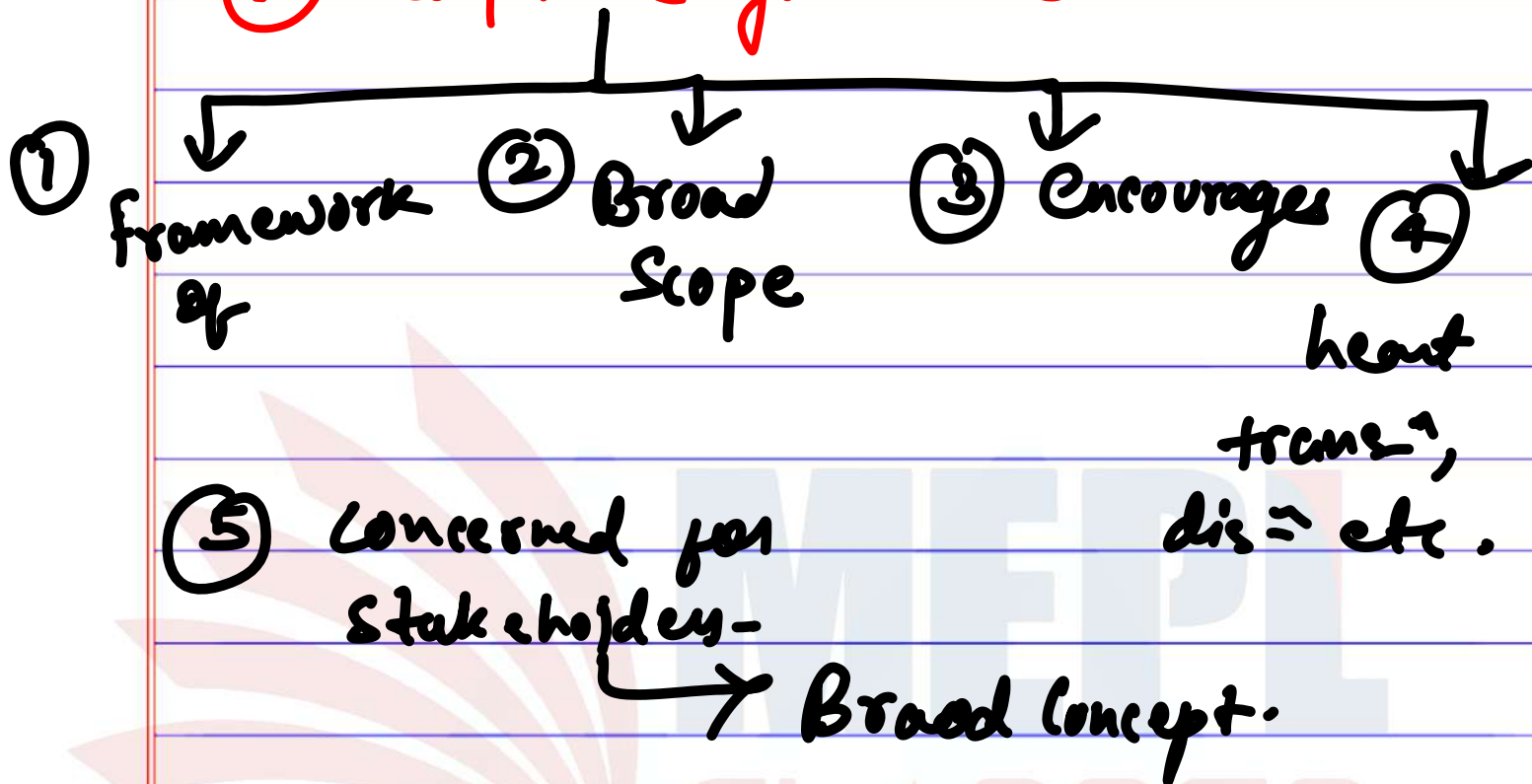
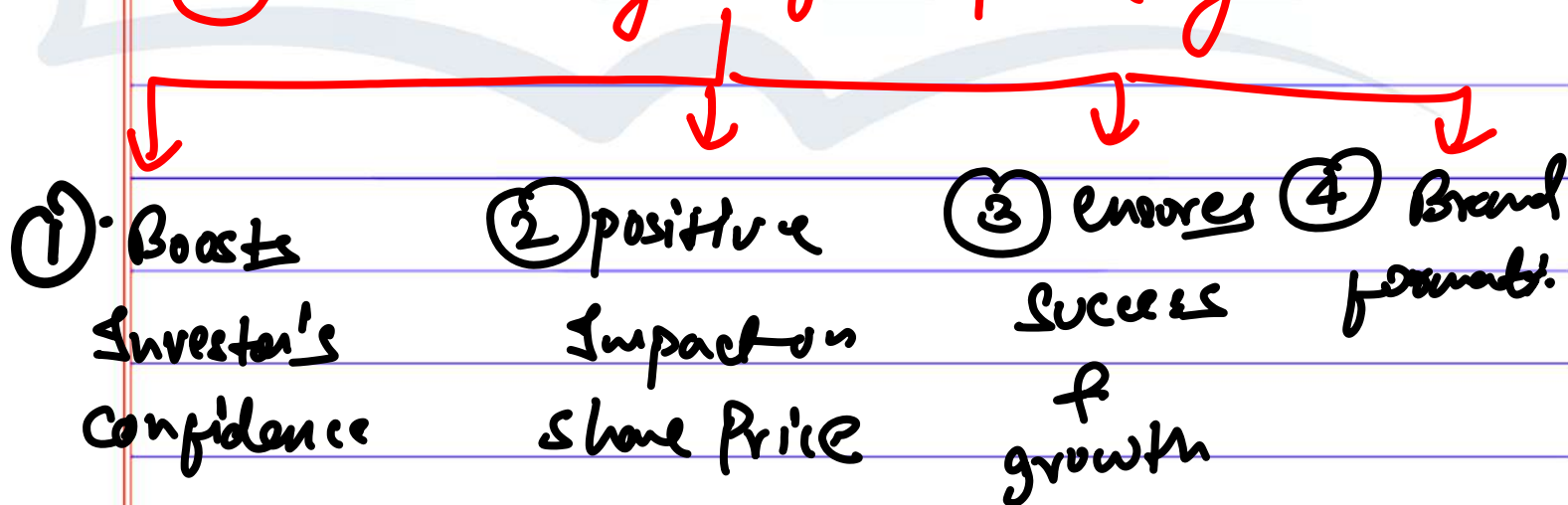


Ch-1.

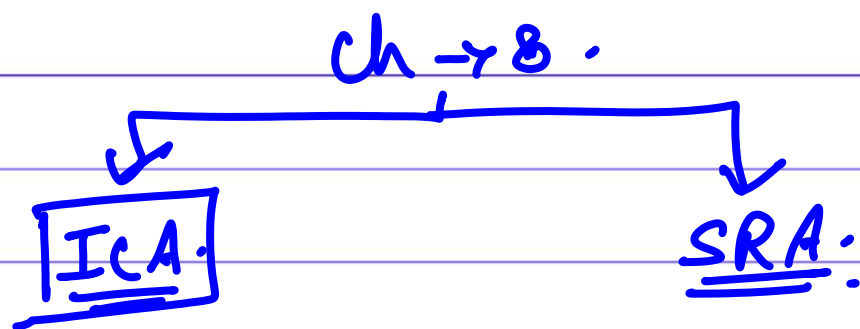
① Corporate Governance



② Advantages of Corporate Governance.



⑤ Best Interest of all ⑥. minimize risk, worry etc



ICA .

① Meaning! → As Per sec 2(h) of ICA, 1872, Contract is an agreement which is enforceable by law

② Agreement = Promise or set of Promise

③ Promise = when offer is accepted
or
" Proposal is accepted

④. Significance of Contract .

- ① Avoid Misunderstanding → It is made by Mutual consent of Parties.
- ② Record → future reference.
- ③ Increases efficiency

⇒ Term & conditions
Communicated

✓ Smooth flow of
business operation

④ evidence in court
↓

It is created by
legal intention.

⑤ proof of details

→ Mutual consent

→ agreed

→ used as proof

→ used in future

⑥ Record of commitment

Obligation, Duties &
Rights of Parties.

⑦ Security
↓

→ who is responsi-
-ble

⇒ Duties

→ Rights &
Responsibilities.

* Steps of Negotiation.

① Make a Plan
(Clearly sets out what you need to ask from your vendors)



② Build a foundation for communication



→ Should be clear, to the point, trustworthy

→ Respond in timely manner



③ Proactive in communication



④ Research Pricing



→ you should do research work prior only

→ so that vendor cannot justify high Price for high quality.

