MEANING AND DEFINITIONS OF CORPORATE GOVERNANCE

> "Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders."
>
> The Institute of Company Secretaries of India

The phrase "corporate governance" describes "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account."

Corporate governance is the broad term used to describe the processes, customs, policies, laws and institutions that direct the organizations and corporations in the way they act or administer and control their operations. It works to achieve the goal of the organization and manages the relationship with the stakeholders including the board of directors and the shareholders.

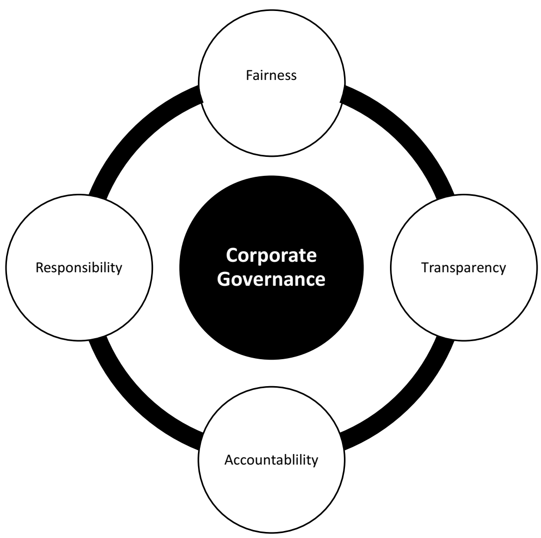
Corporate governance means to steer an organization in the desired direction by determining ways to take effective strategic decisions. It also deals with the accountability of the individuals through a mechanism which reduces the principal-agent problem in the organization.

> "Corporate Governance is concerned with the way corporate entities are governed, as distinct from the way business within those companies are managed. Corporate governance addresses the issues facing Board of Directors, such as the interaction with top management and relationships with the owners and others interested in the affairs of the company" RobertIan (Bob) Tricker (who introduced the words corporate governance for the first time in his book in 1984)

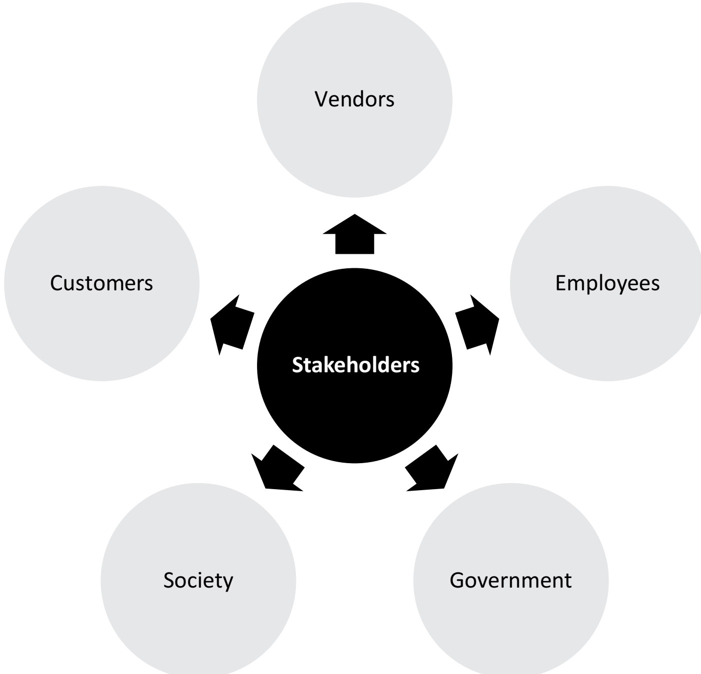
Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment. In other words, the heart of corporate governance is transparency, disclosure, accountability and integrity. It is to be borne in mind that mere legislation does not ensure good governance. Good governance flows from ethical business practices even when there is no legislation.

Good corporate governance promotes investor confidence, which is crucial to the ability of entities listed on stock exchanges to compete for capital. Good corporate governance is essential to develop additional values to the stakeholders as it ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights.

Corporate Governance is managing, monitoring and overseeing various corporate systems in such a manner that corporate reliability, reputation are not put at stake. Corporate Governance pillars on transparency and fairness in action satisfying accountability and responsibility towards the stakeholders.



The long term performance of a corporate is judged by a wide constituency of stakeholders. Various stakeholders affected by the governance practices of the company include:

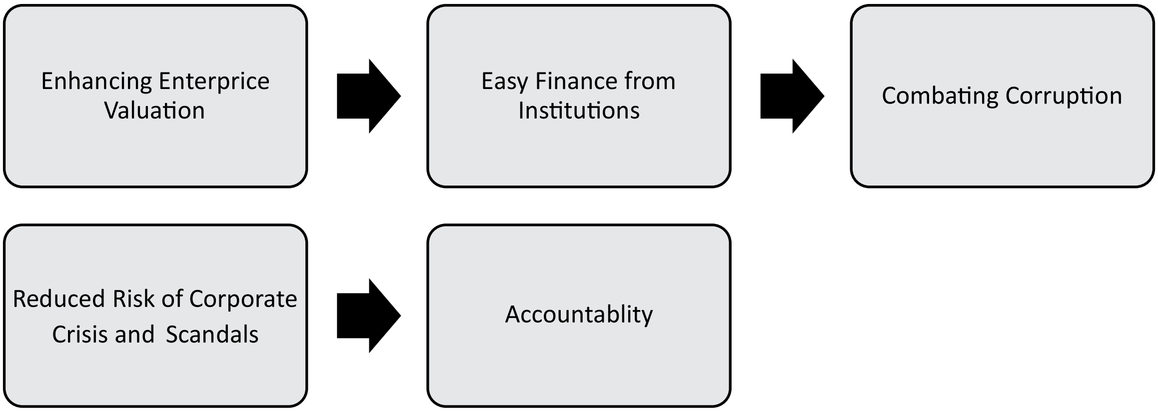


Advantages of Corporate Governance

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. There is a positive impact on the share price.
4. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
5. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
6. It helps in brand formation and development.
7. It ensures organization is managed in a manner that fits the best interests of all.
8. It reduces cost and aids in long term sustenance and growth of the Company.

NEED FOR CORPORATE GOVERNANCE

Corporate Governance is integral to the existence of the company. Corporate Governance is needed to create a corporate culture of transparency, accountability and disclosure.



(a) Corporate Performance

Improved governance structures and processes ensure quality decision-making, encourage effective succession planning for senior management and enhance the long-term prosperity of companies, independent of the type of company and its sources of finance. This can be linked with improved corporate performance- either in terms of share price or profitability.

(b) Enhanced Investor Trust

As individuals and institutions invest capital directly or through intermediary funds, they look to see if well- governed corporate boards are there to protect their interests. Investors who are provided with high levels of disclosure and transparency such as relating to data on matters such as pay governance, pay components, performance goals, and the rationale for pay decisions etc. are likely to invest openly in those companies. On Apple's investor relations site, for example, the firm outlines its leadership and governance, including its executive team, its board of directors and also the firm's committee charters and governance documents, such as bylaws, stock ownership guidelines etc.

(c) Better Access to Global Market

Good corporate governance systems attract investment from global investors, which subsequently leads to greater efficiencies in the financial sector. The relation between corporate governance practices and the increasing international character of investment is very important. International flows of capital enable companies to access financing from a much larger pool of investors. In order to reap the full benefits of the global capital market and attract long-term capital, corporate governance arrangements must be credible, well understood across borders and should adhere to internationally accepted principles. On the other hand, even if corporations do not rely primarily on foreign sources of capital, adherence to good corporate governance practices helps improve the confidence of domestic investors, reduces the cost of capital, enables good functioning of financial markets and ultimately leads to more stable sources of finance.

(d) Combating Corruption

Companies that are transparent, and have sound system that provide full disclosure of accounting and auditing procedures, allow transparency in all business transactions, provide environment where corruption would certainly fade out. Corporate Governance enables a corporation to compete more efficiently and prevent fraud and malpractices within the organization.

(e) Easy Finance from Institutions

Several structural changes like increased role of financial intermediaries and institutional investors, size of the enterprises, investment choices available to investors, increased competition, and increased risk exposure have made monitoring the use of capital more complex thereby increasing the need of Good Corporate Governance. Evidences indicate that well-governed companies receive higher market valuations. The credit worthiness of a company can be trusted on the basis of corporate governance practiced in the company.

(f) Enhancing Enterprise Valuation

Improved management accountability and operational transparency fulfill investors' expectations and confidence on management and corporations, and in return, increase the value of corporations.

(g) Reduced Risk of Corporate Crisis and Scandals

Effective Corporate Governance ensures efficient risk mitigation system in place. A transparent and accountable system makes the Board of a company aware of the majority of the mask risks involved in a particular strategy, thereby, placing various control systems in place to facilitate the monitoring of the related issues.

(h) Accountability

Investor relations are essential part of good corporate governance. Investors directly/ indirectly entrust management of the company to create enhanced value for their investment. The company is hence obliged to make timely disclosures on regular basis to all its shareholders in order to maintain good investor relation. Good Corporate Governance practices create the environment whereby Boards cannot ignore their accountability to these stakeholders.

ELEMENTS / SCOPE OF GOOD CORPORATE GOVERNANCE

Some of the important elements of good corporate governance are discussed as under:

1. Role and powers of Board

Board of Directors is the primary interface between the Company and its various stake holders. Directors are elected by shareholders to represent them and are tasked with making important decisions, such as corporate officer appointments, executive compensation and dividend policy. In some instances, board obligations stretch beyond financial optimization, when shareholder resolutions call for certain social or environmental concerns to be prioritized.

The Board as a main functionary is primary responsible to ensure value creation for its stakeholders. The absence of clearly designated role and powers of Board weakens accountability mechanism and threatens the achievement of organizational goals. Therefore, the foremost requirement of good governance is the clear identification of powers, roles, responsibilities and accountability of the Board, CEO, and the Chairman of the Board. The role of the Board should be clearly documented in a Board Charter.

