YES ACADEMY
CA | CS | LAW

CS PROFESSIONAL

MODULE 1 | DEC 25/JUNE 26

ESG

summary notes

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CHAPTER 16

DEC 2025/JUNE 2026

Ch16 - Governance Influencers (0-5)

1) ICSI

- The ICSI is a pioneer in promoting good corporate governance with the vision of becoming a global leader in promoting good corporate governance and the mission to develop high calibre professionals facilitating good corporate governance.

- It has taken variety of initiatives amongst which following are some of the initiatives:

(a) ICSI PMQ course in CG.

↳ ICSI has introduced a PMQ course in CG for all its members to give greater knowledge of CG.

(b) Issuance of Secretarial & Auditing Standards

↳ Body has issued various SS of which some are mandatory and others are recomendatory which helps in promoting good CG, recently, they have also issued auditing standards for conducting sec. audit known as CSAS.

(c) ICSI Awards

↳ In order to reward those who are committed to promoting good CG the ICSI provides various awards to recognize the efforts of these companies.

↳ Some of these awards are:

(a) ICSI National Award for excellence in CG.

(b) ICSI CSR excellance award [Cholamadalam]

(c) ICSI best secretarial audit report

↳ TATA STEELS Ltd. got the award in large cat.

~~(d)~~ (d) ICSI centre for CG research & training (CCGRT)

↳ Is a body created to research, recommend, train about good CGs practices.

2) Investor Associations

- It is an association registered with the SEBI & works for the benefit of the investor community.

- It can be formed in the form of Reg Soc / Reg Trust / Co., but in order to be eligible for registration it must be into existence for atleast 2 years.

- There should be min 100 members which can either be individuals / NPOs
[Provided further, upon getting recognition association should discontinue membership of any body corp within 3 months of recognition]

- Association should have their rules / reg which must be in conformity with the conditions of recognition.

- There should be min 7 members / directors in governing ~~&~~ body & their election / reappt shall be done once in every 3 years.
[in case of cos. as per CA, 2013].

- Any SEBI Reg Intermediary or any dir of listed co. (other than ID) shall not be eligible to be appt in governing board.

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3) Role of IA in promoting CG

- Generally, the individual investors incl small shareholders are more prone to misguidance, malpractices.

- It is here, where the IA comes into action who are established with the primary goal to protect & promote the well being of its members.

- They take up the following activities for the same:

(a) They act as representatives of their members infront of the authorities

(b) They are the collective voice and represents the interest infront of any authority within India or globally.

(c) They disseminate knowledge & education amongst its members to make them aware about the modalities of their investment.

(d) They act as a platform for investor grievances.

(e) They monitor performance of investee co. which inturn promotes good CG.

4) Proxy Advisory Firms

- These are firms which conduct research and provide recommendations to its clients.

- As per SEBI (Research Analyst) Reg, 2014 it refers to individuals / organisation who research, provides recommendations and advises the investors (Both institutional & individual) with a aim to help them vote in a right way.

- Since, shareholder activism is yet not a very popular thing, it is here where the proxy advisors help in promoting good CG.

- They provide information & analysis about the CEO's pay (whether justified or not), any merger / demerger / amalgamation (its benefits & negative impacts), the applts on Board

5) Functions of proxy advisory firms:

i) It is an independent research outfit, so the first function becomes to provide voting recommendations to their clients.

2) Many institutional investors cannot keep a track of the various cos they have invested into, so the 2nd function becomes to monitor the investee cos and recommend appropriate actions.

3) When the companies take any decision which concerns corporate governance, in such cases many investors lacks the understanding of its long term impacts, the 3rd function becomes to analyse and advise the investors about the pros & cons of the decision.

4) Some of the other functions also incl:
(a) Acting as proxy when sh.holder cannot attend the meeting.
(b) They conduct ESG analysis.
(c) They provide a report which represents CG score of an entity.

