

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 15

NOTE : Answer ALL Questions.

PART-I

1. Alchemia Infratech Ltd, is a leading Execution, Procurement and Construction (EPC) company specializing in construction of national highways, expressways, railway tracks and other civil infrastructure projects and has a paid-up share capital of ₹ 500 crore. The Company has its registered office in New Delhi and has been a key player in infrastructure projects across India. AGP & Co LLP, Chartered Accountants are the statutory auditors of the Company and have two more years of tenure as per the provisions of the Companies Act, 2013. Presently, the Company has Kukur and Kusam on its Board of Directors as independent directors. The Company was planning to appoint another independent director to strengthen its governance practices. Meyil, a director of the Company had a good rapport with Praneyi, and wanted to appoint him as an independent director, given his expertise and understanding of finance. Praneyi was working as a Senior Audit Manager with AGP & Co LLP during the financial year 2019-20 and was well acquainted with the Company's processes and its management.

Since last five years, Praneyi was working as an independent consultant with few corporates providing them advisory services. He was delighted to be on the Board of Alchemia, when Meyil reached out to him with his request. Upon Praneyi's consent, Meyil asked Huma, the Company secretary to convene a board meeting to appoint Praneyi as an independent director. As it was annual return filing season, Huma was busy with completing the compliance requirements. While sending notices, she did not send the copy of requisition to Meyil. As Articles of the Company does not provide for procedure of conducting the meeting, the meeting was convened on a public holiday at 6 p.m. at Meyil's residence in Chandigarh. Sufil, another director on the Board of the Company, raised the following objections pointing out procedural irregularities :

- Notice did not contain the serial number of the meeting
- Notice was served through courier rather than mail/registered post
- Meeting was convened on public holiday, after working hours, and
- Meeting was held in Chandigarh which is located in a State different from the State of Company's registered office.

Meanwhile, as the year end filings were being completed, Suma, a Senior Assistant working under Huma, wanted to send communication to all the teams regarding information required for preparation of annual report, as a yearly activity. Huma saw this communication and told Suma that collation of information for preparation is not a one-time activity, its an ongoing project.

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In the background of above facts answer the following questions :

- (a) With reference to the provisions of the Companies Act, 2013 / Secretarial Standards, examine the validity of objections raised by Sufil regarding the notice of board meeting.
- (b) Outline the provisions under the Companies Act, 2013 regarding restrictions on employment and voting rights of independent directors and their relatives. Comment whether Praneyi is eligible to be appointed as an independent director.
- (c) 'It is considered a good practice to designate an independent director as a lead independent director.' Elucidate the concept of lead independent director and his/her role in the Company.
- (d) Is preparation of annual report an ongoing project throughout the year ? Discuss the activities which secretarial department should follow in preparation of annual report.

(5 marks each)

2. (a) Ratin recently completed his MBA from London School of Economics and joined family business. Ratin's father Kesha Bhai was the Managing Director of Ratloi Chemicals Ltd, a chemical manufacturing company and he wanted Ratin to take over the business. As a part of this transition, Ratin was trying to understand the industry and its prospects. Coming from a wider academic exposure, Ratin wanted to build a sustainable ecosystem for his business which also caters to the environmental requirements. He was planning to appoint consultants to do an Environmental, Social and Governance (ESG) study

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for his chemicals business and transition of the business towards ESG investing. Ratin briefed the Board of Directors about the ESG investing and its impact on the business. Some of the directors were skeptical and asked Ratin to explain, if there will be any challenges.

In this background, outline the challenges faced by ESG investments.

(5 marks)

- (b) Prekshak Ltd, a cosmetics manufacturing company was rapidly expanding its business operations and was planning to go for an IPO in couple of months. The Company presently had more than 1000 shareholders and was expecting the numbers to go up drastically after the IPO. One of the merchant bankers and advisors for the IPO, informed the Company's management that it had not constituted a Stakeholders Relationship Committee (SRC) and is liable to penalty under the Companies Act, 2013. In context of above facts, prepare a brief note covering the requirements for constituting Stakeholders Relationship Committee and the role of such committee.

(5 marks)

- (c) Gran, a Senior Partner of GSP & Co., Practicing Company Secretaries, was explaining to his trainees about the importance and relevance of annual reports. He told them that an annual report is a comprehensive document provided by public companies to disclose their corporate activities in the past year. It is typically issued to shareholder and other stakeholders who use it to evaluate the performance including both operating

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and financial highlights. One of the trainees had a doubt regarding the manner in which annual reports are sent to the shareholders and also about monitoring the funds raised by companies through IPOs. Gran explained that the Directors of the company are responsible for monitoring the utilisation of funds.

Indicate the manner of sending the annual reports under SEBI (LODR) regulations by listed entities to the shareholders and outline the legal/regulatory provisions regarding submission of Statement of Deviations /Variations in annual report to the stock exchanges.