⑤ Learn from them
↓

Increases the respect

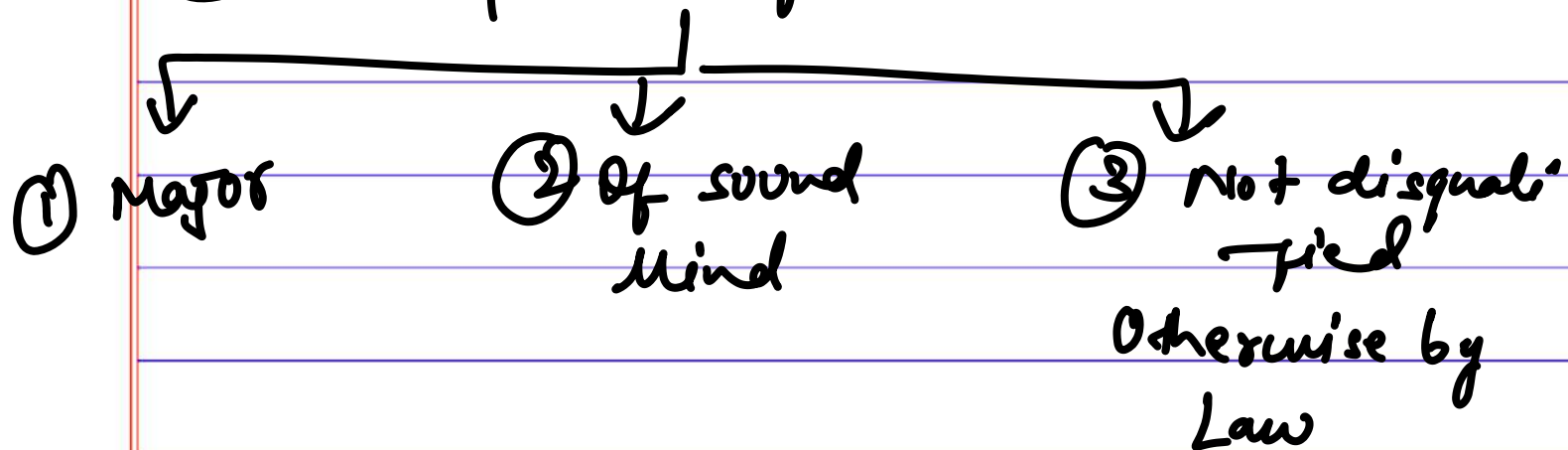
⑥ Sell the vendors-
↙

⑦ Talk to customers.

★ Essentials of Valid Contract
[Sec 10].

①. Two Parties : - Cannot be made with one Party

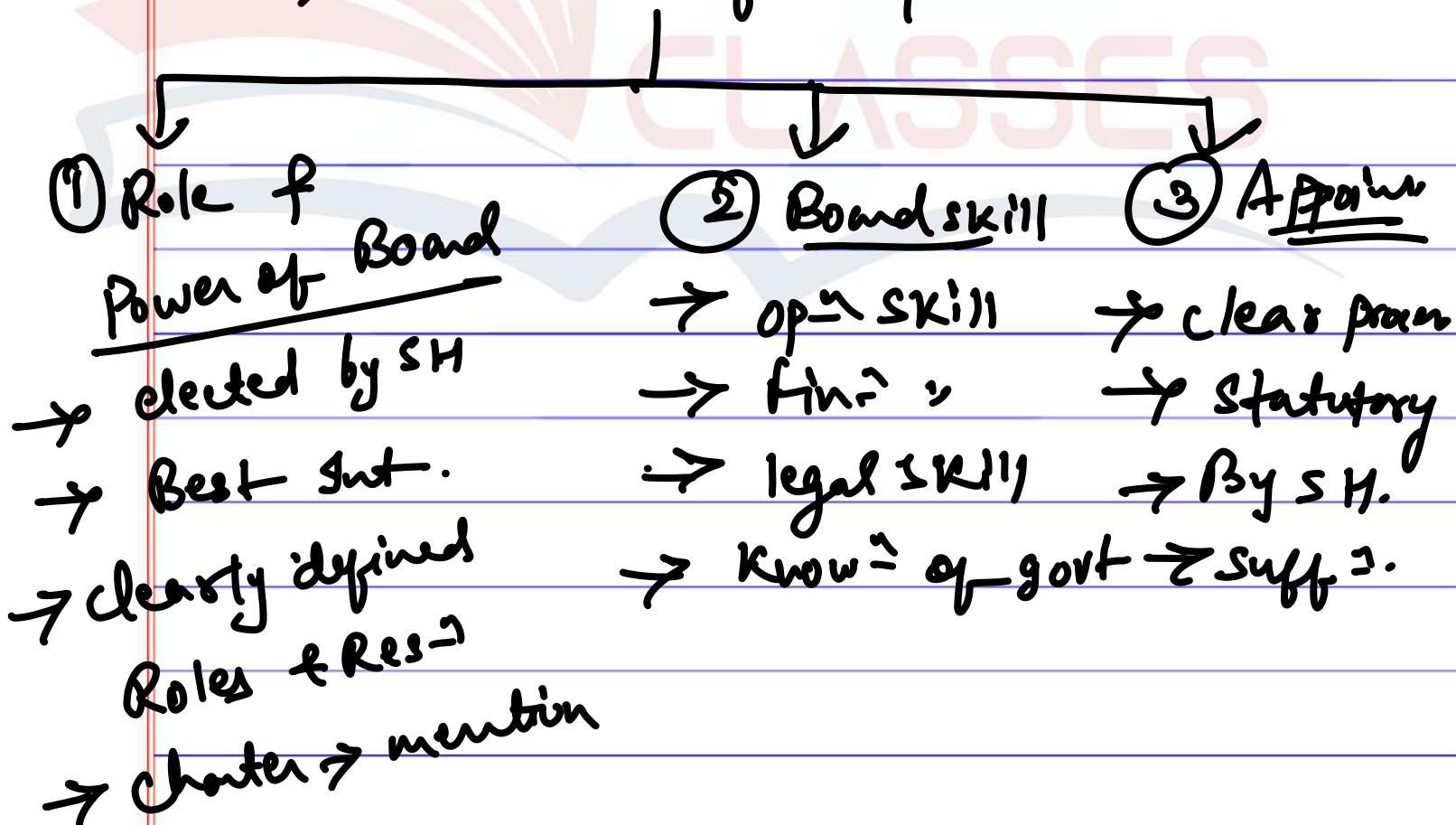
② Competence of Parties



* Need :

- ① Enhanced Investor Trust
- ② Access to Global Mkt
- ③ easy finance from FI
- ④ Combat Corruption
- ⑤ enhances valuation of Co.
- ⑥ Accountability.

* Elements of Corporate G.



④ Induction & Training

- Roles, Resⁿ -
- Environⁿ
- Strategy,

⑤ Monitor the Person

- system
- combine as well as individual

⑥ Independence:

- suff³ no. of I.P.

⑦ B Meetings

- 4 Meets
- discⁿ
- decision.

⑧ Audit comⁿ

Link b/w Mgt & Auditor.

⑨ Risk Mgtⁿ

- Treat, Analyse & Prevent the Risk

⑩ Mgt.

Evolution of Corporate Governance Theory.

① Agency Theory.

→ Agents work on behalf of & in the best Int. of Principals.

→ Managers are the agents and owners are the Principals.

→ Managers act in the best Int and on behalf of owners.

② Shareholder Theory

→ Shareholder's money is Invested

→ Directors are elected by Shareholders.

⇒ H are widely spread.

③ Stakeholder theory

→ Best Int for

all not only SH.

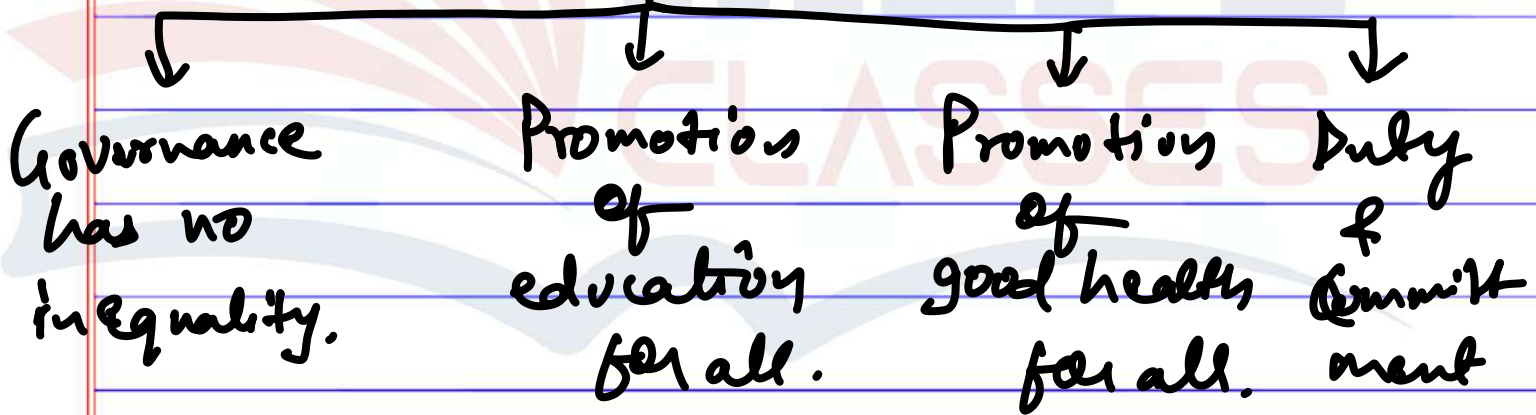
→ Modern Times! - Shareholders → Principal
Management → Agent.

④ Stewardship theory

- Steward! - who manages another's Property.
- Manager, Directors, Mgt.

