

# **PRESENTATION ON CORPORATE GOVERNANCE**

by

**S.VENKATESWARAN**

**DIRECTOR**

**MSE FINANCIAL SERVICES LTD.**

on

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# CORPORATE GOVERNANCE

- **Corporate Governance is a system by which business corporations are directed and controlled ;**
- **Corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as board, managers, stakeholders and other shareholders ;**
- **Corporate Governance spells out the rules and procedures for making decision on corporate affairs ;**
- **Corporate Governance provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance ;**

# Objective of Corporate Governance

- Ensure timely disclosure of information
- Providing efficient and effective market system
- Demonstrating reliable and effective enforcement
- Enabling highest standard of Governance

# Principles of Corporate Governance

- Satisfy the spirit of Law and not just the letter of Law
- Be Transparent and maintain degree of disclosure levels
- Make a clear distinction between personal conveniences and corporate resources
- Communicate externally, how the company is run internally
- Company with the laws in all the countries in which it operates
- Management is the trustee of shareholders' capital and not the owners
- Corporate Governance is the only tool of sustainable growth in competitive environment

# Parties to corporate governance

- **Board of directors**
- **Managers**
- **Workers**
- **Shareholders or owners**
- **Regulators**
- **Customers**
- **Suppliers**
- **Community (people affected by the actions of the organization)**

# **Committees on Corporate Governance**

**Shri Kumar Mangalam Birla – 1999**

**Shri N.R. Narayana Murthy – 2003**

**Clause included in Listing Agreement in  
2000 as No.49**

## Board of Directors

- Not less than 50% comprise non-executive directors
- Non-executive Chairman – 1/3 rd shall comprise independent directors
- Executive Chairman – 1/2 shall comprise independent directors
- Remuneration / fees to be fixed by the Board with the prior approval of general body

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# Board of Directors

....contd

- Meet at least 4 times a year – maximum time gap of 4 months
- Shall not be a member of more than 10 Committees and Chairman of more than 5 Committees
- Periodically review compliance of all applicable laws
- Board shall lay down Code of Conduct and post it on the website



# Audit Committee

- Minimum of three directors as members with majority of independent directors
- All members shall be financially literate – at least one member with accounting or financial management expertise
- Chairman of the Committee shall be an independent director and shall be present at the AGM

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# Audit Committee

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- Shall meet at least 4 times in a year – with a gap of not more than 4 months
- Quorum – 2 members or 1/3<sup>rd</sup> - with two independent director
- Also specifies the Powers and Role of the Audit Committee
- Shall review financial condition, results of operations, related party transactions, internal audit reports and appoint & removal of Chief Internal Auditor

## **Subsidiary company**

- **At least one independent director shall be on the board of unlisted subsidiary**
- **Audit Committee shall review the financial statements of the unlisted subsidiary**
- **Minutes of the Board Meeting of unlisted subsidiary shall be placed at the Board Meeting of the listed holding company**

# Applicability of Clause 49

- All listed entities having a paid up share capital of Rs 3 crores and above or net worth of Rs 25 crores or more at any time in the history of the company
- For other listed entities which are not companies, but body corporate (e.g. private and public sector banks, financial institutions, insurance companies etc.) incorporated under other statutes, the revised Clause 49 will apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant regulatory authorities.
- The revised Clause 49 is not applicable to Mutual Funds
- Revised clause 49 has come into effect from January 1, 2006

# Disclosures

- **Related Party Transactions**
- **Accounting Treatment**
- **Risk Management – risk assessment and minimisation procedures**
- **Proceeds from public issues, rights issues, preferential issues, etc.**
- **Remuneration of Directors**
- **Management Discussion and Analysis Report**

## Certification / Reports on Corporate Governance

- Certificate from CEO and CFO regarding review of financial statements and cash flow statement, significant changes in financial control, accounting policies, etc.
- Separate section on Corporate Governance in the Annual Report
- Certificate from the Auditors or Practising Company Secretary in the Annual Report regarding compliance of clause-49 of the Listing Agreement

# Non-mandatory Requirements

- **Non-executive Chairman entitled to maintain chairman's office**
- **Remuneration Committee**
- **Sending half-yearly declaration on financial statements to shareholders**
- **Audit Qualifications**
- **Training of Board Members**
- **Mechanism for evaluating non-executive board members**
- **Whistle Blower Policy**



**THANK YOU**