6) Issues & Challenges
- There are concerns regarding the policies of proxy advisory firms while they conduct their research.

- There is excessive level of standardization which sometimes makes it counterproductive because sometimes they may recommend a vote against even if it is not in contrast of any law.

- Even these firms are hesitant as many a times they are slapped with litigations like defamation suits.

- Some other instances:
(a) Passive attitude of sh. holders
(b) Lack of Trust
(c) Lack of expertise.

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* Proxy advisors as per SEBI (RA) Reg

- The regulations provide for:
(a) Registration of proxy advisory firm.
(b) Disclosure of recommendations
(c) maintaining records of disclosures

Salient features of these guidelines are

1) The firms need to disclose their policies on recommendation of voting.
2) Report has to be shared with co. as well as investors
3) If there has been a clarification issued by the co. before hand then suitable amendments to the report has to be made & if it cannot be justified by minor amendments then an additional report can be sent.
4) If there is any mistake / error by the firm same has to be disclosed to clients within 24 hours of realizing.
5) If these firms also provide any consultancy services which might lead to biased opinions or any conflict of interest then the same should be disclosed & firm should refrain from recommending.
6) If the listed cos are unsatisfied they can report the same to SEBI where SEBI acts as an arbitrator

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7) Institutional Investors

- Institutional investors are organisations that pools funds from large number of investors & invest into stocks / bonds as per their investment policy

- Various type of institutional investors include:
(a) mutual funds
(b) Insurance companies
(c) Hedge funds
(d) Pension funds
(e) Venture Capital funds

- The above mentioned are one of the most impactful institutional investors & play a very important role in promoting good corporate governance.

- While every investor plays an important role the inst. inv are those who act on behalf of retail / individual investors.

- Further, they have many investment options which is not open to retail investors & their investment amount is significantly higher than the individual ones.

- Generally, Retail investors are more driven by their emotional bias, the institutional investors are more professional investors.

- Their role in promoting good corporate governance includes the following aspect:

(a) There is a direct relationship between the CG practices adopted by corporate & no. of inst. investors who would want to invest in it. [So they act as biggest motivators to corporates to inculcate good CG practices].

extnote:-

As per many surveys institutional investors are willing to pay premium but are not willing to invest in those cos which do not have good CG practices.

(b) For those institutions which have a good CG mechanism, it requires lesser monitoring which inturn reduces the cost of the funds thereby increasing the profits, this motivates the institutional investors to select those cos which are well governed, which inturn motivates the corporates to act responsibly if they want to attract investments.

(c) There has always been an issue that managers always think for their profit maximization, the same can be balanced if there are institutional investors in the company, because their focus would always be promoting long term health of the company.

(d) They influence the corporates to make policies regarding good corporate governance practices & be actively involved in monitoring the same.

(e) Lastly, good governance practices are not a one time thing, it needs to be done again & again / continuous basis & if the investor is unsatisfied they can exit.

8) ESG Investments

- ESG investing is relatively a new term which incorporates the idea of considering the environmental / social / governance impacts created by a company before making an investment decision.

- ESG investment is also known as 'socially responsible investing'; 'impact investing'; 'sustainable investing'.

- In ESG investments it is just not about ESG factors but at the same time also the economic performance of the company.

- It is belived that while investors make their investment decisions, they distant themselves from those which are not performing well in the ESG domain, as it is a belief that organisations who are better performing in E & S factors leads to better economic performance.

C-suits - CEO / CFO / CTO etc employees.

- Not a single corporate can cater all ESG issues so every corporate chooses that area which as per their industry, geographical area/circumstances are more prominent.

- ESG investment influences the following:

(a) organisational efforts to mitigate the climate change

(b) Human rights issues within an org supply chain

(c) workplace diversity & equal opportunity, which means that corporates identify the efforts to mitigate environmental disaster make appropriate labour codes & work towards equal representation of gender & how c-suit level employees are managed.