* Governance from Indian Scriptures

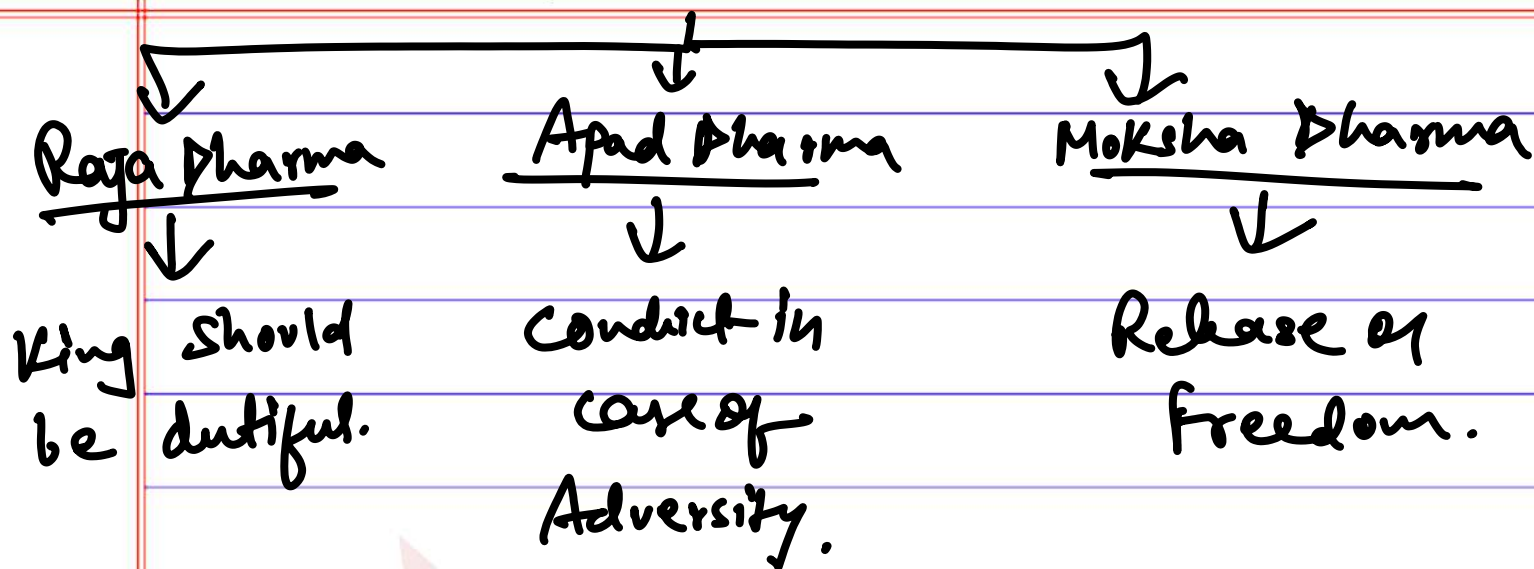
① Ramayana: -



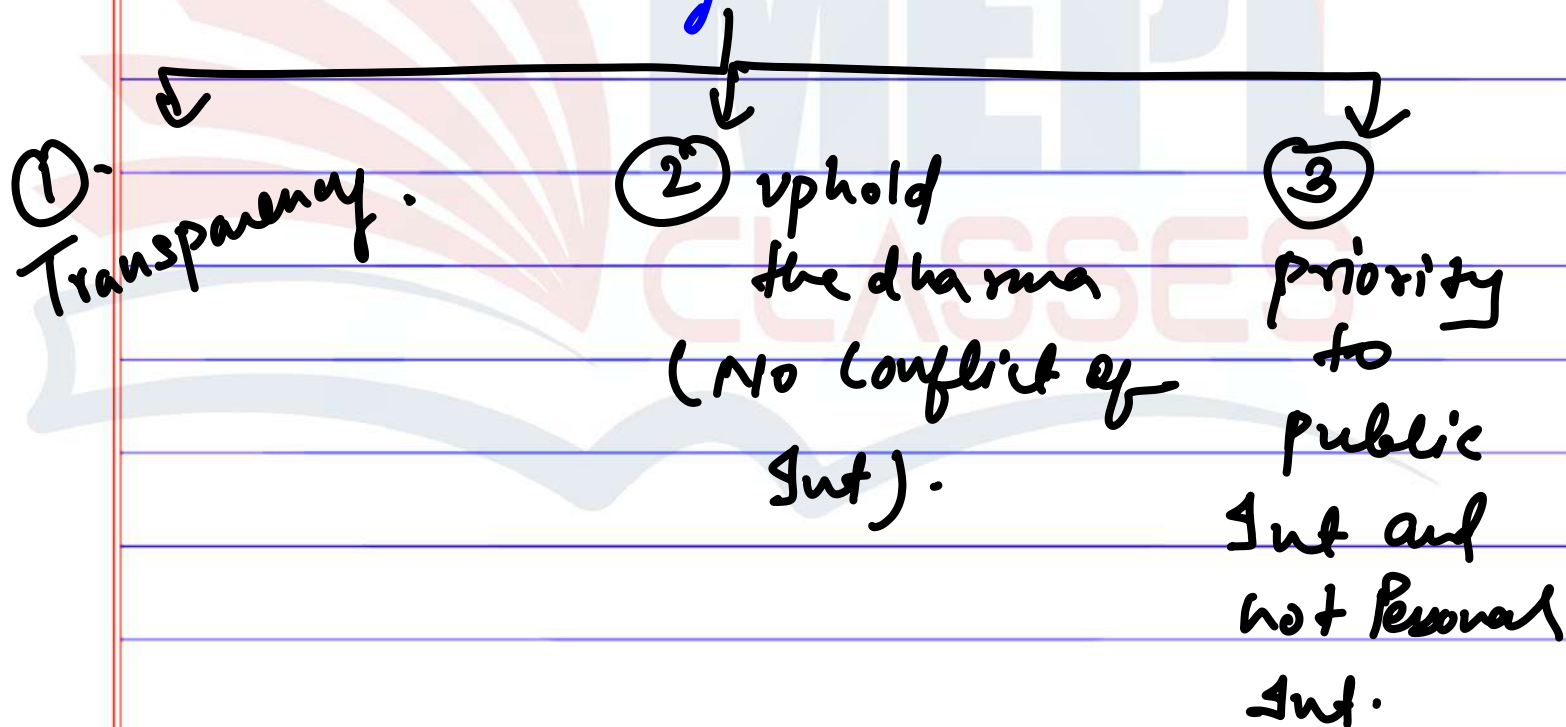
② Vidur - Niti' → policy.