(5 marks)

3. (a) Kenda, a Practising Company Secretary was addressing one of the professional forums about corporate governance and regulatory aspects. He emphasized that the corporate sector, not only in India, but the world over, has been through several progressive changes, over the last few decades. These changes, however, have constantly been overpowered by widespread controversial corporate scandals. These scandals, not only adversely impact the reputation of the corporates, but also hamper the interest of various investors and stakeholders of the company. Those inside the organization are definitely better positioned to prevent these wrong happenings and thus even increasing need for whistle blower policy.

Enumerate the need for a whistle blower policy in the best interests of the company and its stakeholders.

(5 marks)

- (b) Decisions, whether to vote for or against various resolutions by shareholders at the annual general meetings, are increasingly being driven by what the proxy advisors recommend. Also, voting is largely done by the custodians on behalf of the institutional investors, based on recommendations of the proxy advisors. Institutional investors who are the shareholders of various companies, cannot keep track of the policies and performance of all such companies. This has created the demand for proxy advisory firm's services.

Enumerate the role and functions of Proxy Advisory Firms.

(5 marks)

- (c) Managers at all levels and in all functional areas face ethical issues. In fact, there is seldom a decision wherein an ethical dimension is not involved. Matters of right and wrong, just and unjust, fair and unfair arise frequently. In order to deal with these issues, managers need some guidelines. Organisations formulate both business and non-business guidelines in the form of a code of conduct or code of ethics. It is a corporate code of conduct that helps its members to promote high standards of ethics and practice.

In this backdrop, explain the similarities and distinction between Code of Conduct and Code of Ethics.

(5 marks)

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Attempt all parts of either Q. No. 4 or Q. No. 4A

4. (a) Anaya a Senior Company Secretary, has been invited for a panel discussion on the topic 'Investment trends in India and the role of institutional investors.' During the discussions, it was highlighted that domestic and foreign institutional investors are pivotal sources of capital and also provide the volume of trades for the markets to thrive. Institutional investors have access to securities and markets of all kinds including few private investment options, which is typically not open for the retail investors, such as institutional real estate, or private stock placements. As a governance influencer, Anaya explained the importance of the institutional investors in the economic spectrum. Narrate the role and importance of institutional investors.

(5 marks)

- (b) Mrugan Ltd, a luxury products manufacturing company was planning to raise funds by way of an IPO in next year. As a part of preparation, they appointed Trika Consultants, as advisors to IPO. Trika reviewed the existing board processes, procedures and provided recommendations to the management for their consideration. Sri Mrugan, the Managing Director of the Company, sought further clarification on one of the recommendations regarding separation of role of Chairman and Chief Executive Officer (CEO). Trika provided a brief note stating, it is perceived that separating the roles

of Chairman and CEO increases the effectiveness of a company's Board and a clear demarcation of the roles and responsibilities of the Chairman of the Board and that of the Managing Director/CEO, promotes balance of power.

State the provisions of the Companies Act, 2013 that provides for the separation of roles of Chairman and the CEO. Also indicate the circumstances wherein such provisions do not apply.

(5 marks)

- (c) Prayak and Pragna were IIT pass-outs and were planning to have a start-up which addresses the waste management issues. They spent couple of months visiting various organisations and government agencies, as part of their research. They made a pitch to one of the investors about their project and explained to them that waste management refers to various schemes to manage and dispose of wastes. It can be by discarding, destroying, processing, recycling, reusing, or controlling wastes. The prime objective of waste management is to reduce the number of unusable materials and to avert potential health and environmental hazards. The investor asked them what are the various sources of wastes which they have identified and plan to address through their start-up.

In this context, briefly explain the various sources of waste generation.

(5 marks)

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OR (Alternative questions to Q. No. 4)

- 4.A.** (i) Mahan, a Company Secretary was working with Tirmurthy Ltd, a textile manufacturing company, for last 10 years. The Company was owned by promoters and their family members. Due to personal reasons, he wanted to relocate to Bangalore and was looking for a suitable profile. Mahan got an offer from Teino Technologies Ltd, as Company Secretary and Compliance Officer. Mahan reaches out to you, a Senior Company Secretary for an advise. He was apprehensive as he was now moving to a professionally managed company, whereas he was associated with a promoter driven company for quite some time.

Advise Mahan.

- (ii) 'Company secretaries can assist organisations in building their climate governance infrastructures.' Explain.
- (iii) Manidweep Resorts Ltd, a group of luxury hotels, had properties across all the major locations in India. Company's management was planning to expand operations to other countries for global footprint and raise funds from investors. Consultants were appointed to evaluate the present operations and provide recommendations to enhance its scalability and governance aspects. One of the key concerns raised by the consultants was data security, as there were no existing policies and procedures for data governance. In this context, highlight why is data security a serious concern for the Company and suggest the best practices for data security.

(5 marks each)

PART-II

Attempt all parts of either Q. No. 5 or Q No. 5A

5. Himagiri Foods Ltd., a well-established food retail chain in Chennai having turnover more than ₹ 1000 crore, operates both online and offline through more than 200 outlets, including restaurants and sweet shops across India. The operations of the Company have been growing considerably over the last few years. The management is trying to corporatise its style of functioning and planning to implement processes and controls for better operations. One of the major issues which the Company faces is managing the quality of raw materials and storage of finished items, considering the short shelf life of its products. Recently, the Company faced a major crisis due to non-compliance with legal and quality standards. An inspection was conducted by government agencies in five locations across Chennai, wherein several lapses were noted. The government survey conducted by the state's food and labour departments uncovered several violations, including :

- Adulteration and failed quality tests of sweets and milk products
- Employment of child labour
- Non-registration with authorities under Labour laws, Provident Fund and ESI
- Failure to maintain testing laboratory
- Failure to adhere housekeeping norms relating to display and maintenance of records etc. under FSSAI regulations.