2. Legislation

Clear and unambiguous legislation and regulations are fundamental to effective corporate governance. Legislation that requires continuing legal interpretation or is difficult to interpret on a day-to-day basis can be subject to deliberate manipulation or inadvertent misinterpretation.

3. Management environment

Management environment includes setting-up of clear objectives and appropriate ethical framework, establishing due processes, providing for transparency and clear enunciation of responsibility and accountability, implementing sound business planning, encouraging business risk assessment, having right people and right skill for the jobs, establishing clear boundaries for acceptable behavior, establishing performance evaluation measures and evaluating performance and sufficiently recognizing individual and group contribution within the organisation.

4. Board skills

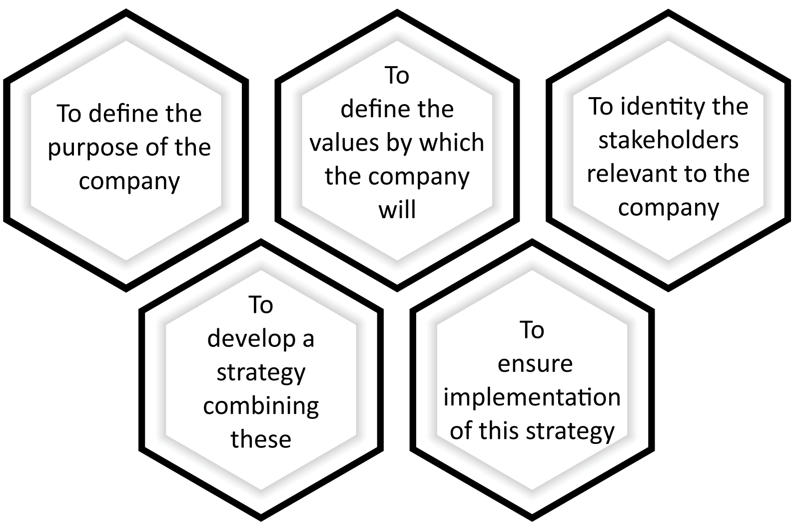
To be able to undertake its functions efficiently and effectively, the Board must possess the necessary blend of qualities, skills, knowledge and experience. Each of the directors should make quality contribution to the organizations policies, operations and management. Illustratively, a Board should have a mix of the following skills, knowledge and experience:

- Operational or technical expertise, commitment to establish leadership;
- Financial skills;
- Legal skills; and
- Knowledge of Government and regulatory requirement.

5. Board appointments

To ensure that the most competent people are appointed on the Board, the Board positions should be filled only after making an extensive search. A well-defined and open procedure must be in place for re-appointments as well as for appointment of new directors. Appointment mechanism should satisfy all statutory and administrative requirements. High on the priority should be an understanding of skill requirements of the Board particularly at the time of making a choice for appointing a new director. All new directors should be provided with a letter of appointment setting out in detail their duties and responsibilities. Orientation program for new directors should also be provided to apprise them about the company, its internal and external management and the expectations from the directors and the Board.

The role of the board of directors was summarized by the King Report (a South African report on corporate governance) as:



6. Board induction and training

Directors must have a broad understanding of the area of operation of the company's business, corporate strategy and challenges being faced by the Board. Attendance at continuing education and professional development programmes is essential to ensure that directors remain abreast of all developments, which are or may impact their corporate governance and other related duties.

7. Board independence

Independent Board is essential for sound corporate governance. This goal may be achieved by associating sufficient number of independent directors with the Board. Independence of directors would ensure that there are no actual or perceived conflicts of interest. It also ensures that the Board is effective in supervising and, where necessary, challenging the activities of management. The Board needs to be capable of assessing the performance of managers with an objective perspective. Accordingly, a portion of the Board members should be independent of both the management team and any commercial dealings with the company. At the same time a proper balance between independent and non-independent directors is also very important.

8. Board meetings

Directors must devote sufficient time and give due attention to meet their obligations. Attending Board meetings regularly and preparing thoroughly before entering the Boardroom increases the quality of interaction at Board meetings. Board meetings are the forums for Board decision-making. These meetings enable directors to discharge their responsibilities. The effectiveness of Board meetings is dependent on carefully planned agendas and providing relevant papers and material to directors sufficiently prior to Board meetings.

9. Code of conduct

It is essential that the organization's explicitly prescribed norms of ethical practices and code of conduct are communicated to all concerned and are clearly understood and followed by each member of the organization. Systems should be in place to periodically measure, evaluate and if possible recognize the adherence to code of conduct.

10. Strategy setting

The objectives of the company must be clearly documented in a long-term corporate strategy including an annual business plan together with achievable and measurable performance targets and milestones.

11. Business and community obligations

Though basic activity of a business entity is inherently commercial yet it must also take care of community's obligations. Commercial objectives and community service obligations should be clearly documented after approval by the Board. The stakeholders must be informed about the proposed and ongoing initiatives taken to meet the community obligations. Corporate Social Responsibility is rapidly becoming an integral part of the management's role and responsibility.

12. Financial and operational reporting

The Board requires comprehensive, regular, reliable, timely, correct and relevant information in a form and of a quality that is appropriate to discharge its function of monitoring corporate performance. For this purpose, clearly defined performance measures - financial and non-financial should be prescribed which would add to the efficiency and effectiveness of the organization.

The reports and information provided by the management must be comprehensive but not so extensive and detailed as to hamper comprehension of the key issues. The reports should be available to Board members well in advance to allow informed decision-making. Reporting should include status report about the state of implementation to facilitate the monitoring of the progress of all significant Board approved initiatives.

13. Monitoring the Board performance

The Board must monitor and evaluate its combined performance and also that of individual directors at periodic intervals, using key performance indicators besides peer review. The Board should establish an appropriate mechanism for reporting the results of Board's performance evaluation. Companies Act, 2013 mandates Board evaluation of specified classes of Companies.

14. Audit Committee

The Audit Committee is inter alia responsible for liaison with the management; internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the Board on the key issues. The quality of Audit Committee significantly contributes to the governance of the company.

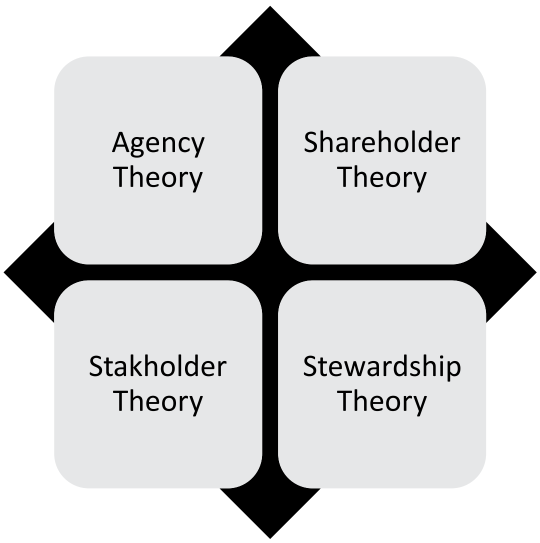
15. Risk management

Risk is an important element of corporate functioning and governance. There should be a clearly established process of identifying, analyzing and treating risks, which could prevent the company from effectively achieving its objectives. It also involves establishing a link between risk-return and resourcing priorities. Appropriate control procedures in the form of a risk management plan must be put in place to manage risk throughout the organization. The plan should cover activities as diverse as review of operating performance, effective use of information technology, contracting out and outsourcing.

> "Corporate governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions vis-a-vis its claimants-in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of 'good' corporate governance: maximizing long-term shareholder value."
>
> Confederation of Indian Industry (CII)– Desirable Corporate Governance Code (1998)

EVOLUTION OF CORPORATE GOVERNANCE

The following theories elucidate the basis of evolution of corporate governance.



(a) Agency Theory

According to this theory, managers act as 'Agents' of the corporation. The owners set the central objectives of the corporation. Managers are responsible for carrying out these objectives in day-to-day work of the company. Corporate Governance is control of management through designing the structures and processes.

In agency theory, the owners are the principals. But principals may not have knowledge or skill for getting the objectives executed. Thus, principal authorizes the mangers to act as 'Agents' and a contract between principal and agent is made. Under the contract of agency, the agent should act in good faith. He should protect the interest of the principal and should remain faithful to the goals.

In modern corporations, the shareholding is widely spread. The management (the agent) directly or indirectly selected by the shareholders (the Principals), pursue the objectives set out by the shareholders. The main thrust of the Agency Theory is that the actions of the management differ from those required by the shareholders to maximize their return.

The principals who are widely scattered may not be able to counter this in the absence of proper systems in place as regards timely disclosures, monitoring and oversight. Corporate Governance puts in place such systems of oversight.

(b) Shareholder Theory

According to this theory, it is the corporation which is considered as the property of shareholders. They can dispose off this property as they like. They want to get maximum return from this property.

The owners seek a return on their investment and that is why they invest in a corporation. But this narrow role has been expanded into overseeing the operations of the corporations and its mangers to ensure that the corporation is in compliance with ethical and legal standards set by the government. So the directors are responsible for any damage or harm done to their property i.e., the corporation. The role of managers is to maximise the wealth of the shareholders. They, therefore should exercise due diligence, care and avoid conflict of interest and should not violate the confidence reposed in them. The agents must be faithful to shareholders.

(c) Stakeholder Theory

According to this theory, the company is seen as an input-output model and all the interest groups which include creditors, employees, customers, suppliers, local-community and the government are to be considered. From their point of view, a corporation exists for them and not the shareholders alone.

Different stakeholders have different self-interest. The interests of these different stakeholders are at times conflicting. The managers and the corporation are responsible to mediate between these different stakeholders interest. The stake holders have solidarity with each other. This theory assumes that stakeholders are capable and willing to negotiate and bargain with one another. This results in long term self interest.