↓
Intelligence/skill

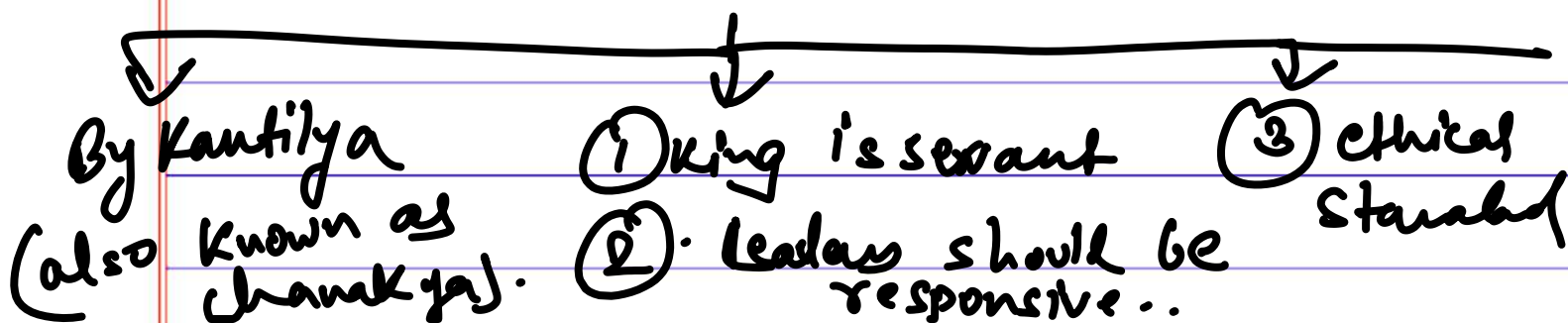
③ Shanti - Parva



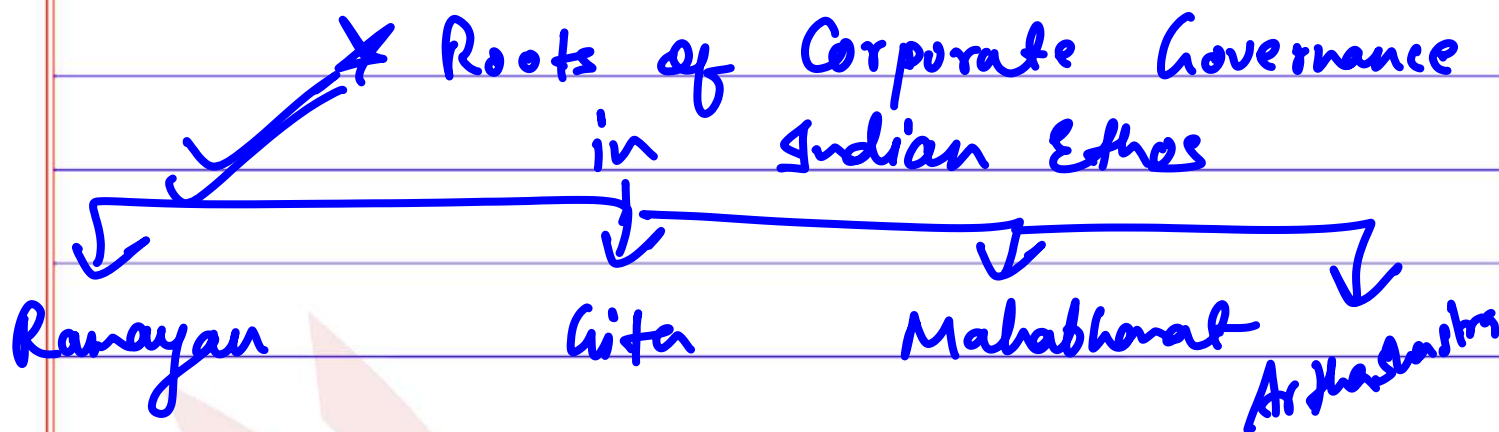
* Bhagavad - Gita



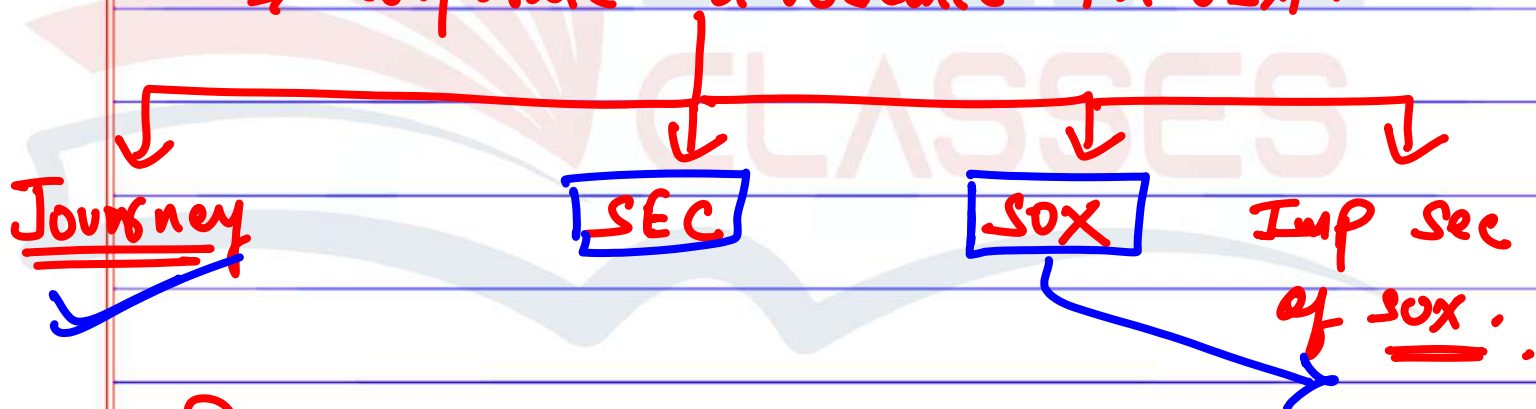
* Arthashastra.



④ - effective admin.



✱ Corporate Governance in USA.



① Journey : —

1973! - Foreign Corrupt Practices Act.

↓
Internal Control System

1979! - SEC : - Reporting on IFC.

1985! - Travaway Commission! - Control

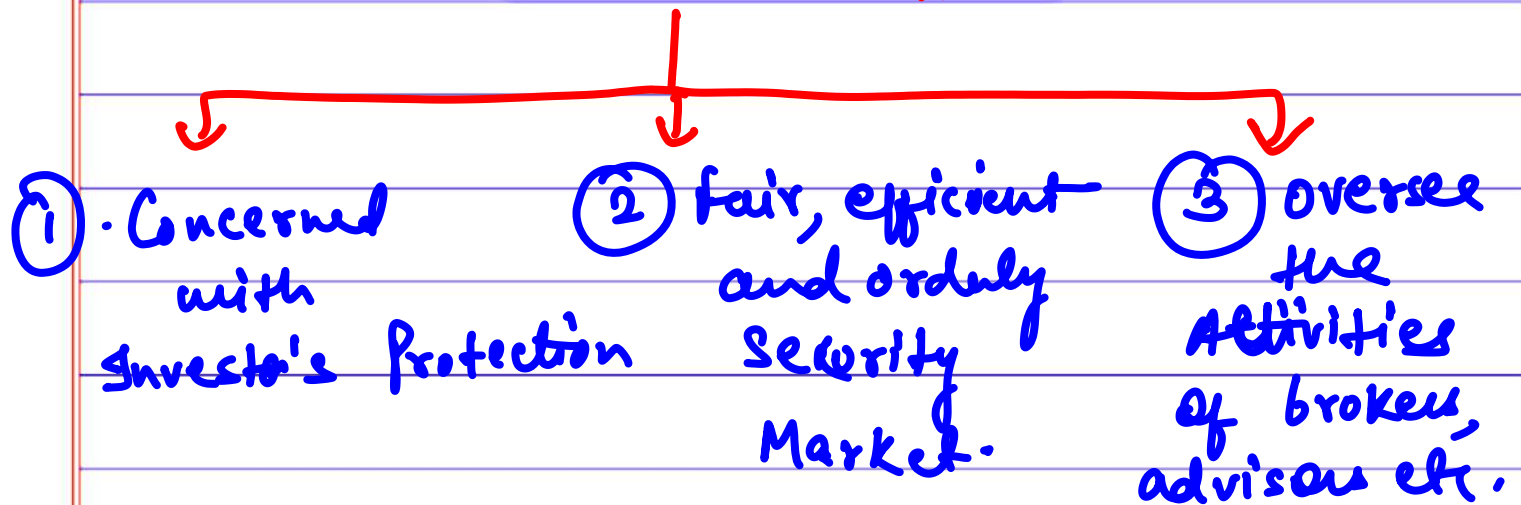
Environment + birth of COSO

1992! - COSO! - helps business
and enhance
their internal control
system

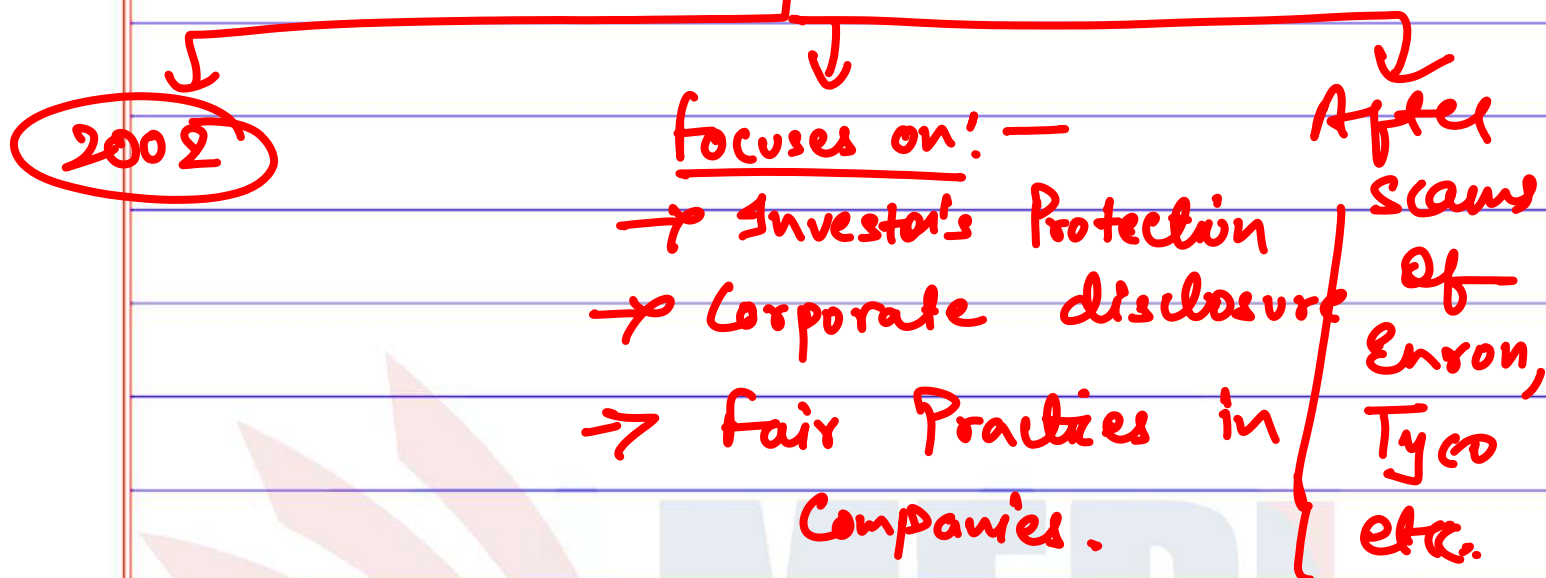
2002! - SOX! - covers all aspect.
e.g. Independence, Auditor's
Board's responsibility,
etc.

2010! - Consumer Protection Act: -
Standards and policies for
Consumer Protection.

