

Corporate Governance Report

Para C in Schedule V of
SEBI(LODR)Regulations ,2015
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Why CG in Companies

- Etymology –Governance from Latin-“Gubanare” - means “to steer”
- Board’s role for stewardship –inherent with their responsibilities under the law
- Pillars of Governance-
- Accountability
- Fairness
- Transparency-Information asymmetry bane of capital markets .

Contents of CG Report –SEBI (LODR)

- Form of Report similar to laid out format in erstwhile clause 49.
- Additional disclosure based on evolution and need based
- Philosophy on CG-Mostly repetitive and full of rhetoric unsubstantiated
- Go slow on the rhetoric
- Information on Board of Directors

Contents-Board Management

- Composition and category of directors Whether-Promoter,ED,NED,ID,Nominee –whether of lender or investor.
- Attendance at meetings of Board and at AGM
- Whether attendance in general meetings to state?
- Number of other boards or Committees in which director is member or Chair
- From March 2019 –to state number of listed co directorships and category .
- Should Private and Section 8 Companies included in the count

Board information

- Number of meetings of board and dates on which held. Confirm time gap between meetings does not exceed 120 days
- Disclosure of relationships between directors *inter-se*
- Number of shares and convertible instruments held by non-executive directors .
- Web link providing details of familiarization programs for IDs

Board Information-Further fine tuning

- Matrix of skills/expertise /competence of Directors.
- Effective March 31, 2019, list of core skills/expertise /competencies as identified by board *vis-a-vis* business needs and whether such skills actually exist in the Board
- Effective March 2020, mention directors in possession of such skills.

Board Committees

- Confirm that as per Board ,IDs fulfill conditions of independence and are independent of management.
- Reasons for resignation of ID before expiry of term with confirmation by ID that there are no other material reasons other than stated by Board
- Audit Committee
 - a)brief description and TOR
 - b)Composition ,members and chair
 - C)No. of meetings and attendance

Board Committees

- **Nomination and Remuneration Committee(NRC)**
- Brief description and TOR
- Whether Chairperson if Executive can be part of Committee-Section 178- Poser –Contradiction by proviso
- Composition , members ,chair
- No. of meetings and attendance
- Performance evaluation criteria for IDs
- **Stakeholders' Relationship Committee**
- Name of NED chairing
- Details of Compliance officer
- No. of complaints received and resolved .Also pending
- Extend scope of Committee in view of inactivity

RMC-Can include Employees in Committee

- **Risk Management Committee**
- Brief description and TOR
- Composition ,members and Chair
- Number of meetings and attendance
- **Remuneration of directors**
- All pecuniary relationship /transactions with NEDs
- Basis for payment to NEDs .Also can be stated in web site and reference to be provided

Remuneration Disclosure – Transparency the hallmark

- Disclosure as regards remuneration in addition to disclosures under Act providing –
- All elements of remuneration under major heads (Bonus, options etc.)
- Fixed and variable component of remuneration with performance criteria
- Service Contracts, notice period , Severance pay
- Stock options to directors, Issue whether at a discount, period over which accrued and exercisable

Details of AGMs-Past three years

- Details of General meetings :
- Location, time and venue- last three AGMs
- Whether special resolutions passed in last AGMs
- Whether special resolution passed through postal ballot last year –Voting pattern
- Name of Scrutinizer for postal ballot
- Whether any special resolution proposed through ballot
- Procedure for postal Ballot including E-voting

Communication Modes

- **Means of Communication**
- Quarterly results
- Newspapers carrying results –State Names
- Whether displayed in website
- Whether official news releases displayed in website
- Presentations made to investors or analysts

Shareholder information

- **General shareholder information**
- Date, time and venue for AGM
- FY to which relates
- Dividend payment date
- Details of Exchange where listed and confirm payment of listing fees
- Stock Code
- Market price data-High and low –each month
- Stock performance *vis a vis* indices like Sensex, CRISIL index etc.