The role of shareholders is reduced in the corporation. But they should also work to make their interest compatible with the other stake holders. This requires integrity and managers play an important role here. They are faithful agents but of all stakeholders, not just stockholders.

(d) Stewardship Theory

The word 'steward' means a person who manages another's property or estate. Here, the word is used in the sense of guardian in relation to a corporation (this theory is value based). The managers and employees are to safeguard the resources of corporation and its property and interest when the owner is absent. They are like a caretaker. They have to take utmost care of the corporation. They should not use the property for their selfish ends. This theory thus makes use of the social approach to human nature.

The managers should manage the corporation as if it is their own corporation. They are not agents as such but occupy a position of stewards. The managers are motivated by the principal's objective and the behavior pattern is collective, pro-organizational and trustworthy. Thus, under this theory, first of all values as standards are identified and formulated. Second step is to develop training programmes that help to achieve excellence. Thirdly, moral support is important to fill any gaps in values.

At this juncture it would be of substantial academic interest to delve into the evolution of corporate governance through various noteworthy initiatives at global level. The following exhibit elucidate the eye-catchy development in the sphere of ESG chronologically since 1972 and how the past almost 50 years have been watershed years in the arena of ESG.

Years	***Global Developments***	***Brief on Global Developments Initiatives***
1972	Stockholm Conference	The 1972 United Nations Conference on the Human Environment in Stockholm was the first world conference to make the environment a major issue. The participants adopted a series of principles for sound management of the environment including the Stockholm Declaration and Action Plan for the Human Environment and several resolutions.
1987	OUR COMMON FUTURE	"A global agenda for change" - this was what the World Commission on Environment and Development was asked to formulate. It was an urgent call by the General Assembly of the United Nations: a) to propose long-term environmental strategies for achieving sustainable development by the year 2000 and beyond; b) to recommend ways concern for the environment may be translated into greater co-operation among developing countries and between countries at different stages of economical and social development and lead to the achievement of common and mutually supportive objectives that take account of the interrelationships between people, resources, environment, and development; c) to consider ways and means by which the international community can deal more effectively with environment concerns; and d) to help define shared perceptions of long-term environmental issues and the appropriate efforts needed to deal successfully with the problems of protecting and enhancing the environment, a long term agenda for action during the coming decades, and aspirational goals for the world community.
1988	IPCC	The Intergovernmental Panel on Climate Change (IPCC) was established by the United Nations Environment Programme (UNEP) and the World Meteorological Organization (WMO) in 1988. The establishment of the IPCC was endorsed by UN General Assembly in 1988. Its initial task, as outlined in UN General Assembly Resolution 43/53 of 6 December 1988, was to prepare a comprehensive review and recommendations with respect to the state of knowledge of the science of climate change; the social and economic impact of climate change, and potential response strategies and elements for inclusion in a possible future international convention on climate.

<table>
<tr><th>Years</th><th>Global Developments</th><th>Brief on Global Developments Initiatives</th></tr>
<tr><td rowspan="2">1992</td><td>Rio Earth Summit</td><td>The United Nations Conference on Environment and Development (UNCED), also known as the 'Earth Summit', was held in Rio de Janeiro, Brazil, from 3-14 June 1992.

The Rio de Janeiro conference highlighted how different social, economic and environmental factors are interdependent and evolve together, and how success in one sector requires action in other sectors to be sustained over time.

The primary objective of the Rio 'Earth Summit' was to produce a broad agenda and a new blueprint for international action on environmental and development issues that would help guide international cooperation and development policy in the twenty-first century.</td></tr>
<tr><td>UNEP Finance Initiative</td><td>Founded in 1992, UNEP FI was the first organisation to engage the finance sector on sustainability and incubated the Principles for Responsible Investment, now the world's leading proponent on responsible investment.</td></tr>
<tr><td rowspan="2">1997</td><td>UNFCCC</td><td>The United Nations Framework Convention on Climate Change (UNFCCC) was operationalized through Kyoto Protocol by committing industrialized countries and economies in transition to limit and reduce greenhouse gases (GHG) emissions in accordance with agreed individual targets.

The supreme decision making body of the Convention is COP. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements. The last COP, i.e. COP 27 was held at Sharm el-Sheikh, Egypt.</td></tr>
<tr><td>GRI</td><td>GRI was founded in Boston (USA) in 1997 following on from the public outcry over the environmental damage of the Exxon Valdez oil spill, eight years previously.

The first version of what was then the GRI Guidelines (G1) published in 2000 – providing the first global framework for sustainability reporting. The following year, GRI was established as an independent, non-profit institution.

In 2002, the GRI's Secretariat relocated to Amsterdam (The Netherlands), and the first update to the Guidelines (G2) launched. As demand for GRI reporting and uptake from organizations steadily grew, the Guidelines were expanded and improved, leading to G3 (2006) and G4 (2013).</td></tr>
<tr><td>1998</td><td>IFC</td><td>IFC (International Finance Corporationl) of World Bank Group adopted its Environmental and Social Safeguard Policies and its Disclosure Policy.</td></tr>
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Years	***Global Developments***	***Brief on Global Developments Initiatives***
1999	AccountAbility (AA)(Institute of Social and Ethical Accountability)	AA 1000 Accountability Principles. The principles were updated in 2018. The AA 1000 AP (2018) is an internationally accepted, principles-based framework that guides organisations through the process of identifying, prioritizing, and responding to sustainability challenges, with the goal of improving long-term performance.
	OECD	The OECD Council, meeting at Ministerial level on 27-28 April 1998, called upon the OECD to develop, in conjunction with national governments, other relevant international organisations and the private sector, a set of corporate governance standards and guidelines. In order to fulfil this objective, the OECD established the Ad-Hoc Task Force on Corporate Governance to develop nonbinding principles that embody the views of Member countries on this issue. The Principles developed are as under: 1. The Rights of Shareholders. 2. The Equitable Treatment of Shareholders. 3. The Role of Stakeholders in Corporate Governance. 4. Disclosure and Transparency. 5. The Responsibilities of the Board.
2000	Earth Charter	In 1987 The World Commission on Environment and Development (known as "the Brundtland Commission") launched *Our Common Future Report* with a call for a "new charter" to set "new norms" to guide the transition to sustainable development. Following that, discussion about an Earth Charter took place in the process leading to the Earth Summit in Rio de Janeiro in 1992, but the time for such a declaration was not right. The Rio Declaration became the statement of the achievable consensus at that time. In 1994, Maurice Strong (Secretary-General of the Rio Earth Summit) and Mikhail Gorbachev, working through organizations they each founded (Earth Council and Green Cross International respectively), launched an initiative (with the support from the Dutch Government) to develop an Earth Charter as a civil society initiative. The initial drafting and consultation process drew on hundreds of international documents. An independent **Earth Charter Commission** was formed in 1997 to oversee the development of the text, analyze the outcomes of a world-wide consultation process and to come to an agreement on a global consensus document.
	UN Global Compact	UN Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support to UN goals.

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<tr><th>Years</th><th>Global Developments</th><th>Brief on Global Developments Initiatives</th></tr>
<tr><td></td><td>CD</td><td>Formerly called the Climate Disclosure Project, CDP runs the global disclosure system for investors, companies, cities, states and region to manage their environmental impacts.</td></tr>
<tr><td>2003</td><td>Equator Principles</td><td>The Equator Principles are a risk management framework for financial institutions to determine, assess and manage environmental and social risk in projects. They are primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.</td></tr>
<tr><td>2004</td><td>A4S: Accountability for Sustainability</td><td>The Accounting for Sustainability Project (A4S) was established by HRH The Prince of Wales with the aim to “make sustainable business decision-making business as usual”. It laid the foundation for the development of other initiatives such as IIRC.

A4S aims to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy. To do this, A4S has three core aims:

i) Inspire finance leaders to adopt sustainable and resilient business models.

ii) Transform financial decision making to enable an integrated approach, reflective of the opportunities and risks posed by environmental and social issues.

iii) Scale up action across the global finance and accounting community</td></tr>
<tr><td>2005</td><td>Kyoto Protocol</td><td>The Kyoto Protocol is based on the principles and provisions of the Convention and follows its annex-based structure.

It only binds developed countries, and places a heavier burden on them under the principle of “common but differentiated responsibility and respective capabilities”, because it recognizes that they are largely responsible for the current high levels of GHG emissions in the atmosphere.

One important element of the Kyoto Protocol was the establishment of flexible market mechanisms, which are based on the trade of emissions permits. Under the Protocol, countries must meet their targets primarily through national measures.

However, the Protocol also offers them an additional means to meet their targets by way of three market-based mechanisms:

i) International Emissions Trading.

ii) Clean Development Mechanism (CDM).

iii) Joint implementation (JI)</td></tr>
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Years	***Global Developments***	***Brief on Global Developments Initiatives***
2006	PRI	The United Nations Principles for Responsible Investment (UN PRI) were launched by the UNEP FI and the UN Global Compact in collaboration with investors.
	IFC	The Safeguard Polices were replaced by the policy on Social and Environmental Sustainability and the Performance Standards. The Sustainability Framework articulates IFC's strategic commitment to sustainable development and is an integral part of the risk management approach.
2007	CDSB	The Climate Disclosure Standards Board (CDSB) is an international consortium of business and environmental NGOs.
2008	IFC'S Corporate Governance Methodology	IFC's Corporate Governance Methodology is an approach to evaluate and improve the corporate governance of a company to identify, reduce and manage risk.
2009	Sustainable Stock Exchanges (SSE)	United Nations Sustainable Stock Exchanges Initiative (UNSSE) has a mission to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organisations, can enhance performance on ESG issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals.
2010	ISO	ISO 26000 Standard is intended to assist organisations in contributing to sustainable development. ISO 26000 provides guidance to all types of organizations, regardless of their size or location, on: a) concepts, terms and definitions related to social responsibility; b) the background, trends and characteristics of social responsibility; c) principles and practices relating to social responsibility; d) the core subjects and issues of social responsibility; e) integrating, implementing and promoting socially responsible behaviour throughout the organization and, through its policies and practices, within its sphere of influence; f) dentifying and engaging with stakeholders; and g) communicating commitments, performance and other information related to social responsibility.
2011	OECD's Guidelines for Multinational Enterprises	The OECD's Guidelines for Multinational Enterprises are recommendations from governments to multinational enterprises on responsible business conduct.