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Print and electronic media have caught attention of the public. Many clips and reels of the inspection coverage were being circulated on social media and many food influencers have called for boycotting the Company's products.

The Company has paid huge fines and lost reputation in the market. Company's management has been forced to shut several outlets. These infractions have resulted in huge financial loss, significant media backlash, and reputational damage impacting its market position and customer trust.

Company's management has called for a high-level management meeting to design a strategy to address the present crisis. One of the senior managers from Finance team indicated that the crisis arose due to lack of risk management. The Company should appoint a professional who would provide a robust list of potential risks that can have an impact on the business. Once such risks are identified, controls can be designed to address them.

Renu, a Company Secretary and risk management professional has been appointed by the Company to provide a comprehensive risk management plan.

In the background of above facts, answer the following :

- (i) Outline the actions which the Company should take for effective risk detection.
- (ii) Briefly explain risk analysis and steps involved.
- (iii) Explain 'reputation risk' and outline the principles to manage reputation risk.
- (iv) Enumerate the need and essential features of crisis management.

(5 marks each)

OR (Alternative questions to Q. No. 5)

5.A. Buland Investments Ltd, is a Jaipur-based Non-Banking Finance Company (NBFC) and has more than 300 branches/customer service points (CSP) across India. Company mainly offers housing loans, loans against property, and personal loans to all segments of society including salaried employees, professionals and businessmen. The Company has a paid-up capital of ₹ 100 crore, public deposits of ₹ 250 crore and borrowings of ₹ 80 crore (₹ 40 crore each from public and private sector banks). Most of its operations in online mode with customers applying online and uploading their KYC and other financial documents through a secured web portal.

Though the Company is on a growth trajectory, it still does not have robust policies and procedures which guide its operations. Recoverability from the customers, loan defaulters is a challenge on operational front. From a corporate perspective, adhering to Reserve Bank of India (RBI) Digital Lending norms and Cyber Security Frameworks are key challenges for the Company. It has hired few IT professionals to develop an inhouse IT security team. However, despite these efforts, the Company suffered a major cyber-attack recently, leading to theft of sensitive KYC data of large number of customers. RBI has imposed huge penalties and suspended the Company's operations. The media coverage of the incident has further damaged the Company's reputation, causing panic among customers, depositors and investors.

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In this context, answer the following questions :

- (i) Explain Cyber Security Measures.
- (ii) Few investors commented, the Company should have a Disaster Recovery Plan (DRP).
Indicate the elements of DRP.
- (iii) Describe compliance risks and the mitigation strategy which the Company should adopt.
- (iv) Discuss the relationship between Business Continuity Plan, Crisis Management and DRP, with an example.

(5 marks each)

PART-III

6. (a) Raksha Hydro Ltd, a power generation company appointed Kunal, Company Secretary, as its Compliance Officer. Company's management requested Kunal to revisit various legal and regulatory compliances, both mandatory and recommendatory for the Company and prepare a detailed report with issues/concerns and recommendations. Kunal performed an elaborate review of the documents/filings and also spoke to his friends and colleagues in the industry. He furnished a detailed report to the management stating the Company was largely compliant with applicable laws and regulations. However, he suggested that the management should consider getting a Sustainability Audit done for the Company. He went on to explain that sustainable development is a relatively new concept and

gained momentum in the late 1980s. In 2010, UN described business sustainability as 'Conducting operation in a manner that meets existing needs, without compromising the ability of future generations to meet their needs and has regard to the impacts that the business operations have on the life of the community in which it operates and includes environmental, social and governance issues.'

Reporting on sustainability paved the way for emergence of sustainability audit. The concept of sustainability audit has evolved over the years as society's understanding of sustainability has expanded and as organizations have become increasingly aware of their impact on the environment and society besides their bottom-line. The wave of financial mishaps in the early 2000s, the 2007-2009 global financial crisis, and subsequent regulatory responses have stimulated considerable interest in business sustainability, corporate governance, ethical, and corporate accountability. Businesses and professional organizations worldwide have also responded by developing a business sustainability framework consisting of five overriding dimensions of economic, governance, social, ethical, and environmental performance as an improvement over the "People, Planet and Profits" agenda. Management thanked Kunal for his efforts and asked him to take up the project of getting a sustainability audit done for the Company.

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In background of the above, answer the following :

- (i) Indicate the criteria to be met, for an activity or program to be considered as sustainable.

(3 marks)

- (ii) Explain the structured framework of sustainability audit.

(5 marks)

- (b) 'Integrated reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates.' Explain integrated reporting and the content elements of an integrated report.

(7 marks)

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