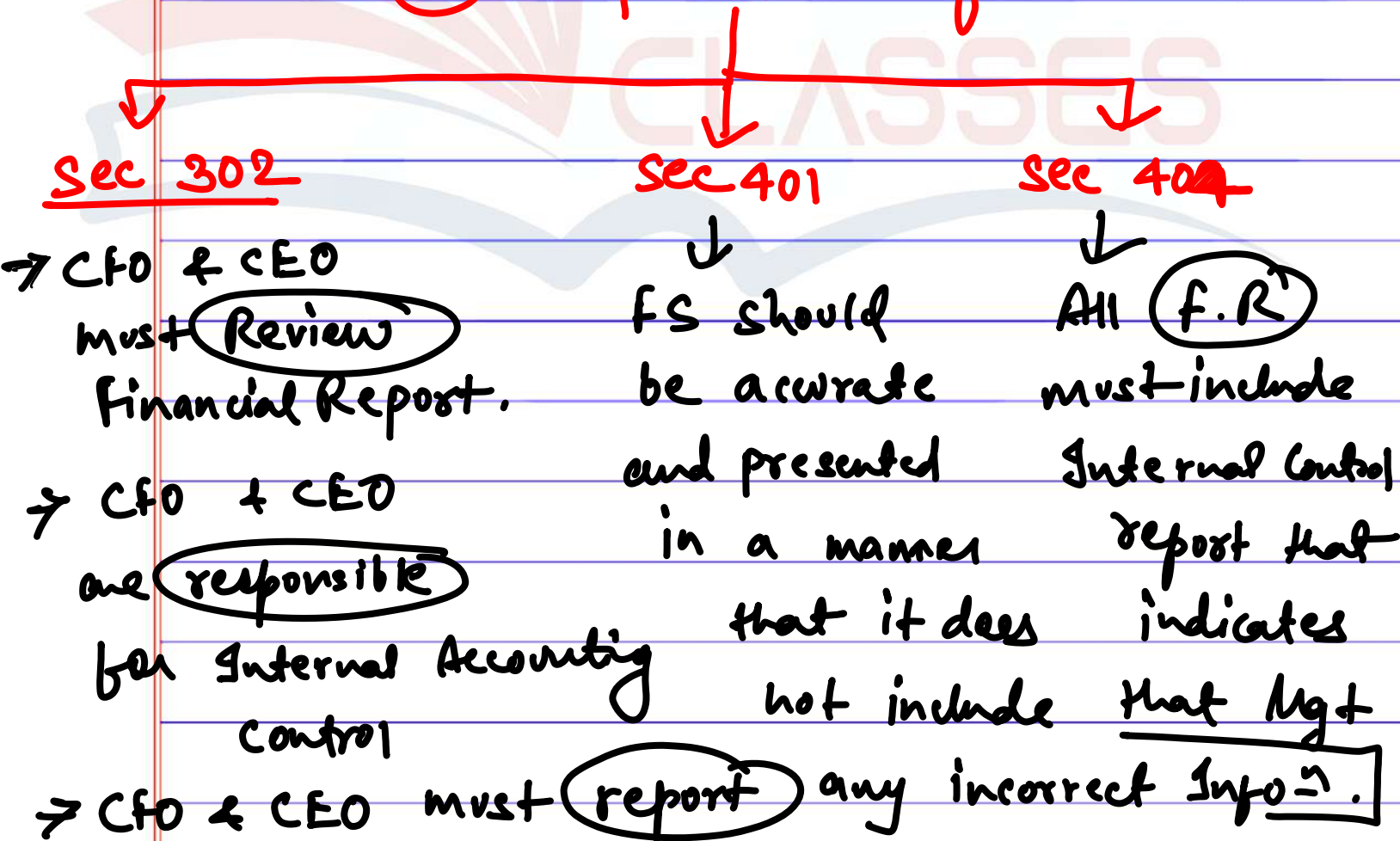
② SEC: Securities and Exchange Commission.



③ Sox: Sarbanes Oxley Act



④ Imp Sections of Sox.



deficiency in IAC

is responsible
for adequate
I.C.s.

→ CFO & CEO must
Indicate material
change in IAC.

Sec 409



Companies should
issue Information
on real time basis.

Sec 802



Penalties for alteration
in documents in
Ongoing litigation,
investigation or
Bankruptcy Proceeding

Sec 806

whistle blower
Protection.

Sec 902



Crime if
Corruptly alter,
destroy or
conceal any documents

Sec 906



Crime,
↓
Certifying
misleading
↓
or fraudulent

Financial Report.

8 Important Corporate governance forms!

↓ → India ↓

① NFCC

→ 2003

→ By MCA

→ In Partnership
with CII,
ICSI & ICAI

→ 2010: - ICMAI
+
NSE

Trustee

→ 2013: - IICA } Trustee

② IOP, UK

→ In 1923

→ objects: -

g. Promote skills, knowledge,
Competence on the
part of directors &
officers.

b. Promote the
Research, develop

ment of law
and Practice
of CA.

g. Promote the Int.
of Investors and
business Community

Investors, brokers
etc

or company
to educate
about Ca.

* CG Principles and Recommendations, Australia - 2019.

↓
CaP & R = 2003.

↓
2nd edition = 2007

↓
3rd edition = 2014

↓
4th edition = 11/2020.

* "If not why not Approach".

8 Principles

↓ ①
foundation for
Mgt & oversight

↓ ②
Board to be
effective: —

↓ ③
Culture of
acting

- Roles & Responsibilities of board
- Regulatory Review their Performance.
- Appropriate size of Board
- Skill, Knowledge, competence of entity.
- Lawfully
- Ethically and responsibly

④ Remuneration

- Fair Remⁿ of Board
- Attract, Retain and Motivate the executive directors.

⑤ Rights of security holder :- Information to them.

⑥ Timely disclosure :- Balance of timely disclosure on real time basis. + Confidential!

⑦ Integrity of Corporate Report! — Process to verify the Integrity of corporate report.

⑧ Manage Risk! — Framework to Identify & mitigate risk.

H.W.

* Development of CG in UK.

Cadbury Report

- By Sir Adrian Cadbury
- CEO & Chairmen should separate
- Boards have atleast 3 NED.
- Board should have NED. Audit Committee.
- Incorporated in London Stock Exchange.

Greenbury Report

- Sir Richard Greenbury.
- Remuneration Committee.
- Remuⁿ Linked Policy. to Performance.

Turnbull Report

- Focuses on co's Internal Control System.
- Internal Control guidance for directors,

④ Higgs Report

- By Sir Higgs
- Atleast 50% of Board = NED
- Meeting once in a year
- One Senior independent Director
- NED should have skill, time, Experience and knowledge.

* CC Code, 2018

→ BEIS published in 2016
a green paper on CC.

→ FRC announced, accepted &
published in 2018.

→ + relationships b/w CO, SH,
Stakeholders etc, diversity,
Strategy, board Composition etc.

* CC Stewardship Code, 2020

→ Responsible for allocation,
management & oversight
of Capital
→ focuses on Asset owners,
Asset Managers & SP Providers.

→ G... Sr. Providen.

Principles.

Principles.

Board.

→ Effective Board

→ Bard make
sure co's value,
strategy and purpose

→ Resources are in place

→ Board should do effective Mgt, Participation etc.

→ Consistency.

Composition.

→ Appointment of board

Should be formal,
rigorous and
transparent.

→ Board should have skill, information knowledge.

Audit ✓✓

- Committee
- Audit procedure
- Fair assessment of co'
- Risk Mgt.

Remuneration

- Should support sustainability.
- " be aligned to co's values,
- " " " " co's long term strategy.
- Transparent & fair Remuneration

Ch 7 1 ESH ✓✓

Important Questions

Chapter - 1. [C.w = 3, 9, 10 + 15]

Q. 1). Explain the meaning of Corporate Governance and its advantages.

Q. 2). Why Concept of Corporate Governance is important?

Q. 3). what are the elements of Corporate Governance? Any Six.

Q. 4). How "Sox" played the very imp Role in promoting Corporate Governance in U.S.A?

Q. 5). What are 8 principles of Corporate Governance of Australia?

Q. 6). Explain the structure and Role of

Q. 7). Explain the Mission of "Conference Board" and its structure.

Q. 8). What are the Vision and Mission of IIRC?

Q. 9). Explain section 409, 802 and 302 of Sox Act.

Q. 10). Explain the Moral Values as described in Deontological theory.

Q. 11). What is the difference b/w Agency and Stewardship theory?

Q. 12). In the light of Appointment of Board, Audit Committee, Board meetings and Risk Management explain the Elements/Scope of Corporate Governance.

Q.13). What is the definition of Corporate Governance as per ICSI?

Q.14). What recommendations have been made by Uday Kotak Committee on Corporate Governance matter?

Q.15). What is Cadbury and Higgs Report?

9 mins.