Charectoristics of ESG Investing

(a) Environmentally inclined cos that conserve natural world and avoid harm.

(b) Socially inclined cos that make efforts to treat all people with decensy & respect

(c) Governance inclined cos that are highly organised.

Benefits:

1) Reduced risk
2) Long term returns
3) Increasing demand
4) Alignment with personal rules
5) Improved

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Challenges of ESG investing:

(a) There is absence of quality data
(b) There is absence of measurement stds
(c) Traditional mindsets are still driven with profits & find ESG investment as an additional cost.
(d) ESG funds is a recent phenomenon, hence it has a limited track record.
(e) Lack of awareness.

ESG investment as influencer of good CG

1) There is a great saying that corporates do what investor seeks, in today's context investors are constantly looking for those companies which are ESG driven to make Investments, which inturn motivates the corporates to be more ESG efficient.

2) More & more ESG funds are emerging making ESG inv as mainstream investment, Axis, ICICI, SBI have started their ESG funds.

3) A company which follows ESG practices emerges as sustainable establishment in the long term that is why this investment is also called sustainable investment.

4) The cos which adhere to ESG principles attract & retain more customers.

5) All those stakeholders who are socially conscience would always prefer a corporate which is compliant with ESG principles.

All the above acts as a great influencer in promoting corporate governance.

Ch4 - Board Processes Through SS

* Section 118 (10) of Companies Act states that every company must observe the SS referred by the ICSI & approved by the CG.

[which makes SS-1 / SS-2 mandatory].

* Applicability of SS-1
(a) Every public co.
(b) Every private co.
(c) OPC [having >1 director]
(d) Every co. established under Special act [unless it contravenes special act]

↳ However it does not apply upon:
(a) IFSC private / public cos.
(b) OPC having 1 director
(c) Cos registered as Section 8 co.
[However, if a pvt co. / section 8 co. have defaulted in filing financial statements / Annual returns then this exemption shall not apply]

Note: SS 1 applies to Board Committees as well & becomes mandatory upon those committees which are non mandatory if formed
↓
[Choice vests with the company]

If ID appointment was not required then SS-1 does not mandate following, if ID are voluntary aly appointed SS-1 becomes mandatory.

* In the event of any conflict between SS-1 or Act, later prevails.

* Convening a Board meeting.

Authority - only a director can request for a BM, he may make a requisition which could be either oral / written, upon the requisition the CS or any other person authorised by BOD shall convene the BM after consulting the chairman, in his absence, the MD, in his absence the WTD.

- It is the responsibility of CS to reduce an oral requisition into a written requisition.

- If none of the above persons are available then Articles can be referred or if the above mentioned person refuses for the same then the CS shall not convene the meeting & communicate the reason to the director, in which case the director may on his own convene the meeting.

Adjournment - The chairman can adjourn the meeting for any reason, unless objected by majority at a meeting where quorum is present.

Board meeting on Public Holiday
- There is no stopping on holding a BM on a National Holiday. However, for those BM which have been adjourned for want of quorum cannot be held on National Holiday,

in which case it should be held on the succeding day.

Time of BM - It can be conducted at any reasonable time, the desirable time generally, is the working hours, the rule is that the meeting should start in working hours but may continue even beyond.

Venue of BM - Should be the registered office of company / any place stated in notice, unless the articles provide for a special place & if that is not complied then all the decisions passed in such meeting will have no effect.

Note - coincidental presence does not amount to meeting.

Meeting through electronic mode

- A director may give his intimation at the begining of the calendar year about his intention to attend a meetings through video-conferencing, but the same should not debar him from attending the meetings physically, provided he has well sufficiently informed before.

- A director will not be considered as participating if he connects through any mode which does not confirm to the requirement of the act.

- further, he should not be counted for purpose of quorum.

- All the directors can participate through electronic mode in which case atleast one person who can either be Chairman / CS / any other person who should be present at the scheduled venue in order to maintain the integrity of the meeting & to enable proper recording.