Years	Global Developments	Brief on Global Developments Initiatives
2011	SASB	The Sustainability Accounting Board (SASB) aims to encourage high-quality disclosure of material non-financial information. SASB develops various standards, industry-specific, related to SEC filings.
	CGDF (Corporate Governance Development Framework)	IFC and 28 other Development Financial Institutions (DFIs) signed the Corporate Governance Development Framework, a common methodology for assessing corporate governance in the DFIs investment work, which is based on IFC's corporate governance methodology.
2012	RIO+20	The United Nations Conference on Sustainable Development - or Rio+20 - took place in Rio de Janeiro, Brazil on 20-22 June 2012. It resulted in a focused political outcome document which contains clear and practical measures for implementing sustainable development.
	IFC Sustainability Framework-2012 Edition	IFC updated its Sustainability Framework. The new framework strengthened IFC's commitments to climate change, business and human rights, corporate governance and gender among other areas.
	Sustainable Banking and Finance Network (SBFN)	Established in 2012, SBFN is a voluntary community of financial sector regulators, central banks, ministries of finance, ministries of environment, and industry associations from emerging markets committed to advancing sustainable finance for national development priorities, financial market deepening, and stability. As of September 2021, SBFN represents 43 countries and US$43 trillion (86 percent) of the total banking assets in emerging markets. IFC is the Secretariat and technical advisor to SBFN. SBFN members are committed to moving their financial sectors towards sustainability, with the twin goals of improved ESG risk management (including disclosure of climate risks) and increased capital flows to activities with positive climate impact. It is a platform for knowledge sharing and capacity building that facilitates the mobilization of practical support for members to design and implement national initiatives.
2013	IR (Integrated Reporting)	International Integrated Reporting Framework published by International Integrated Reporting Committee has a framework that provides a tool for all companies to report on their efforts to embed ESG and non-financial management into their core business, and report on ESG and financial performance together, in a single, streamlined report.

Years	Global Developments	Brief on Global Developments Initiatives
2014	Corporate Reporting Dialogue	The Corporate Reporting Dialogue is a platform that aims to strengthen cooperation and alignment between key standards setters and framework developers. Its participants are CDP, CDSB, FASB, GRI, IASB, IIRC, ISO, SASB.
	European Commission	Through the Non-Financial Reporting Director, the EU began requiring all companies of a certain size to disclose non-financial information along with financial reporting. On 21 April 2021, the Commission adopted a proposal for a Corporate Sustainability Reporting Directive, which would amend the existing reporting requirements of the Non-Financial Reporting Directive.
	Sustainable Development Goals (SDGs)	The United Nations developed a list of 17 Sustainable Development Goals. Today, many companies use the SDGs to assess the impact of their operations and investors use the SDGs as a matrix to structure their ESG approach.
2015	PARIS 2015: COP 21:CMP11	The twenty-first session of the Conference of the Parties (COP) and the eleventh session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) took place from 30 November to 11 December 2015, in Paris, France.
	OECD (G20/ OECD Principles of Corporate Governance)	In 2015, the updated Principles (G20/OECD Principles of Corporate Governance) were endorsed by the OECD Council and the G20 Leaders Summit
	TCFD (Task Force Climate Related Disclosures)	The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.
2016	Green Finance Study Group	In 2016, the G20 launched a Green Finance Study Group to investigate possibilities to encourage private investors to increase green initiatives.
2017	NGFS	At the Paris "One Planet Summit" in December 2017, eight central banks and supervisors established the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). Since then, the membership of the Network has grown dramatically, across the five continents. The Network's purpose is to help strengthening the global response required to meet the goals of the Paris agreement and to enhance the role of the financial system to manage risks and to mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development.

Years	*Global Developments*	*Brief on Global Developments Initiatives*
		To this end, the Network defines and promotes best practices to be implemented within and outside of the Membership of the NGFS and conducts or commissions analytical work on green finance.
2018	ACMF	ASEAN Sustainability Bond Standards apply to bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both Green and Social Projects that respectively offer environmental and social benefits.
	IFC's Corporate Governance Updated Methodology	i)I FC's Corporate Governance Methodology was updated in 2018 to include a new parameter on the Governance of Stakeholder Engagement. ii)I FC's Disclosure & Transparency Toolkit provides a framework and resources to help emerging market companies disclose ESG and financial performance to reduce risk, increase understanding, and attract investors and capital.
2019	Business Roundtable	Business Roundtable is an association of more than 200 chief executive officers (CEOs) of America's leading companies, representing every sector of the U.S. economy. Business Roundtable CEOs lead U.S.-based companies that support one in four American jobs and almost a quarter of U.S. GDP. Through CEO-led policy committees, Business Roundtable members develop and advocate directly for policies to promote a thriving U.S. economy and expanded opportunity for all Americans.
	European Commission (EU Taxonomy for Sustainable Activities)	The EU taxonomy is a tool to help investors understand the transition to a low-carbon economy for their investments, and how environmentally sustainable economic activities are. The taxonomy helps all the market players speak a common language and assess how their investment decisions are consistent with the Paris Agreement.
2020	OICU-IOSCO	The International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda. IOSCO was established in 1983. Its membership regulates more than 95% of the world's securities markets in more than 130 jurisdictions: securities regulators in emerging markets account for 75% of its ordinary membership.

Years	*Global Developments*	*Brief on Global Developments Initiatives*
		The *IOSCO Objectives and Principles of Securities Regulation* have been endorsed by both the G20 and the FSB as the relevant standards in this area. They are the overarching core principles that guide IOSCO in the development and implementation of internationally recognized and consistent standards of regulation, oversight and enforcement. They form the basis for the evaluation of the securities sector for the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund (IMF) and the World Bank.
2021	Sustainable Banking and Finance Network	In 2021, the Sustainable Finance Study Group was replaced by Sustainable Finance Working Group. The Group is tasked to identify institutional and market barriers to sustainable finance and to develop options to overcome such barriers, and to contribute to a better alignment of the international financial system to the objectives of the 2030 Agenda and the Paris Agreement.
	ISO 37000 – Governance of organizations—Guidance	This document gives guidance on the governance of organizations. It provides principles and key aspects of practices to guide governing bodies and governing groups on how to meet their responsibilities so that the organizations they govern can fulfil their purpose. It is also intended for stakeholders involved in, or impacted by, the organization and its governance. It is applicable to all organizations regardless of type, size, location, structure or purpose.
	IFRS working group on enterprise value reporting	In order to accelerate convergence in global sustainability reporting standards and to undertake technical preparation for a potential international sustainability reporting standards board under the governance of the IFRS Foundation, the Trustees of the IFRS Foundation have set up a working group. The working group is intended to provide structured engagement with initiatives focused on enterprise value reporting with a view to facilitating consolidation and reducing fragmentation in sustainability reporting standards.
	IFRS - International Sustainability Standards Board (IFRS ISSB)	The Trustees announced the formation of the ISSB on 3 November 2021 at COP26 in Glasgow. The ISSB is developing—in the public interest—standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets. The ISSB has set out four objectives: ● developing standards for a global baseline of sustainability disclosures.

Years	Global Developments	Brief on Global Developments Initiatives
		● meeting the information needs of investors. ● enabling companies to provide comprehensive sustainability information to global capital markets. ● facilitating interoperability with disclosures that are jurisdiction-specific and/or aimed at broader stakeholder groups. The ISSB builds on the work of market-led investor-focused reporting initiatives—including the Climate Disclosure Standards Board (CDSB), the Task Force for Climate-related Financial Disclosures (TCFD), the Value Reporting Foundation's Integrated Reporting Framework and industry-based SASB Standards, as well as the World Economic Forum's Stakeholder Capitalism Metrics.

The word ESG was first coined in the year 2004 in the report of IFC titled "Who cares Wins"

Published in 2004 and publicly endorsed by 20 financial institutions with combined assets under management of over US$6 trillion, overseen by UN Global Compact the report titled "Who cares Wins" covers guidelines and recommendations on how to better integrate environmental, social and governance (ESG) issues in asset management, securities brokerage services and associated research functions. The focus of the report is a series of recommendations, targeting different financial sector actors, which taken together seek to address the central issue of integrating ESG value drivers into financial market research, analysis and investment.

GOVERNANCE FROM INDIAN SCRIPTURES

The concept of National Governance in India has been sourced significantly from our ancient scriptures, though post-independence, practices and developments in developed nations coupled with India's own experience have been the guiding factor. To a great extent, the epics – Ramayana and Mahabharata (including Bhagavad Gita and Vidur Niti) have been a great influence on the National and Corporate Governance in India. The Arthashasthra by Kautilya can be regarded as one of the first and significant source in the development of principles of National as well as Corporate Governance in India.

Some of the relevant principles of Ramayana which have a bearing in the modern day society can be summed up in these 5 points:

a) Governance has no inequality, no ups and downs, no differences between rich and poor.

b) The structure of governance should be such that the environment of mutual trust and love is promoted and this means that there is no jealousy or malice amongst the subjects.

c) Governance should promote commitment to duty and doing the duty properly gives ultimate happiness.

d) Governance systems should promote education of one and all, whether man or woman. Education is everyone's right.

e) Governance should promote the good health of all the persons in the society.