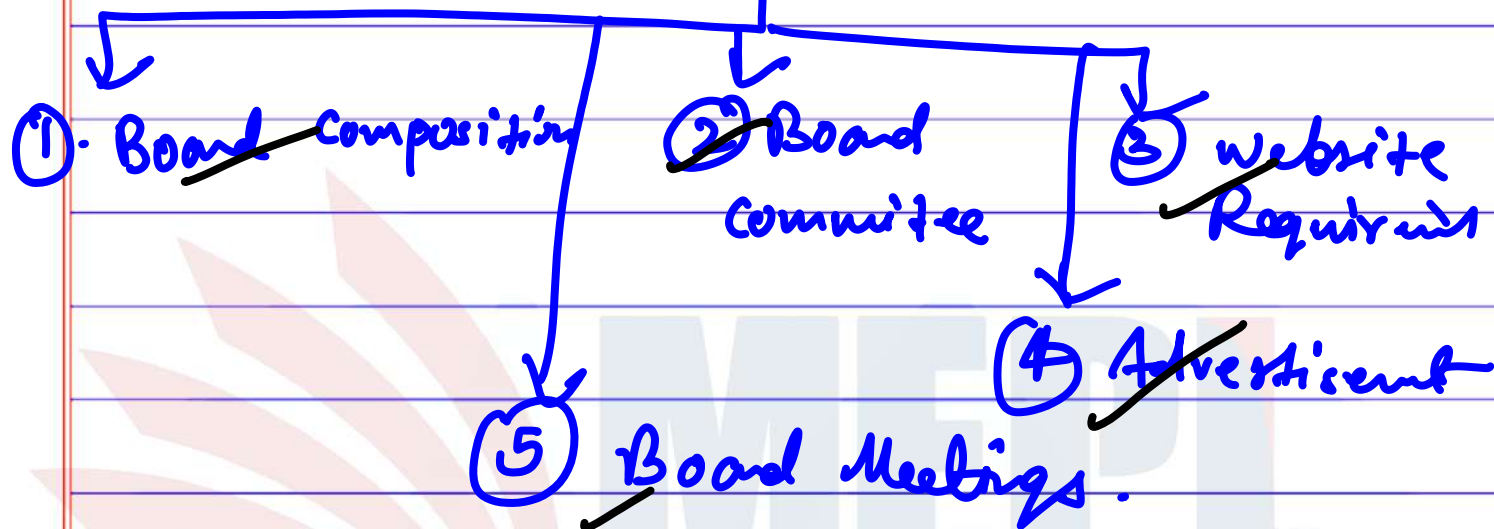
Ch → 2.

Companies Act, 2013 Related to Corporate Governance : —

- ① Appointment & tenure of ID.
- ② " " " " " " WD
- ③ Performance evaluation of ID, WD, Committee and Boards whole.
- ④ Appointment of RMP
- ⑤ Compliance of RPT & introduction of Arm's length Price.
- ⑥ Appointment of Auditors and rotation of Auditors.
- ⑦ Separation of Chairperson & CEO.
- ⑧ Constitution of Ae, NRC, CSR NFRA, Committee.
- ⑩ Vigil Mechanism.

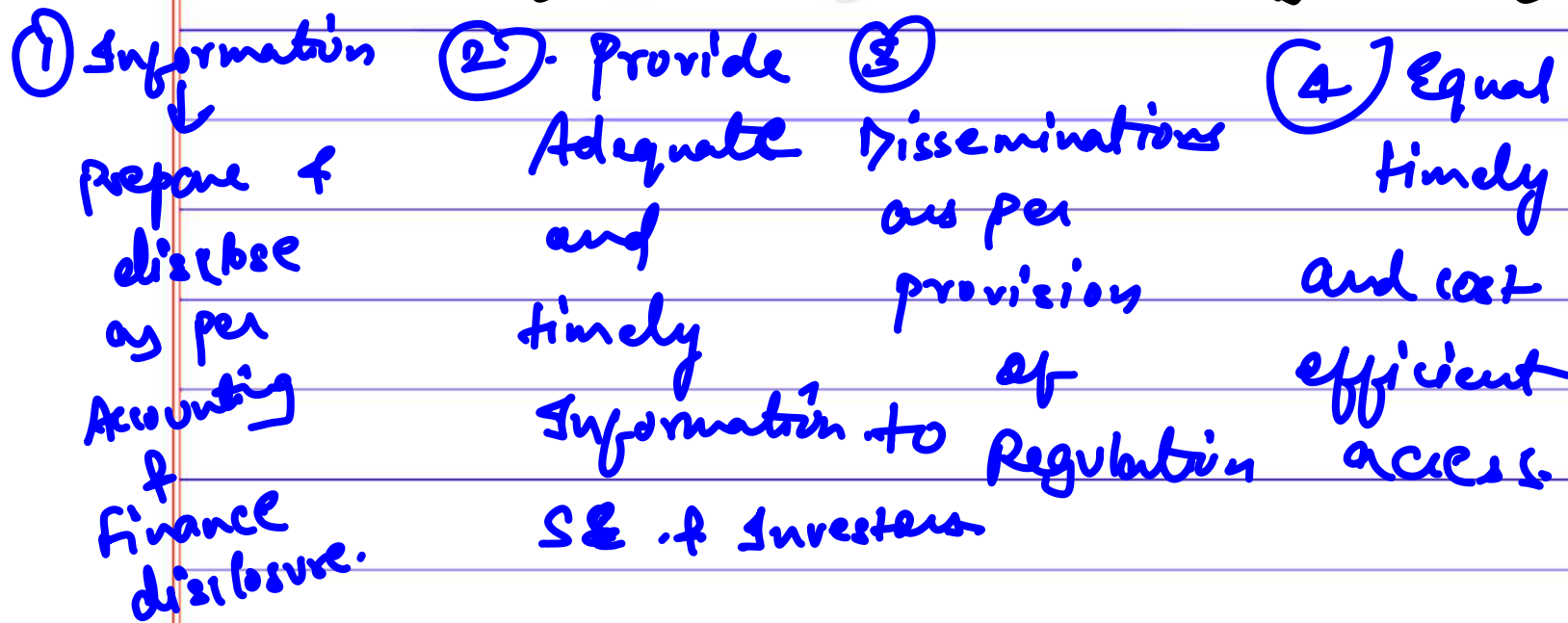
SEBI (LODR) Regulation, 2015

① Obligation of listed Entities.



Regulation 4

[Disclosure]



⑤ Reports, Statements, documents and information shall contain relevant information.

⑥ So that Investors can track status of entries.

Chapter - IV [SEBI (LODR)]

① Rights of SH ✓

- voting exercise
- Participation in meeting
- Exercise ownership
- Being informed
- Protection of Minority SH
- Mechanism to address their grievances

② Equitable treatment

- Treated equally
- Voting by foreign SH
- [Participation in C.A decisions.]

[Same points]

→ Framework

② Transparency & Disclosure to avoid

Infoⁿ
shall be
Prepared

& disposed
as per SEC & fin
disc.

Disseminate
Info timely,
efficiently

etc.

Insider trading
not difficult
or expensive
to lost votes.

③ Minutes should
be Prepared explicitly.

1. Prepared & disclosed

2. disseminate, timely

3. to SE & Investors

4. Cost efficient Access

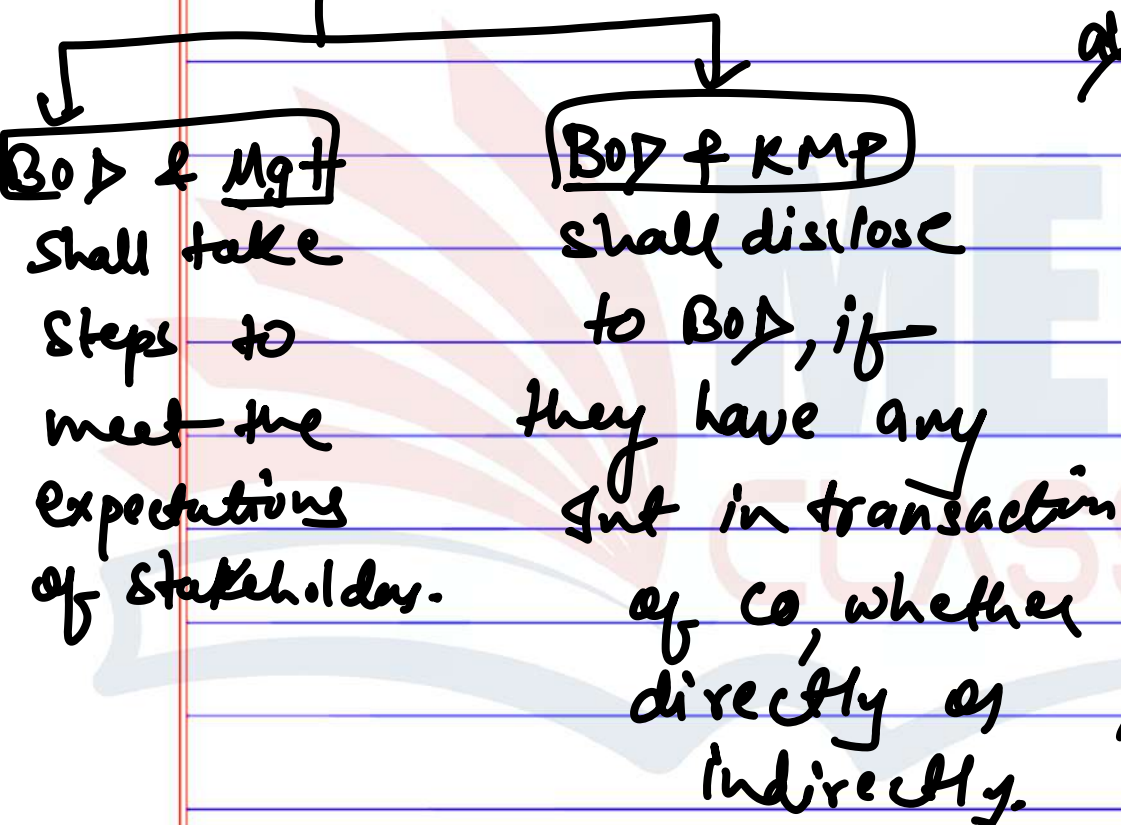
[2021].