- There can be multiple meetings held on the same day., the only point noteworthy is that there should be reasonable time gap between meetings.

Notice of BM - A written notice has to be sent by the company either by speed post / through e-mail containing day / date / time / venue & agenda of meeting. Notice has to be given even if dates are pre-determined & in case of adjournment also.

- The ideal time for sending of notice is at least 7 days before the date of meeting & if notice is being sent by speed post further 2 days have to be added.

- In case of an Alternate Director, notice has to be sent to original director as well.

- The notice has to be sent to that address or e-mail address which director has reg. with company, & incase of any change then the details appearing in the DIN.

- Notice can be sent on a shorter timeline as well to transact urgent business, the only condition being that there should be atleast 1 ID.

- Provided further, if no ID was in meeting then decision should be circulated with all the directors & shall be final only if one ID ratifies it.

- Notice of adjourned meeting should be given to all directors including those who did not attend original meeting & must be given atleast 7 days before meeting, if date of meeting is decided at meeting itself, then intimation should be given forthwith.

- minutes of meeting - Should be recorded in a distinct book which contains all deliberations in the meeting.

- Some noteworthy points in regard to minutes:

(a) minutes can be recorded in loose-leaf form provided it shall be bound periodically

(b) Kept in the custody of CS at the registered office of co / any other place approved by the board.

(c) Minutes shall be preserved permanently, however, notice / agenda / notes to agenda should be preserved for as long as it is current or eight years whichever is later.

(d) Minutes should be circulated within 15 days from conclusion of meeting to all those directors which were member of Board on date of meeting for their commence.

(e) Further, the minutes shall be entered in the minutes book within 30 days from conclusion of meeting & fact of the same has to be certified by the CS.

(f) Once, entered in the minutes book the same should not be altered except by the approval of majority of board in subsequent meeting.

(g) Minutes are to be noted in the next Board meeting, immediately held after the recording of the minutes & in the event if BM happens earlier than entry, then same should be noted in subsequent meeting.

(h) Once the minutes are finalised it must be circulated to all the directors within the next 15 days, but it is not required to be sent to those who are not directors at the date of the meeting & those who have waived off their right by either giving the same in writing / such waiver is recorded in the minutes.

(i) The director who has ceased from his directorship is still entitled to receive a copy of the minutes held during the ~~meeting~~ period of his directorship.

(j) Minutes shall be signed by Chairman of meeting or by chairman of next meeting, who shall append his initial on each page & sign the last page alongwith place & date.

Note :- Additional Contents of minutes

- If any other matter which was not on agenda was taken up in meeting.

- If any decision of Board is based on any unsigned report the same has to be put forward.

* Meeting through video conferencing

1) The process of meeting through VC :-

(a) Responsibility of co. to provide for necessary equipments to avoid failure of video / audio visual connection.

(b) It is the responsibility of Chairman & CS to check for the following:
- To ensure the availability of proper video conferencing equipments to facilitate effective participation

- To safeguard the integrity & security of the meeting.

- To record & prepare minutes of the meeting.

- To store the tape recordings of the meeting.

- To ensure that no person other than the director has access to the meeting except the one who has been allowed.

(c) The notice must be sent to all the directors & it must comply with the following:
- That the directors have an option to participate in the meeting through video conferencing & all the other information to enable him to participate through VC.
↳ Those directors who intend to attend the meeting through VC shall intimate sufficiently in advance about his intention to attend the meeting through VC.

- He may alternatively intimate about the same at the begining of the calendar year & such declaration shall be valid for 1 year

& it does not debar him from participating in the meeting in person, in which case he should sufficiently in advance intimate the same.

(d) A roll call at commencement of the meeting shall be taken by the chairperson & those attending through VC shall state the following:

- Name
- Agenda - That he has received agenda
- His location
- That no one else ~~b~~ is attending meeting.

(e) If there is any other person attending the meeting at request / permission of chairman, the same should be intimated to other directors.