Vidur Niti

The meaning of the word "Vidur" in Sanskrit is "skilled, intelligent and wise". Vidura-niti, or Vidura's Statecraft, which are narrated in the form of a dialogue between Vidura and King Dhritrashtra were stated to have taken place before the commencement of the Kurukshetra war. While most of the qualities and principles seem to be grounded in politics, these required qualities and principles can equally be well applied to daily life as well as to governance.

Shantiparva

Shantiparva, meaning the book of peace, comprises of 18 parvas (books). It is believed to be the set of instructions given by Shri Bhishma (eldest among the Kuru Family, also called “Pitamah”) to King Yudhisthira. The book comprises of 365 chapters and 13,716 Shlokas, which is further divided into three sub-parvas namely:

a) Raja Dharma Parva (Chapters 1 to 130 & 4716 Shlokas): Duties of king and his governance.

b) Apad Dharma Parva (Chapters 131 to 173 & 1649 Shlokas): Rules of conduct when one faces adversity.

c) Moksha Dharma Parva (Chapters 174 to 365 & 7351 Shlokas): Behaviour and rules to achieve moksha (emancipation, release, freedom).

Bhagavad Gita

The emphasis of Bhagavad Gita is “Dharma”. Dharma means righteousness; accountability of self, family, organisation and society for order and progress. It is the right path, which will uphold the family, organisational and the social fabric. Hence, it helps in the long-term upliftment of all living beings and ensures welfare of society. Some of the important aspects of governance touched upon in this epic of Mahabharata based on the above ethical principles:-

a) Public Interest should be given priority over private or personal interest.

b) Uphold Dharma regardless of conflict of interest, following the principle of “Sva-Dharma” (meaning own dharma), which is unique to that person.

c) Transparency should be maintained in demonstrating the path of Dharma.

Arthashastra

Kautilya’s Arthashastra is considered to be one of the ancient Indian discourses on statecraft, economic policy, and military strategy, written in Sanskrit. “Kautilya” also known as Chanakya was a scholar at Takshashila. He was also the teacher and guardian of Emperor Chandragupta Maurya, the creator of the Mauryan Empire. Though, Arthashasthra was literally meant to deal with the discipline of politics, its scope in fact is much wider.

The scope of Arthasastra is wide enough to cover the nature of government, law, civil and criminal court systems, ethics, economics, markets and trade, the methods for screening ministers, diplomacy, theories of war, nature of peace, and the duties and obligations of a king.

According to Arthashastra, the King has a major responsibility towards ensuring a strong governance framework. Some of the important aspects of the governance framework to which the King should give attention are briefly discussed below: -

i) King is a servant of the Kingdom / State.

ii) Leaders should be responsive, accountable and removable.

iii) Strict ethical guidelines and code of conduct.

iv) Emphasis of Stakeholder concept.

v) Effective Administration.

In the context of today’s corporate world, a well governed corporate entity which sets high standards of governance following the above and other applicable principles of Arthashastra will always stand out distinctly in the eyes of the stakeholder as compared to other corporates.

THEORIES OF BUSINESS ETHICS

The theories of business ethics can be divided into two categories:

1. Teleological theories, and

2. Deontological theories.

1. Teleological Theories:

The term 'teleological' is derived from the Greek word 'telos' which means an end. According to teleological theories the Tightness of an action is determined solely by its consequences rather than by any feature of the action itself. Actions that result in greatest possible balance of good or evil are considered ethical. Thus, teleological theories are based on the concept of goodness.

Now the question is which is good and what is evil. In classical utilitarianism, pleasure is regarded good, and pain is considered evil. In broader terms, goodness is human well-being.

Bentham and Mill explained the doctrine of utilitarianism:

i. The Principle of Utility:

Jeremy Bentham (1748-1832) explains this principle as follows:

"By the principle of utility is meant that principle which approves or disapproves of every action whatsoever, according to the tendency which it appear to have to augment or diminish the happiness of the party whose interest is in question – or, what is the same thing in other words, to promote or to oppose that happiness."

Thus, the consequences of an action are measured in terms of the pleasure and pain caused to different individuals. Bentham suggested a procedure called hedonistic calculus for this purpose.

Bentham's theory is criticised for two reasons. First, it is not always possible to measure in quantities the pleasure and pain caused by an action. Second, pleasure does not constitute human well-being. Even pigs are capable of pleasure and his theory is criticised as a 'pig philosophy' fit only for swine.

According to critics, one absurd consequence of Bentham's principle is that it would be better to live the life of a satisfied pig than that of a dissatisfied human being such as Socrates. For human beings, friendship and aesthetic enjoyment are as good as pleasure.

ii. The Principle of Utilitarianism:

John Stuart Mill (1806-1873) modified the principle of utility by recognising that pleasures differ in their quality which is an important as the quantity of pleasure. Mill concluded, "It is better to be a human being dissatisfied than a pig satisfied; better to be Socrates dissatisfied than a fool satisfied. And if the fools, or the pig, are of a different opinion, it is because they know only their side of the question."

Thus, there are two forms of utilitarianism:

(a) Action utilitarianism under which an action is right if and only if it produces the greatest balance of pleasure over pain for everyone. For example, telling a lie or breaking a promise is right if its consequences are better than those of any alternative course of action. Thus, classical utilitarianism does not require observing rules such as "Tell the Truth."

(b) Rule Utilitarianism under which an action is right if and only if it confirms to generally accepted rules and produces the greatest balance of pleasure over pain.

Act utilitarianism is simple and easily understood. But rule utilitarianism is morally more sound and does not require calculating the consequences of each action.

The principle of utilitarianism consists of the following elements:

(1) Consequentialism – The Tightness of any action depends solely on its consequences.

(2) Hedonism – Pleasure alone is good.

(3) Maximisation – A right action is one that creates greatest amount of net pleasure.

(4) Universalism – Everyone's consequences are alike.

2. Deontological Theories:

The term 'deontological' is derived from the Greek word 'deon' which means duty. Duty or obligation is the fundamental concept in deontological theories. According to deontological theories certain actions are right not due to some benefit to self or others but due to their basic nature or the rules underlying them. For example, bribery by its very nature is wrong irrespective of its consequences.

Similarly, the Golden Rule "Do unto others as you want them do unto you" appeals to human dignity and respect for others.

W.D. Ross, the 20th century Britisher philosopher has given the following moral rules:

(i) Duties of Fidelity — to keep promises, both explicit and implicit, and to tell the truth.

(ii) Duties of Reparation — to compensate people for injury that we have wrongfully inflicted on them.

(iii) Duties of Gratitude — to return favours that others do for us.

(iv) Duties of Justice — to ensure that goods are distributed according to people's merits.

(v) Duties of Beneficence — to do whatever we can to improve the condition of others.

(vi) Duties of Self-improvement — to improve our own condition with respect to virtue and intelligence.

(vii) Duties of Non-maleficence — to avoid injury to other.

Thus, deontological theories refute the argument that consequences determine what we ought to do. Actions are right or wrong not because of their consequences but because of our duty or obligation.

CONCEPT OF MANAGEMENT Vs. OWNERSHIP

Theoretically, shareholders own the company and hence the company ought to work according to the dictates of the shareholders. However, it is not practically possible for each shareholder to participate in the decision- making process on a day-to-day basis. Further shareholders generally cannot know and manage the full details of a corporation's business (nor do many wish to), they elect a board of directors to make broad corporate policy.

Companies allow for the separation of ownership and management. That means that owners don't need to be managers and managers don't need to be owners. In most small corporations, the owners typically manage the company but it is not necessary that owners run the company or are even involved in the day-to- day operations of the company.

CONCEPT OF MAJORITY RULE Vs. MINORITY INTEREST

As a company is an artificial person with no human existence, it functions through the instrumentality of the board of directors who is guided by the wishes of the majority, subject, of course, to the welfare of the company as a whole.

It is, therefore, a cardinal rule of company law that prima facie a majority of members of the company are entitled to exercise the powers of the company and generally to control its affairs.

The rule of majority was established way back in 1843 in the case of Foss v. Harbottle [1843] 67 ER 189 wherein it was held that the Courts would not generally interfere with the decisions of the company which it was empowered to take insofar they had been approved of by the majority and made exceptions to breaches of charter documents, fiduciary duties and frauds or oppression and inadequate notice to the shareholders.

The concept of *Majority Rule* Vs. *Minority Interest* has been explained in detail in Paper No. 6: Resolution of Corporate Disputes, Non-Compliances and Remedies, under Lesson 1: Shareholders' Democracy.

ROOTS OF CORPORATE GOVERNANCE IN INDIAN ETHOS

The concept of corporate governance in India has ancient connections. There is a great deal of similarity in the governance structures of the ancient kingdoms and modern corporations as is evident from our ancient text and scriptures like Vedas, Manu Smriti, Somadevaneetistuti, Baharspatya Neetistuti, Arthashastra etc. which focuses on good governance. All Upanishads, Vedas, and the Epic Kavyas like Mahabharata, Ramayana and Bhagwad Gita emphasize the essence of ethics being followed from within, be it Individual or be it the King or be it the whole kingdom. Further, all religious teachings or philosophical writing contain some directives on governance.

Ramayana: The Ramayana, the saga of Rama's life written by Valmiki, is widely acclaimed as among the greatest of all Indian epics. In fact, this famous Grantha carries useful tips on ethics and values, statecraft and politics, and even general and human resources management. With Rama Rajya as a model for good governance, the Ramayana is a must read for practitioners of statecraft.

Bhagwad Gita: In Bhagwad Gita, Lord Krishna details the divine treasure as fearlessness, purity of heart, steadfastness in knowledge and yoga, charity, self control, and sacrifice, study of scriptures, austerity and uprightness. The Bhagavad Gita emphasized the concept of duty and its importance for good leadership.