Responsibilities of BOD

R - 4(2)(f) -

①

Disclosure



②

Functions

a. Review the corporate strategy, objectives, risk plan, business plan or budgets.

b. Select, monitor, compensate; Replace KMP.

c. Ensure transparent nomination process to BOD with diversity of...

d). Ensure the Integrity of Entity's Accounting & Financial Reporting system

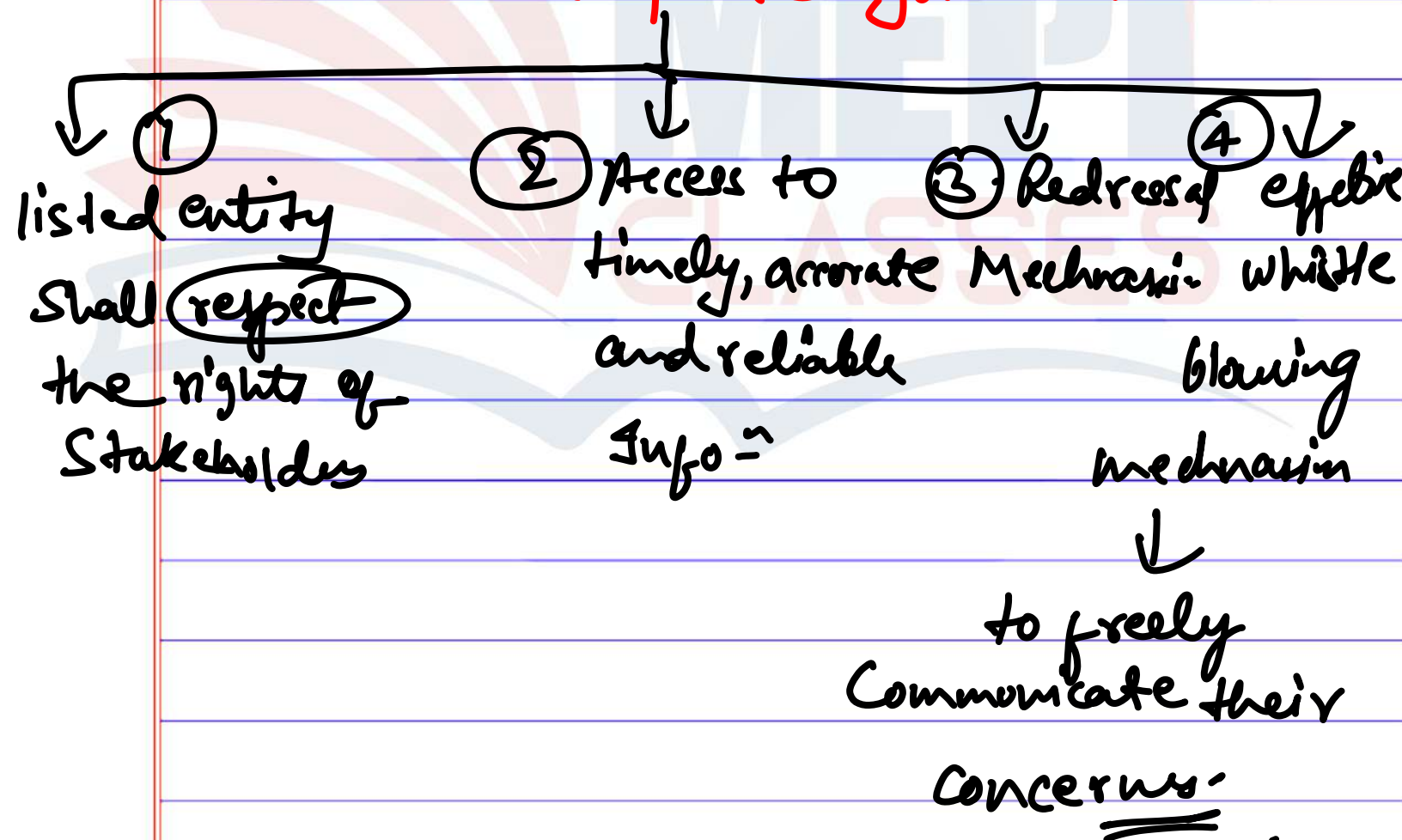
e). oversee the Process of disclosure and communication.

③ Other Responsibilities

- ①. Set corporate culture and values.
- ②. Ensure Continging directors training
- ③. Maintain high ethical Standards.
- ④. Objective in Judgement
- ⑤. Assign sufficient no. of NED

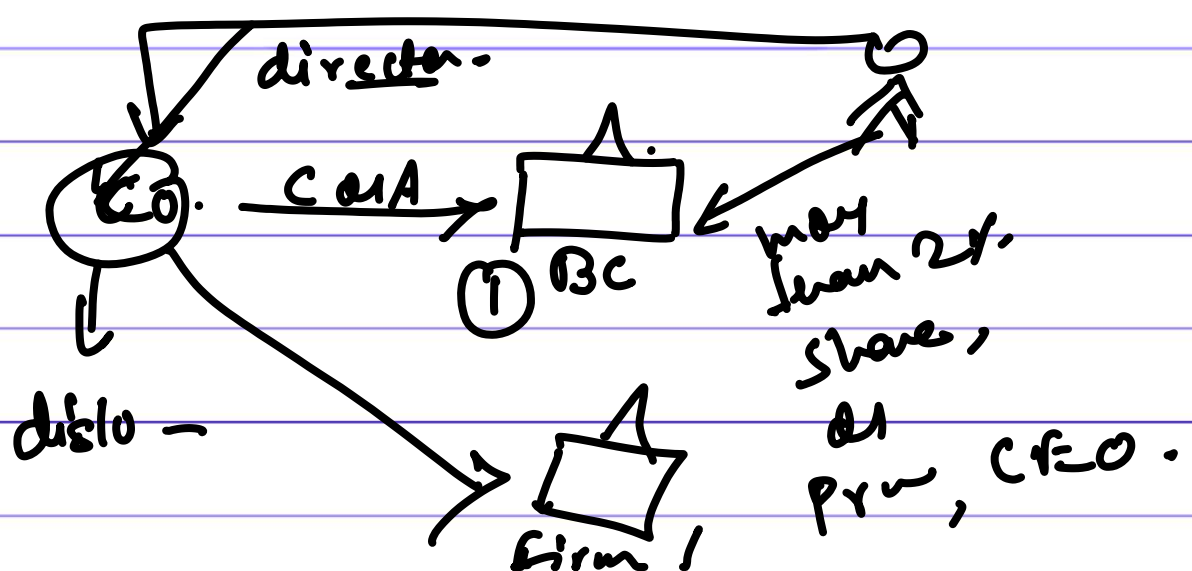
- ⑥. Committed to their responsibilities
- ⑦. Access to accurate, timely and relevant information!

* Role of Stakeholders in Corporate Governance



Adequate and timely.
Timely Information!
Consider

- ① Date, time, location and agenda of AGM.
- ② Capital Structure
↓
Control Proportions.
- ③ Rights attached to class of SH.



Unlisted Entities

184(1) [3 cases]

→ every director shall at :- 1st BM in which he Participates as a DIR.

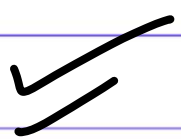
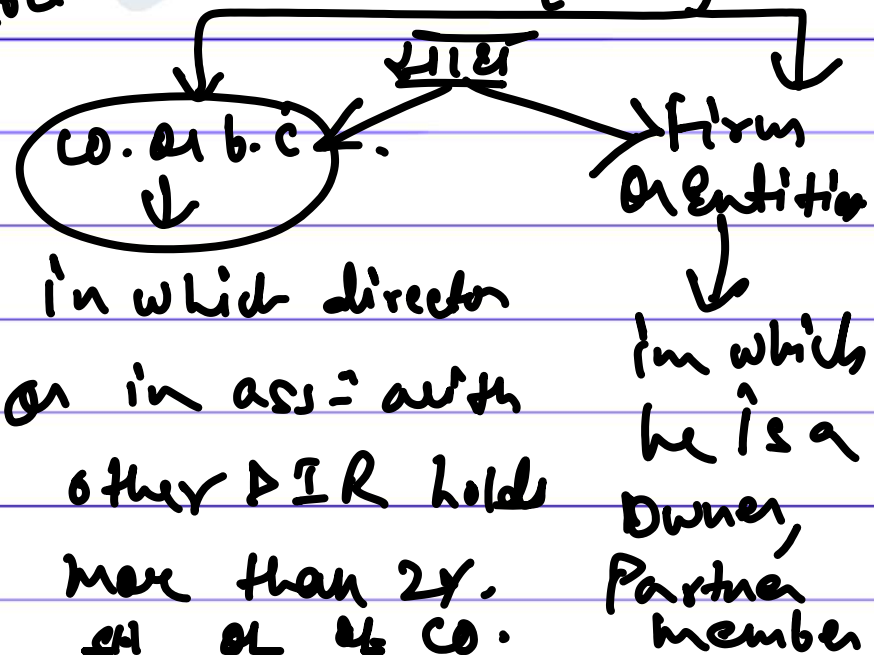
or 1st BM of every F.Y.

or whenever there is any change in disⁿ already made

shall disclose his concern or interest in co, Body corporate, firms or other association.