Shareholder information

- Whether securities suspended from trading , If so Board's report to state reasons.
- Details of RTA and Registrars
- Share transfer system
- Distribution of shareholding
- Status-demat and liquidity
- Outstanding GDRs ,ADRs, warrants, details of conversion and impact on equity

Shareholder information

- Commodity Price risk or foreign exchange risk and hedge mechanism
- Plant locations
- Address for correspondence
- Details of credit ratings for all debt instruments or for deposit programs, fund mobilization program in and outside India including revisions in rating ,rationale for revision

Shareholder information

- **Other Disclosures**
- Details of material RPTs in potential conflict with company interests
- Details of any non-compliance , penalties /strictures imposed by Exchanges or by any statutory Authority on any matter relating to capital markets –last 3 years
- Details of vigil mechanism and confirmation that no one has been denied access to AC.

Shareholder information

- Details of mandatory and non-mandatory compliances
- Web-link for policy on determining material subsidiaries
- Details of commodity price risks and commodity hedging activities
- Utilization of funds raised through QIBs/Preferential allotments

Certification –Non-disqualification-Directors

- Certificate from PCS that none of directors have been disqualified or debarred from being directors either by MCA or any other Statutory Authority/SEBI
- Where recommendations made by any Committee which has not been accepted by board with reasons therefor
- Applies only in cases where recommendation of committee required by board .No requirement where prior approval of Committee required for any transaction.

POSH Disclosures ,Loans and Advances

- Fees paid for all services to company and its subsidiaries on consolidated basis to Auditors and all entities in the network entity of which Auditor is part .
- Disclosure under POSH with details of complaints filed ,disposed off and number of complaints pending
- Details of loans and advances by company and subsidiaries to firms/companies in which directors interested with names (from 1.4.2022).No requirement for banks

Discretionary requirements –Extent of Compliance

- Details of any non-compliance of requirements relating to CG Report with reasons for failure
- Extent to which discretionary requirements specified have been adopted.
- a)NE Chairman- maintenance of a Chairman's Office and reimbursement of expenses for his duties
- b) Half yearly performance and disclosure of significant events to every shareholder
- c)To move towards a regime of financials disclosure with unmodified audit opinion
- d)Internal Auditor may report directly to AC.

Certification

- Disclosure by CEO stating that all board members and Senior management have affirmed compliance with code of conduct for board and senior management.
- Compliance certificate from Auditors/PCS regarding compliance with conditions of CG.(Annexure to Board's Report)
- Details regarding demat suspense Account/unclaimed Suspense Account.

Additional information to be added-

Per SEBI Notification dated 14.6.23

- After Para 5A of existing format:
- **Senior Management**-Particulars of those in this category including changes since the previous year.
- After Para F in Existing format:
- Details of agreements by shareholders, promoters ,promoter group entities ,directors,KMPs,employees (including of subsidiary/Associates)between themselves or with company whether directly or otherwise :

Additional information

- Which impacts management or control of company or imposes any restriction or creates any liability including amendments to such agreements whether or not company is party thereto.
- Agreements in normal course of business not to be disclosed unless they impact management or control or are to be disclosed under any other provision in the regulations

Concluding Musings

- Don't be regimented in approach and stay with the Book.
- No ticking the box approach
- Additional disclosures add to “feel good factor”
- Report when in doubt-Don't be the Prince of Denmark
- Don't be untruthful in reporting
- CG is mantra to be practiced in the mind and not superficially

Going beyond the Book –Two Examples from Corp. INC.

- **TCS**
- Additional Matters covered
- Board effectiveness , independence and protection to minority interest
- Tax strategy
- Avoidance of conflict of interest
- Board's oversight on sustainability
- Succession planning

Going beyond the Book-Examples

- **Infosys**
- Board composition providing representation by Indians, foreigners and women
- Process of selection and appointment to Board
- Tenure Analysis of directors
- Details of training programs of each director.
- CSR Philosophy
- Responsible leadership
- Legal proceedings

- THANK YOU