Mahabharata: Shanti Parva which is the part of Indian Epic Mahabharata recites the duties of the ruler, dharma and good governance, as counselled by the dying Bhishmato Yudhishthira and various Rishis. Shanti parva recites a theory of governance and duties of a leader. The Shanti parva dedicates over 100 chapters on duties of a king and rules of proper governance. A prosperous kingdom must be guided by truth and justice. The duty of a ruler and his cabinet is to enable people to be happy, pursue truth and act sincerely. The proper function of a ruler is to rule according to dharma; he should lead a simple life and he should not use his power to enjoy the luxuries of life. Shanti parva asserts rulers have a dharma (duty, responsibility) to help the upliftment of all living beings. The best law, claims Shanti parva, is one that enhances the welfare of all living beings, without injuring any specific group.

Arthashastra: Kautilya's Arthashastra maintains that for good governance, all administrators, including the king are considered servants of the people. Good governance and stability are completely linked. If rulers are responsive, accountable, removable, recallable, there is stability. If not there is instability. These tenets hold good even today.

Kautilya's fourfold duty of a king–	The substitution of the state with the corporation, the king with the CEO or the board of a corporation, and the subjects with the shareholders, bring out the quintessence of corporate governance, because central to the concept of corporate governance is the belief that public good should be ahead of private good and that the corporation's resources cannot be used for personal benefit.
Raksha	**Raksha –** literally means protection, in the corporate scenario it can be equated with the risk management aspect.

Vriddhi	**Vriddhi** – literally means growth, in the present day context can be equated to stakeholder value enhancement
Palana	**Palana** – literally means maintenance/compliance, in the present day context it can be equated to compliance to the law in letter and spirit.
Yogakshema	**Yogakshema** – literally means well being and in Kautilya's Arthashastra it is used in context of a social security system. In the present day context it can be equated to corporate social responsibility.

CORPORATE GOVERNANCE – CONTEMPORARY DEVELOPMENTS IN INDIA

"Corporate Governance is the acceptance by management of the in a lienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company."

Report of N. R. Narayana Murthy Committee on Corporate Governance constituted by SEBI (2003)

The initiatives taken by Government of India in 1991, aimed at economic liberalization, privatization and globalisation of the domestic economy, led India to initiate reform process in order to suitably respond to the developments taking place world over. On account of the interest generated by Cadbury Committee Report, the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry (ASSOCHAM) and, the Securities and Exchange Board of India (SEBI) constituted Committees to recommend initiatives in Corporate Governance.

1998 **Desirable Corporate Governance: A Code**	CII took a special initiative on Corporate Governance, the first institution initiative in Indian Industry. The objective was to develop and promote a code for Corporate Governance to be adopted and followed by Indian companies, whether in the Private Sector, the Public Sector, Banks or Financial Institutions, all of which are corporate entities. The final draft of the said Code was widely circulated in 1997. In April 1998, the Code was released. It was called Desirable Corporate Governance: A Code.
1999 **Kumar Mangalam Birla Committee**	The Securities and Exchange Board of India (SEBI) had set up a Committee on May 7, 1999 under the Chairmanship of Kumar Mangalam Birla to promote and raise standards of corporate governance. The Report of the committee was the first formal and comprehensive attempt to evolve a Code of Corporate Governance, in the context of prevailing conditions of governance in Indian companies, as well as the state of capital markets at that time. The recommendations of the Report, led to inclusion of Clause 49 in the Listing Agreement in the year 2000.
2000 **Task Force on Corporate Excellence through Governance**	In May 2000, the Department of Company Affairs [now Ministry of Corporate Affairs (MCA)] formed a broad-based study group under the chairmanship of Dr. P.L. Sanjeev Reddy, Secretary, DCA. The group was given the ambitious task of examining ways to "operationalise the concept of corporate excellence on a sustained basis", so as to "sharpen India's global competitive edge and to further develop corporate culture in the country". In November 2000, a Task Force on Corporate Excellence set up by the group produced a report containing a range of recommendations for raising governance standards among all companies in India. It also suggested the setting up of a Centre for Corporate Excellence.

2002 **Naresh Chandra Committee**	The Enron debacle of 2001 involving the hand-in-glove relationship between the auditor and the corporate client, the scams involving the fall of the corporate giants in the U.S. like the WorldCom, Qwest, Global Crossing, Xerox and the consequent enactment of the stringent Sarbanes Oxley Act in the U.S. were some important factors which led the Indian Government to wake up and in the year 2002, Naresh Chandra Committee was appointed to examine and recommend inter alia amendments to the law involving the auditor-client relationships and the role of independent directors.
2003 **N. R. Narayana Murthy Committee**	In the year 2002, SEBI analyzed the statistics of compliance with the clause 49 by listed companies and felt that there was a need to look beyond the mere systems and procedures if corporate governance was to be made effective in protecting the interest of investors. SEBI therefore constituted a Committee under the Chairmanship of Shri N. R. Narayana Murthy, for reviewing implementation of the corporate governance code by listed companies and for issue of revised clause 49 based on its recommendations.
2004 **Dr. J. J. Irani Committee on Company Law**	The Government constituted a committee under the Chairmanship of Dr. J. J. Irani, Director, Tata Sons, with the task of advising the Government on the proposed revisions to the Companies Act, 1956 with the objective to have a simplified compact law that would be able to address the changes taking place in the national and international scenario, enable adoption of internationally accepted best practices as well as provide adequate flexibility for timely evolution of new arrangements in response to the requirements of ever- changing business models. The Committee recommended that effective measures be initiated for protecting the interests of stakeholders and investors, including small investors, through legal basis for sound corporate governance practices. With a view to protect the interest of various stakeholders, the Committee also recommended the constitution of a "Stakeholders' Relationship Committee" and provision of duties of directors in the Act with civil consequences for non- performance.
2009 **CII's Task Force on Corporate Governance**	In 2009, CII's Task Force on Corporate Governance gave its report and suggested certain voluntary recommendations for industry to adopt.
2009 **Corporate Governance Voluntary Guidelines**	Inspired by the industry recommendations, the MCA, in late 2009, released a set of voluntary guidelines on corporate governance. The Guidelines were derived out of the unique challenges of the Indian economy, and took cognizance of the fact that all agencies need to collaborate together, to ensure that businesses flourish, even as they contribute to the wholesome and inclusive development of the country. The Guidelines emphasized that responsible businesses alone will be able to help India meet its ambitious goal of inclusive and sustainable all round development. It urged businesses to embrace the "triple bottom-line" approach whereby their financial performance could be harmonized with the expectations of society, the environment and the many stakeholders in a sustainable manner.
2010 **NASSCOM Recommendations**	Corporate Governance and Ethics Committee of the National Association of Software and Services Companies (NASSCOM) issued recommendations in mid-2010, focusing on the stakeholders of the company.

2012 **Policy Document on Corporate Governance**	The Ministry of Corporate Affairs constituted a Committee to formulate a Policy Document on Corporate Governance under the chairmanship of Mr. Adi Godrej with the President ICSI as Member Secretary/ Convenor. The Policy Document sought to synthesize the disparate elements in the diverse guidelines, draw on innovative best practices adopted by specific companies, incorporate current international trends and anticipate emerging demands on corporate governance in enterprises in various classes and scale of operations. The Adi Godrej Committee submitted its report which was articulated in the form of 17 Guiding Principles of Corporate Governance.
2013 **Companies Act**	The Companies Act, 2013 brought with it radical changes in the sphere of Corporate Governance in India. It provided a major overhaul in Corporate Governance norms and sought to have far-reaching implications on the manner in which corporate operates in India. The Act has since been amended thrice – in 2015, 2017 and 2019. The Amendments impacts different aspects of business management in India, including key structuring, disclosure, and compliance requirements.
2015 **SEBI (Listing Obligations and Disclosure Requirements) Regulations**	With a view to consolidate and streamline the provisions of the erstwhile listing agreements for different segments of the capital market and the provisions pertaining to listed entities with the Companies Act, 2013, the SEBI notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the listed entities having listed designated securities on recognized stock exchanges. The provisions of Corporate Governance in SEBI (LODR) Regulations, 2015 are discussed at relevant places in this study material.
2017 **Uday Kotak Committee**	The SEBI Committee on corporate governance was formed in June 2017 under the Chairmanship of Mr.Uday Kotak with the aim of improving standards of corporate governance of listed companies in India. With the aim of improving standards of Corporate Governance of listed companies in India, the Committee was requested to make recommendations to SEBI on the following issues: ● Ensuring independence in spirit of Independent Directors and their active participation in functioning of the company; ● Improving safeguards and disclosures pertaining to Related Party Transactions; ● Issues in accounting and auditing practices by listed companies; ● Improving effectiveness of Board Evaluation practices; ● Addressing issues faced by investors on voting and participation in general meetings; ● Disclosure and transparency related issues, if any; ● Any other matter, as the Committee deems fit pertaining to corporate governance in India. The Committee submitted its report to SEBI in October 2017. The recommendations of the Committee were given in 11 Chapters as follows: ● Composition and Role of the Board of Directors

- The Institution of Independent Directors
- Board Committees
- Enhanced Monitoring of Group Companies
- Promoters/Controlling Shareholders and Related Party Transactions
- Disclosures and Transparency
- Accounting and Audited related Issues
- Investors participation in Meetings of Listed Entities
- Governance aspects of Public Sector Enterprises
- Leniency Mechanism
- Capacity building in SEBI for enhancing Corporate Governance in Listed Entities

In its board meeting on March 27, 2018, SEBI, after detailed consideration and due deliberation, accepted several recommendations of the Kotak Committee without any modifications and accepted a few other recommendations with certain modifications as to timelines for implementation, applicability thresholds among others. Some of the major changes accepted relate to:

- Increasing Transparency -Enhanced Disclosure Requirements
- Disclosure of Utilization of Funds from Qualified Institutional Placement (QIP) / Preferential Issues
- Disclosures of Auditor Credentials, Audit Fee, Reasons for Resignation of Auditors
- Disclosure of Expertise/Skills of Directors
- Enhanced Disclosure of Related Party Transactions (RPT)-A
- Mandatory Disclosure of Consolidated Quarterly Results with effect from Financial Year 2019-2020-
- Reshaping the Institution of the Board of Directors and Enhancing the Role of Committees of the Board
- Separation of the office of the chairperson (i.e. the leader of the board) and CEO/MD (i.e. the leader of the management)
- Augmenting board strength and diversity
- Enhanced Quorum
- Capping the Maximum Number of Directorships
- Expanded Eligibility Criteria for Independent Directors
- Enhanced Role of committees
- Down-streaming Corporate Governance
- Enhanced Obligations on Listed Entities with Respect to Subsidiaries
- Secretarial Audit to be Mandatory for Listed Entities and their Material Unlisted Subsidiaries

2019 **National Guidelines on Responsible Business Conduct (NGRBC)**	Ministry of Corporate Affairs propounded the National Guidelines on Responsible Business Conduct (NGBRC). The NGRBC are designed to be used by all businesses, irrespective of their ownership, size, sector, structure or location. It is expected that all businesses investing or operating in India, including foreign multinational corporations (MNCs) will follow these guidelines. Correspondingly, the NGRBC also provide a useful framework for guiding Indian MNCs in their overseas operations, in addition to aligning with applicable local national standards and norms governing responsible business conduct. The principles of NGRBC are- 1. Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable. 2. Businesses should provide goods and services in a manner that is sustainable and safe 3. Businesses should respect and promote the well-being of all employees, including those in their value chains. 4. Businesses should respect the interests of and be responsive to all their stakeholders. 5. Businesses should respect and promote human rights. 6. Businesses should respect and make efforts to protect and restore the environment. 7. Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent. 8. Businesses should promote inclusive growth and equitable development. 9. Businesses should engage with and provide value to their consumers in a responsible manner.
2020 **Guidelines on Integrity and Transparency in Governance and Responsible Code of Conduct, The CII Code 2020**	Keeping in mind the leadership position that Indian industry is aiming and in view of the fact that companies have to continue to work towards ensuring that business priorities are complemented with responsible governance initiatives and ethical actions, CII brought out the mentioned guidelines. The recommendations made under the Guidelines on Integrity and Transparency in Governance and Responsible Code of Conduct are as under: 1. Integrity, Ethics and Governance. 2. Responsible Governance and Citizenship. 3. Role of High performing Board. 4. Balance Interests of Stakeholders. 5. Independent Directors and Women Directors. 6. Safe Harbours for Independent Directors: Easier settlement norms and amnesty provisions. 7. Risk Management.

	8. Succession Planning. 9. Role of the Audit Committee. 10. Improving audit quality, and enhancing accountability of third parties who play a fiduciary role. 11. Disclosure and transparency related issues. 12. Vigil Mechanism. 13. Stakeholder, Vendor and Customer Governance. 14. Investor Activism. 15. Start-ups and MSMEs.
2020 **Report of the Committee on Business Responsibility Reporting**	In 2018, while the NVGs were being updated, it was decided that the SEBI-BRR framework should also be revised to reflect the changes made in the base document. The Secretary, Corporate Affairs, constituted a Committee under the chairmanship of Joint Secretary, MCA, to prepare the Business Responsibility Reporting (BRR) formats for both, listed and unlisted companies. The Committee followed certain principles for developing the proposed formats: 1. The base document was the Business Responsibility Reporting Framework in Chapter 5 of NGRBCs. 2. The NGRBC-BRR framework was examined in the context of the current SEBI-BRR filings, SDGs, UNGPs, and the prevalent non-financial reporting frameworks to formulate a holistic, all-encompassing format containing the essential elements of non-financial sustainability reporting. 3. The formats were developed to serve as a single comprehensive source of non-financial, sustainability information relevant to all business stakeholders - investors, shareholders, regulators, and public at large. 4. The formats were developed to be simple, and mindful of the burden and cost of compliance by businesses so as not be onerous or repetitive. 5. The information sought in the formats is a mix of quantitative and qualitative data. Quantitative data allows for easy measurement and comparability across companies, sectors, and in time. Qualitative data helps capture the unique ways in which organisations have implemented and embedded responsible business conduct. These may be adopted and adapted by other businesses to their contexts. 6. The formats were developed for all companies - listed as well as unlisted. However, different reporting requirements have been considered for different classes of companies, especially smaller companies. 7. The formats were developed as questionnaires which allow businesses to disclose aspects material to them, are amenable to measurement, comparable, reliable, and, machine readable. 8. The formats were developed with a view to be filled electronically and integrated with the MCA21 database.

INTERNATIONAL REGULATORY FRAMEWORK

Sl. No.	*Description*
1.	U.K Stewardship Code 2020
2.	Sarbanes-Oxley Act, 2002
3.	U.K Corporate Governance Code, 2018
4.	Corporate Governance Principles and Recommendations, Australia, 2019
5.	Code of Corporate Governance, Singapore, 2018
6.	King IV Report on Corporate Governance, South Africa, 2016
7.	OECD Principles of Corporate Governance
8.	Finnish Corporate Governance Code 2020
9.	Italian Corporate Governance Code
10.	Principles of Responsible Institutional Investors- Japanese Stewardship Code

STAGES OF CORPORATE GOVERNANCE ACROSS GLOBE

Stages of Development of Corporate Governance in USA

After World War II, the United States of America (USA) experienced strong economic growth, which had a strong impact on the history of corporate governance. Corporations were thriving and growing rapidly. In the 1970s, the Securities and Exchange Commission (SEC) brought the issue of corporate governance to the forefront when they took a stance on official corporate governance reforms. In 1976, the term "corporate governance" first appeared in the Federal Register, the official journal of the federal government.

Years	*Developments*
1977 The Foreign Corrupt Practices Act	Provided for specific provisions regarding establishment, maintenance and review of systems of internal control.
1979 US Securities Exchange Commission	Prescribed mandatory reporting on internal financial controls.
1985 Treadway commission	Emphasized the need of putting in place a proper control environment, desirability of constituting independent boards and its committees and objective internal audit function. As a consequence, the Committee of Sponsoring Organisations (COSO) took birth.
1992 COSO issued Internal Control – Integrated Framework.	The Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued Internal Control – Integrated Framework. It is a framework "to help businesses and other entities assess and enhance their internal control systems".

2002 Sarbanes – Oxley (SOX) Act	The Act made fundamental changes in virtually every aspect of corporate governance in general and auditor independence, conflict of interests, corporate responsibility, enhanced financial disclosures and severe penalties for willful default by managers and auditors, in particular.
The Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010	The Dodd-Frank Act places strict regulations on lenders and banks in an effort to protect consumers and prevent another all-out economic recession. Dodd-Frank also created several new agencies to oversee the regulatory process and implement certain changes.

Development of Corporate Governance in Union Kingdom (UK)

1992 Cadbury Report	The Committee on the Financial Aspects of Corporate Governance under the chairmanship of Sir Adrian Cadbury was set up in May 1991 by the Financial Reporting Council, the Stock Exchange and the accountancy profession in response to continuing concerns about standards of financial reporting and accountability, particularly in light of the BCCI and Maxwell cases. The Committee submitted its report in 1992 and developed a set of principles of good corporate governance which were incorporated into the London Stock Exchange (LSE)'s Listing Rules. It also introduced the principle of 'comply or explain'. It made the following three basic recommendations:
	• the CEO and Chairman of companies should be separated; • boards should have at least three non-executive directors, two of whom should have no financial or personal ties to executives; and • each board should have an audit committee composed of non- executive directors.
1995 Greenbury Report	The Confederation of British Industry constituted a group under the chairmanship of Sir Richard Greenbury to make recommendations on Directors' Remuneration. The group submitted its report in 1995, its major findings were as under: • Constitution of a Remuneration Committee comprising of Non- Executive Directors • Responsibility of this committee in determining the remuneration of CEO and executive directors • Responsibility of the committee in determining the remuneration policy. • Level of disclosure to shareholders regarding the remuneration of directors'. • Remuneration should be linked more explicitly to performance. These findings were incorporated in Code of Best Practice on Directors' Remuneration of the Report. The majority of the recommendations were incorporated in Listing Rules of London Stock Exchange.
1998 Hampel Report	The Hampel Committee was established in November, 1995 to review and revise the earlier recommendations of the Cadbury and Greenbury Committees. An important development was in the area of accountability and audit. The Board was identified as having responsibility to maintain a sound system of internal control,

	thereby safeguarding shareholders' investments. Further, the Board was to be held accountable for all aspects of risk management. Recommendations of this Report and further consultations by the London Stock Exchange became the Combined Code on Corporate Governance.
1998 Combined Code Corporate Governance	The resulting Hampel Report led to the publication of Combined Code which applied to all listed companies. It added that: ● the Chairman of the board should be seen as the "leader" of the non- executive directors; ● institutional investors should be responsible to make considered use of their vote; and ● all kinds of remuneration including pensions should be disclosed.
1999 Turnbull Report	The Turnbull Committee was established to provide direction on the internal control requirements of the Combined Code, including how to carry out risk management. The report informs directors of their obligations under the Combined Code with regard to keeping good "internal controls" in their companies, or having good audits and checks to ensure the quality of financial reporting and catch any fraud before it becomes a problem. Turnbull Committee published **"Internal Control Guidance for Directors on Combined Code".**
2001 Myners : Review of Institutional Investment	Paul Myners **'Institutional Investment in the UK: A Review'** published in 2001, was commissioned by the Government, 'to consider whether there were factors distorting the investment decision-making of institutions.' The analysis contained in the Report pointed to a number of problems with the existing structures used by the various types of institutional investors to make investment decisions.
2003 Higgs Report	Sir Derek Higgs was commissioned by the UK Government to review the roles of independent directors and of audit committees. The resulting Report proposed that: ● at least half of a board (excluding the Chair) be comprised of non- executive directors; ● that the non-executives should meet at least once a year in isolation to discuss company performance; ● that a senior independent director be nominated and made available for shareholders to express any concerns to; and ● that potential non-executive directors should satisfy themselves that they possess the knowledge, experience, skills and time to carry out their duties with due diligence.
2003	The Financial Reporting Council published the Smith Report, "Guidance on Audit Committees". The Tyson Report on the recruitment and development of non- executive directors commissioned by the Department of Trade and Industry.