184(2).

every director who is directly or indirectly sub ordered in a cons or Proposed Co A entered into



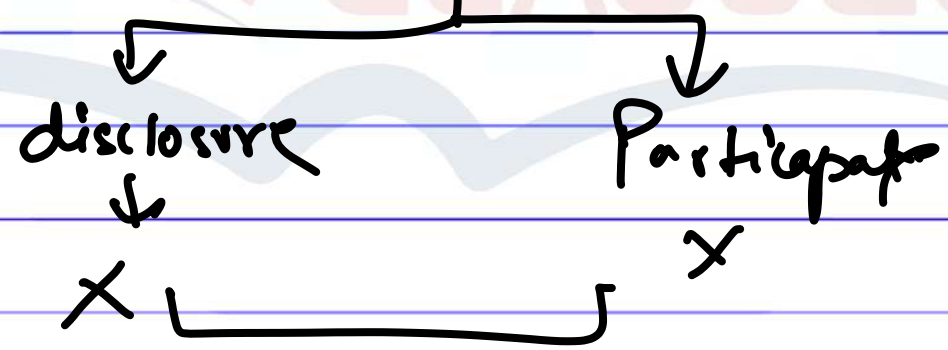
or
is a promoter,
Manager or CEO.

shall disclose his concern or int
in a meeting in which such
Co A is discussed & shall not
attend the meeting.

* If not interested at the time of Co A
but becomes so afterwards, shall disclose.

184(3)! — If co. enters into Co A
into disclosure or participation of director
then Co A shall be voidable at the option

184(4)! — Director of Co. → fine of 1 lakh
supers.



184(5)! —

- ① not restrict from having int-
on concern
- ② No dis-
required



If SH is not
more than 2y.

Sec 189

- ① Shall enter the Particulars of sub or con. of director as given in 184(2) & place the Reg^r at next BM.
- ② Director on KMP within 30 days of appointment
↓
disclose the sub or concern as specified in 189(1).
- ③ Keep the Register at RO. + open for inspection + during biz hrs
- ④ 189(4)
↓
Place at the Aem and open and Accessible.
- ⑤ 189(5)
↓
Sec 189(1) shall not apply.

① Co. A for
Sale or purchase
of RM, SR or
goods & value
does not exceed 5 lak.

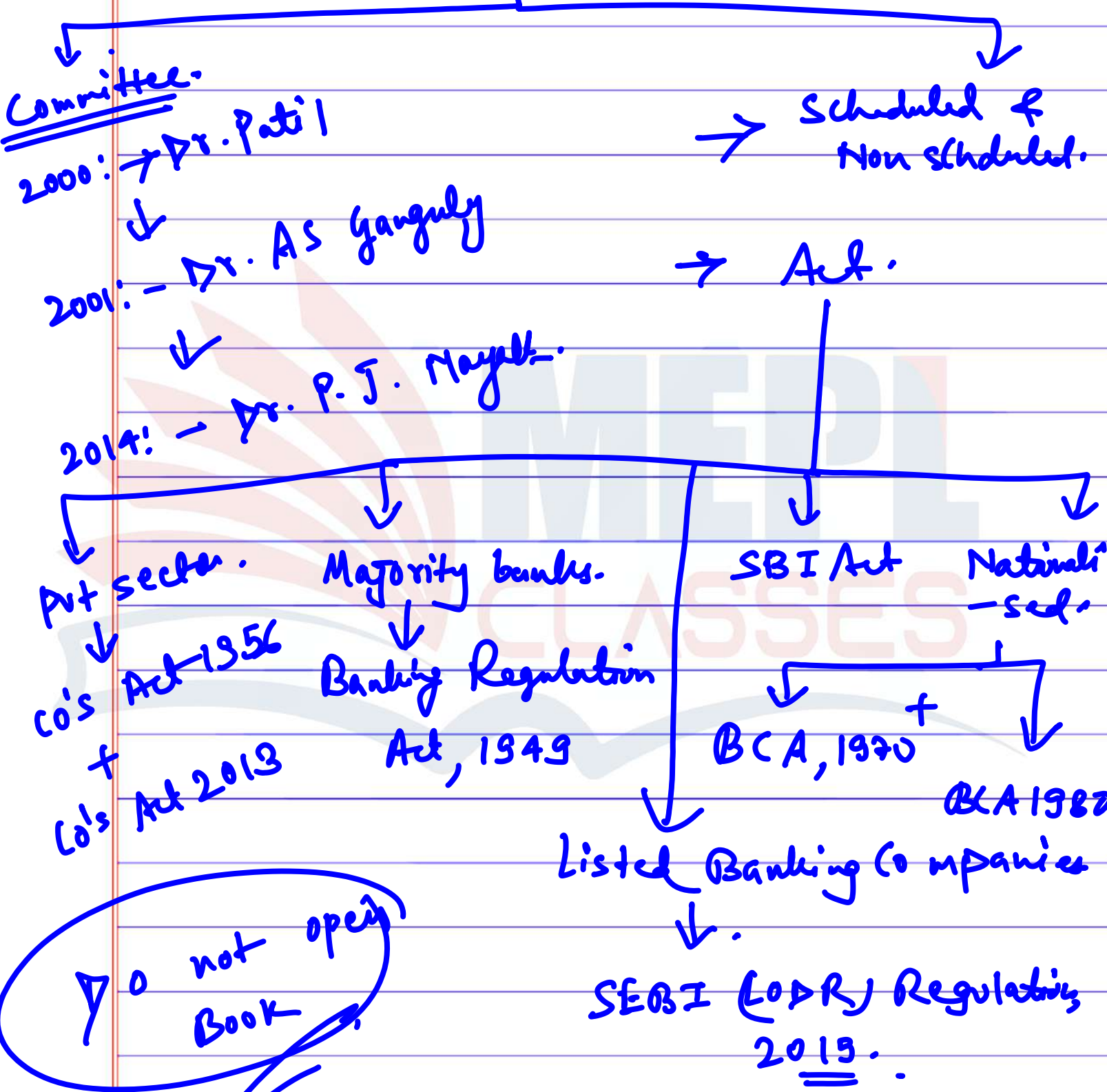
② By Bank
Co. for
collection
of
Bills.

189(6) ? — penalty of 25000 on Director

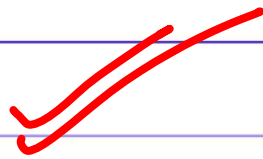
* Duties of Director (sec 166).

- ① Act as per MOA
- ② In good faith
- ③ Not involve in any situation that gives conflict on your status
- ④ Skill & Care
- ⑤ Does not Assign his office
- ⑥ No personal gain or advantage.

* Corporate Governance in Banks / FI.

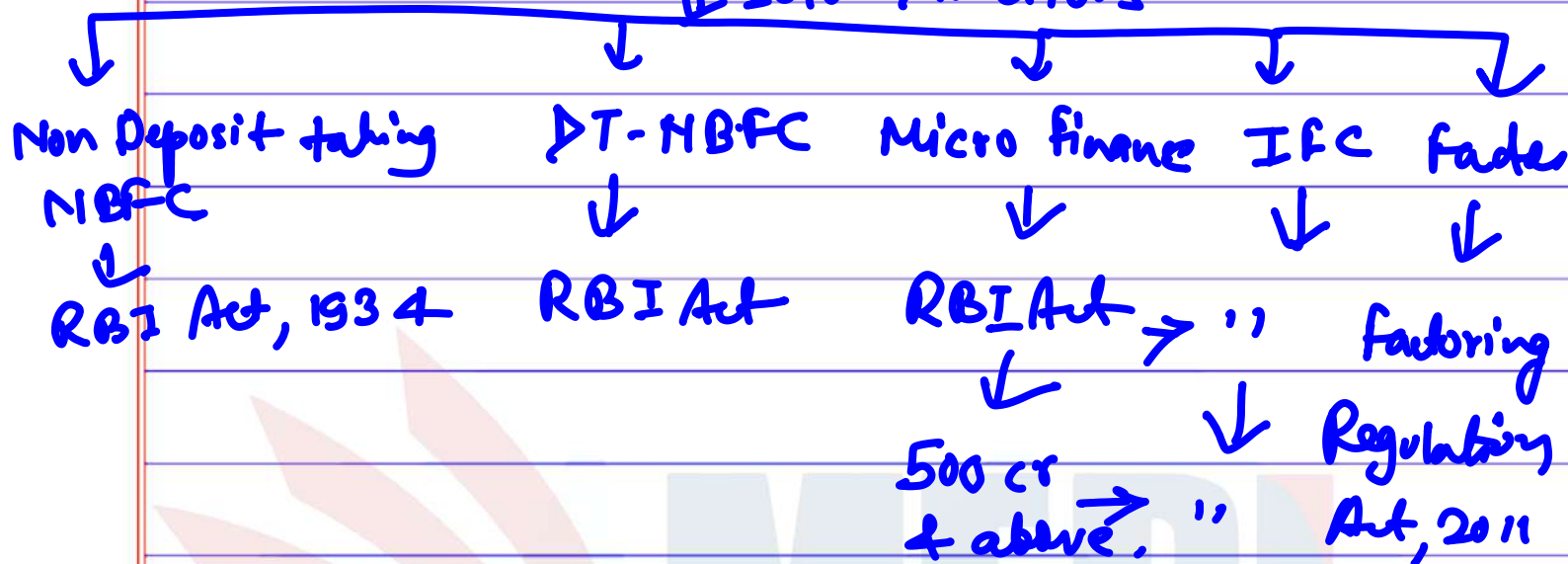


Do not open Book



NBFCs (Corporate Governance)

↓ 2016 Directions.



(System Audit at least once in 2 yrs) in Committees

