independent and focus on creating stakeholders friendly policies and aims to protect their rights.

- 1. Bridge the gap by and between Producer and Consumers:** Management should identify that society is giving resources for production of end product of the company and they have to sell that end product again to that society. It is pertinent to understand that any kind of anonymity between the producer and ultimate consumer should not be ignored.
- 2. Responsibility towards Stakeholders’:** It is most important that companies should work in the best interest of the stakeholders at every time and maximize the value of every resource invested by the stakeholders in the company. Stakeholders are broadly defined as:

INTERNAL	EXTERNAL
I. Shareholders II. Employees	I. Consumer II. Supplier III. Government IV. Community

RESPONSIBILITIES TOWARDS STAKEHOLDERS

SHAREHOLDERS	EMPLOYEES
<p>Shareholders are the real owners of the company as they contribute towards creating and growing it with their money against number of shares.</p> <p>Management's responsibilities towards them:</p> <ul style="list-style-type: none"> • Maximize Return on Investment • Appropriate representation of shareholders in board • Redressal of grievances of investors 	<p>Most important assets of any organization. They led to a successful enterprise from average.</p> <p>Management's responsibilities towards them:</p> <ul style="list-style-type: none"> • Payment of Wages • Participation in Profits • Participation in decision-making • Participation in Equity shares via ESOPs, Sweat Equity shares, bonus shares • Safety, Hygiene & working condition • Opportunity of growth
CONSUMERS	COMMUNITY
<ul style="list-style-type: none"> • Offering Right product at right time at right place at right price • Offering quality & value for the money • Maximum Information of Product & service, enabling them to make right buying decision • After sale Service / Grievance Redressal 	<ul style="list-style-type: none"> • Payback for what you take; Clean and Green practices for controlling the pollution • Payment to creditors, suppliers within time • Following Fair trade practices • Corporate Social Responsibility • Investment towards sustainable business
GOVERNMENT	
<ul style="list-style-type: none"> • Payment of taxes on time, fairly and honestly • Following Anti-Corruption practices while liaisoning with public servants • Participate in Government sponsored industry forums; provide policy & industry related feedbacks 	

ROLES AND RESPONSIBILITIES OF BOARD OF DIRECTORS

Board of directors are appointed as trustees, to act in best interest on behalf of stakeholders and to run day to day operations of the company. Good governance requires that performance of board shall be evaluated at least once in a year. The evaluation process is constructive mechanism for improving board's effectiveness, maximizing strengths and tackling weakness.

1. To act within the scope of powers conferred by the Companies Act and Memorandum and Articles of Association.
2. In the best conduct and management of the business
3. Formulation and Execution of Corporate Strategy, Business plan, Budget, major Capital Expenditures, mergers and acquisitions, etc.
4. Formulation of Succession planning
5. Monitoring managerial performance, conflict of interest of management, board members.
6. Assuring Return on Investment
7. Corporate Social Responsibilities
8. Compliance with Laws and regulations
9. Adequate financial reporting and ensure adequate internal financial controls
10. To develop policies and procedures

CORPORATE GOVERNANCE THROUGH DISCLOSURES

Financial Reporting & Disclosures

These are generally influenced by the regulatory requirements prescribed by various statutes.

1. Companies Act, 2013

- i. The format of Balance sheet, P&L must be in accordance to Schedule III of the act
- ii. The financial statement must be approved by BoDs & signed by at least two directors
- iii. The financial statements shall be filed to the concerned Registrar of Companies.

2. Reserve Bank of India (RBI)

- i. The financial statement of banking companies shall be conformity with Banking Regulations
- ii. The format of Balance sheet and Profit & Loss Statement to be followed by the banking companies has been prescribed by the Banking Regulations

3. Insurance Regulatory and Development Authority (IRDA)

- i. The financial statement of Insurance companies must be in conformity with IRDA Regulations
- ii. A Receipts and Payments Account is also required to be prepared.

4. Securities and Exchange Board of India (SEBI) for listed companies

- i. Prepare consolidated statements in addition to Individual financial statements
- ii. Disclose their quarterly results in format prescribed by SEBI
- iii. The quarterly statement shall be audited one or may limited review by the auditors

Other Disclosures

Annual Report - Companies Act, 2013	SEBI Regulations
<ul style="list-style-type: none"> • Chairman's Statement • Key Financial and non-financial indicators • Management discussion and Analysis report • Directors' Report • Secretarial Audit Report • Corporate Governance Audit Report • Business Responsibility Report • Segment Reporting • Human Resource Disclosure • Auditors' Report • Financial Statements • Related Party Disclosures • Joint Ventures Details • Contingent Liability Disclosure 	<ul style="list-style-type: none"> • BoD of listed entity shall authorize one or more KMPs to determine materiality of an event or information and for the purpose of making disclosures to stock exchange(s) • Disclosure of Shareholding Pattern • Corporate Governance Disclosure • Financial Statement Disclosure • Fair Disclosure of Unpublished Price Sensitive Information • Trading by Promoters • Encumbrance of Shares by Promoters • Share re- reconciliation audit report • Transfer & Transmission of Shares Certificate • Fraud/Default Reporting and Disclosure • Other disclosures

CIMA has suggested that Enterprise Governance must include aspects of:

- **Conformance / Corporate Governance** involves compliance with laws and regulations
- **Performance / Business Governance**, focusing on opportunities, value creation & utilization



MAYANK VASHIST (Head Implementation & Regulatory Intelligence, India)

- A Company Secretary, Management Accounting diploma holder from CIMA
- Have worked a large listed Retailer in India, managing Compliance & Governance obligations

ABOUT US

We offer RegTech & Lextech solutions for Enterprises, Audit, Compliance & Legal Professionals globally.

- Our decade of experience in creating Global Regulatory Intelligence and understanding real-life challenges of managing them have helped us create innovative, best in class solutions that are scalable & easy to implement.
- Our solutions integrate Regulatory Intelligence across laws for 70+ countries with technology, making it easy for users to understand compliance obligations and be informed of the Regulatory changes.
- Our Legal Network comprises 1000's of legal experts from 100's of Legal, CPA & Consulting Firms across 70+ countries having domain and territory expertise across areas of law.
- Our Reverse Outsourcing model of engaging legal experts for multi-country roll-outs helps reducing time, cost and efforts for such implementations.

OUR SOLUTION PORTFOLIO

ENTERPRISE SOLUTIONS

- Global Compliance Management Solution
- Legal Matter Management Solution
- Risk & Controls Management Solution

PROFESSIONAL SOLUTIONS

- Compliance Audit Management Solution
- Compliance Service Management Solution
- Case and Litigation Management Solution

OUR LOCATIONS



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AHMEDABAD

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PARTNER LOCATIONS: BENGALURU, CHENNAI, HYDERABAD, PUNE, TANZANIA

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