(f) The chairman / CS should confirm & ensure that the quorum was present throughout the meeting.

(g) Every participant shall identify himself before speaking upon any agenda.

(h) At the end of discussion on each agenda item, the chairperson shall announce the summary of decision taken alongwith names of those directors who dissented.

(i) The draft minutes shall be ~~sub~~ circulated to all directors within 15 days & all directors shall confirm about accuracy of draft minutes within 7 days, failing which it shall be presumed to be approved.

* Provisions under SEBI (LODR) Reg, 2015

- Prior Intimation (Reg 29)
- Every listed entity shall give prior intimation to SE about meeting if any of the following matters are to be considered.

5CWD (1) Financial results
↳ includes quarterely / half yearly / annually

11WD (1) Any alteration in the rights / privelages of the security holders (OR)
(2) Any alteration in the date of the interest payment or redemption of any debentures or any other security.

2CWD (1) Buy back of securities
(2) Dividend
(3) Voluntary Delisting
(4) Fund raising by any way
(5) Declaration of Bonus.

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Agenda :

- Each item which is supposed to be discussed at the meeting is contained in the agenda alongwith note explaining & providing details of the proposal.

- Each item should be serially numbered & if any matter is not included in the agenda then it maybe taken up with the permission of the chairperson & with the consent of majority of directors.

- Incase of urgent business the notice/agenda/notes may be given at a shorter notice if atleast 1 ID is present at the meeting. [Failing which the same shall be circulated among all directors & must be ratified by 1 ID]

- Treatment incase of UPSI :-

UPSI is any information that is not generally available & which may materially affect the price of the securities upon becoming public.

Following information are considered as UPSI :-

- Dividend / Delisting / Bonus / Buyback
- Financial Results
- Mergers / Demergers

- Incase of shorter notice discussion ~~in case of~~ for OPSI the same shall be allowed if atleast 1 ID attends the meeting & if no ID is present then it shall be circulated & be approved by ID.

- If the company does not have an ID the same shall be ratified through circulation by majority unless majority approved it at the meeting itself.

Frequency :
(a) Statutory meeting - 30 days from inc.
(b) Atleast 4 BM in a calendar year with a maximum gap of 120 days between 2 meetings.
(c) Incase of OPC / small co./ Dormant co. one meeting in each half of calendar year & gap should not be less than 90 days.
↓
[This rule do not apply in case of OPC having one dir]

Quorum :
- Quorum should be present throughout the meeting.
- As per SEBI (LODR) the quorum is 1/3rd or 2 w.e. higher
- Further, in case of Top 2000 listed cos quorum is 1/3rd or 3 - w.e. higher.

- A director should not be considered for the purpose of quorum nor he shall be allowed to participate in any item of business in which he is interested

(A) ↳ In case of private co., dir can be considered for quorum & shall also be allowed to participate after disclosing his interest

↳ Quorum req. under cos. Act is $1/3^{rd}$ or 2 w.e.higher.

↳ Further, a co. may prescribe higher quorum requirement in which case they shall confirm with the same.

note
↳ for purpose of counting quorum those dir attending through audio-visual means shall also be counted.

↳ If at any time the number of dir are reduced below the quorum requirement then the continuing dir should only work to increase the no. of directors to the req. quorum or for calling general meeting for same.

↳ If the interested dir exceeds $2/3^{rd}$, remaining directors not being less than 2 shall be the quorum.

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Attendance register:

Every attendance register should be kept open for inspection by the directors even after a person has ~~cei~~ ~~seized~~ ceased to be dir, which means he is entitled to examine reg of meetings held during his period of directorships.

Any leave of absence shall be granted only when the same has been communicated to CS & Chairman.

Chairman:

(a) of committee - can be appointed by board or may be elected by committee members, further, if elected director is unable to attend the meeting / not present within 5 minutes, then the members may elect within themselves any person to act as chairperson of that meeting.