

QUESTION BOOK ESG

CHAPTER 10: STAKEHOLDERS RIGHTS

QUESTION 1:

Enumerate the need for a whistle blower policy in the best interests of the company and its stakeholders. **(JUNE 2025) (5 MARKS)**

Ans:

- (a) Whistle blowing means making a disclosure in the public interest. In this the employees are provided a getaway through which they can report to the public bodies about any unlawful practices happening within the organization.
- (b) When such kind of whistle blowing is done in the corporates it becomes corporate whistle blowing which plays a very important role in good corporate governance.
- (c) Every corporate should have a whistle blowing policy which protects the identity of the whistle blowers and also there should be a law that protects the employees.
- (d) The need for whistle blower policy is for the following reasons:
 - (i) To promote transparency
 - (ii) Prevent victimization of whistle blowers
 - (iii) To promote an open enterprise culture.
 - (iv) Reduce corruption
 - (v) To uphold rule of law and democracy.

QUESTION 2:

Explain the benefits which accrue to business organizations on implementation of Occupational Health and Safety Standards for employees. (DEC 2024) (3 MARKS)

Ans:

- (a) The primary aim of implementation of occupational health and safety is reducing the workplace accidents and injuries as well as the exposure of workmen towards the harmful substances.
- (b) In the event of any unforeseen accident it should be the employer's responsibility to take steps to redress the mishap and to reduce occurrence of such incidents in future it brings the following benefits:
 - (i) Reduced risk of accidents.
 - (ii) Reduced risk results into reduced accidents and injury resulting into efficiency and productivity.
 - (iii) Better employee relations and morale.
 - (iv) Lesser insurance premium as well as overall cost allocated with such accidents.
 - (v) Enhance reputation.
 - (vi) Reduced absenteeism and staff turnover.

QUESTION 3:

What are the provisions under Sarbanes-Oxley Act 2002 for protection of Whistle Blowers? (JUNE 2023) (4 marks)

Ans:

- (a) Sarbanes-Oxley Act was passed in 2002 in the US after the Enron scam in order to combat corporate fraud and to strengthen the corporate governance norms and increasing the accountability.
- (b) The act requires audit committee of the board of the public corporation to establish a mechanism for employees to anonymously and confidentially file complaints regarding any auditing matter or internal accounting control.
- (c) The act is primarily limited to financial matters within the company.
- (d) It allows employees to file a complaint against the employers to any person which includes their employers supervisor/ the federal authority/ member of the congress.
- (e) It protects the whistle blower against any retaliation and punishes those are guilty for the same for imprisonment upto 10 years.

QUESTION 4:

Mrs. Bhawani, one of the directors in ABC Limited (Listed Entity) got evidence against Mrs. Gowri, Chief Financial Officer (CFO), that she is indulged in the revenue leakage activities in the Company. Mrs. Bhawani is scared to report the above matter since Mrs. Gowri is a very close relative of other Directors, and Mrs. Bhawani will not get adequate safeguards from the Company. Advise Mrs. Bhawani, referring to provisions of the Companies Act, 2013, regarding the vigil mechanism, on the following points:

- (i) Can Mrs. Bhawani (Director) use the safeguards mechanism option available in the company regarding the above reporting. **(3 MARKS) (JUNE 2024)**
- (ii) Who is the reporting authority to whom victims can access to report the above matter? **(1 mark) (JUNE 2024)**
- (iii) What are the disclosure requirements of details of Vigil Mechanism? **(1 MARK) (JUNE 2024)**

ANS:

- (i)
 - (a) Listed companies must set up a vigil mechanism within the organization that allows directors and employees to report genuine concerns related to any fraud or misconduct in the company.
 - (b) vigil mechanism must provide adequate protections to prevent retaliation against the whistle-blower. Additionally, it should allow for direct access to the Chairperson of the Audit Committee in certain cases.
 - (c) In the instant case, Mrs. Bhawani, who is a Director at ABC Limited, has the option to use the Vigil Mechanism Policy to Report misappropriation of Revenue by the CFO. She can directly report this to the Chairman of the Audit Committee. However, if the Chairman is related to Mrs. Gowri and has a conflict of interest. Thus, Mrs. Bhawani can report it to the Chairman of the Board.
- (ii) Reporting authority for vigil mechanism is the audit committee and in exceptional cases it can be the chairman of the audit committee.
- (iii) Details of the vigil mechanism should be made available on the company's website and mentioned in the Board's report.