2009 Walker Review of Corporate Governance of UK Banking Industry	The principal focus of this Review was on banks, but many of the issues arising, and associated, conclusions and recommendations, are relevant – if in a lesser degree – for other major financial institutions such as life assurance companies. The terms of reference were as follows: *"To examine corporate governance in the UK banking industry and make recommendations, including in the following areas: the effectiveness of risk management at board level, including the incentives in remuneration policy to manage risk effectively; the balance of skills, experience and independence required on the boards of UK banking institutions; the effectiveness of board practices and the performance of audit, risk, remuneration and nomination committees; the role of institutional shareholders in engaging effectively with companies and monitoring of boards; and whether the UK approach is consistent with international practice and how national and international best practice can be promulgated."*
2011 Sharman Inquiry	The Financial Reporting Council announced the launch of an enquiry led by Lord Sharman to identify lessons for companies and auditors addressing going concern and liquidity risk.
2018 UK Corporate Governance Code	In November 2016, the Department for Business, Energy and Industrial Strategy (BEIS) published a Green Paper on corporate governance reforms which focused on executive pay and strengthening the voice of employees and other stakeholders in the boardroom. Consequently, FRC made an announcement in February 2017 to take account of the issues raised in the BEIS Green Paper by undertaking a fundamental review of UK Code of Corporate Governance.
	On 29 August 2017, the Government identified a number of proposals that it intended to take forward, including inviting the FRC to initiate a consultation with the aim of revising the UK Corporate Governance Code in a number of key areas. On 5 December, 2017 the FRC published for consultation proposed revisions to the UK Corporate Governance Code and Guide on Board Effectiveness. The Financial Reporting Council (FRC) published its new 2018 UK Corporate Governance Code (2018 Code) on July 16, 2018, together with revised Guidance on Board Effectiveness (Guidance) which supplements the 2018 Code by suggesting good practice to assist companies in applying the 2018 Code's Principles and reporting on that application. The 2018 Code sets higher standards of corporate governance in the UK so as to promote transparency and integrity in business and, at the same time, attract investment in the UK in the long-term, benefiting the economy and wider society. The 2018 Code emphasizes the importance of positive relationships between companies, shareholders and stakeholders, a clear purpose and strategy aligned with healthy corporate culture, high quality board composition and a focus on diversity, and remuneration which is proportionate and supports long-term success.

2020 The UK Stewardship Code 2020	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The UK Stewardship Code 2020 is a substantial and ambitious revision to the 2012 edition of the Code which took effect from 1 January 2020.The UK Stewardship Code 2020 (the Code) sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code comprises a set of 'apply and explain' Principles for asset managers and asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy. The Code consists of 12 Principles for asset managers and asset owners, and 6 Principles for service providers.

CORPORATE GOVERNANCE CODES IN MAJOR JURISDICTIONS ACROSS THE WORLD

Corporate governance is a critical factor in economic stability and organisational success. In the last few decades, many emerging markets, international bodies, governments, financial institutions, public and private sector bodies have reformed their corporate governance systems and are encouraging debate and spearheading initiatives towards good corporate governance. Better regulatory and self-regulatory corporate governance frameworks and enforcement mechanisms are being implemented through tougher legislations and Corporate Governance Codes.

The legislative framework of corporate governance adopted by some countries like USA, UK, Australia, Singapore and South Africa are discussed below.

Corporate Governance Framework in USA

The companies in U.S are governed by a variety of legal regimes relating to corporate governance matters. These consist of state laws and federal statutory rules and regulations of various government agencies including rules promulgated by U.S. Securities and Exchange Commission (the SEC) and self regulatory organizations such as stock exchanges that impose requirements on companies whose securities are listed on such stock exchanges.

The primary sources of federal rules and regulations include the Securities Act of 1933 and the Securities Exchange Act of 1934 and the regulations framed under those Acts.

Other regulations imposing disclosure and compliance requirements include the Sarbanes Oxley Act of 2002 and the Dodd-Frank Wall Street reform and Consumer Protection Act of 2010.

Also, major stock exchanges like NYSE and NASDAQ provides for the rules pertaining to corporate governance matters which companies must comply as a condition to being listed on the stock exchange.

U.S. Securities and Exchange Commission (SEC): The aim of U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC oversees the key participants in the securities world, including securities exchanges, securities brokers and dealers, investment advisors, and mutual funds. The SEC is concerned primarily with promoting the disclosure of important market- related information, maintaining fair dealing, and protecting against fraud.

Sarbanes-Oxley Act of 2002

In 2002, the United States Congress passed the Sarbanes-Oxley Act (SOX) to protect shareholders and the general public from accounting errors and fraudulent practices in enterprises, and to improve the accuracy of corporate disclosures. Congressmen Paul Sarbanes and Michael Oxley drafted the act with the goal of improving corporate governance and accountability, in light of the financial scandals that occurred at Enron, WorldCom, and Tyco, among others.

The act sets deadlines for compliance and publishes rules on requirements. The Act mandated a number of reforms to enhance corporate responsibility, enhance financial disclosures and combat corporate and accounting fraud, and also created the "Public Company Accounting Oversight Board," also known as the PCAOB, to oversee the activities of the auditing profession. The Act became effective since 2006 for all publicly-traded companies which are required to implement and report to the SEC for compliance. In addition, certain provisions of Sarbanes-Oxley also apply to privately-held companies.

The summary highlights of the most important Sarbanes-Oxley sections for compliance are listed below.

SOX Section 302 Corporate Responsibility for Financial Reports	a) CEO and CFO must review all financial reports. b) Financial report does not contain any misrepresentations. c) Information in the financial report is "fairly presented". d) CEO and CFO are responsible for the internal accounting controls. e) CEO and CFO must report any deficiencies in internal accounting controls, or any fraud involving the management of the audit committee. f) CEO and CFO must indicate any material changes in internal accounting controls.
SOX Section 401 Disclosures in Periodic Reports	All financial statements and their requirement to be accurate and presented in a manner that does not contain incorrect statements or admit to state material information. Such financial statements should also include all material off-balance sheet liabilities, obligations, and transactions.
SOX Section 404 Management Assessment of Internal Controls	All annual financial reports must include an Internal Control Report stating that management is responsible for an "adequate" internal control structure, and an assessment by management of the effectiveness of the control structure. Any shortcomings in these controls must also be reported. In addition, registered external auditors must attest to the accuracy of the company management's assertion that internal accounting controls are in place, operational and effective.
SOX Section 409 Real Time Issuer Disclosures	Companies are required to disclose on a almost real-time basis information concerning material changes in its financial condition or operations.
SOX Section 802 Criminal Penalties for Altering Documents	This section specifies the penalties for knowingly altering documents in an ongoing legal investigation, audit, or bankruptcy proceeding.

SOX Section 806 Protection for Employees of Publicly Traded Companies Who Provide Evidence of Fraud	This section deals with whistleblower protection.
SOX Section 902 Attempts & Conspiracies to Commit Fraud Offenses	It is a crime for any person to corruptly alter, destroy, mutilate, or conceal any document with the intent to impair the object's integrity or availability for use in an official proceeding.
SOX Section 906 Corporate Responsibility for Financial Reports	Section 906 addresses criminal penalties for certifying a misleading or fraudulent financial report. Under SOX 906, penalties can be upwards of $5 million in fines and 20 years in prison.

SEC proposal on corporate Climate Related Disclosures

On March 21, 2022 the U.S. Securities and Exchange Commission proposed rule changes requiring companies to disclose certain climate-related information, ranging from greenhouse gas emissions to expected climate risks to transition plans. Drawing from the TCFD framework, the proposals would provide investors with consistent, comparable, and decision-useful information for making investment decisions, and consistent and clear reporting obligations for issuers.

Highlights of the SEC's Climate Disclosure Proposal

- Climate-related risks and their actual or likely material impacts on business, strategy, and outlook.
- Details about governance practices on climate-related risks and relevant risk management processes.
- Scope 1 and Scope 2 greenhouse gas emissions, which would require attestation reports for accelerated filers.
- Scope 3 emissions if either of two conditions are present: 1) If Scope 3 emissions are material to the company or 2) if the company has set an emissions target or goal that includes Scope 3 emissions.
- Certain climate-related financial statement metrics and related disclosures in a note to audited financial statements.
- Information about climate-related targets and goals, and transition plan, if any.

Section 303A Corporate Governance Standards- NYSE

General Application

Companies listed on the Exchange must comply with certain standards regarding corporate governance as codified in the Section 303A. Consistent with the NYSE's traditional approach, as well as the requirements of the Sarbanes-Oxley Act of 2002, certain provisions of Section 303A are applicable to some listed companies but not to others.

Equity Listings

Section 303A applies in full to all companies listing common equity securities, with the following exceptions:

Controlled Companies

A listed company of which more than 50% of the voting power is held by an individual, a group or another company need not comply with the requirements of Sections 303A.01, .04 or .05. A controlled company that chooses to take advantage of any or all of these exemptions must disclose that choice, that it is a controlled company and the basis for the determination in its annual proxy statement or, if the company does not file an annual proxy statement, in the company's annual report on Form 10-K filed with the SEC. Controlled companies must comply with the remaining provisions of Section 303A.

Limited Partnerships and Companies in Bankruptcy

Due to their unique attributes, limited partnerships and companies in bankruptcy proceedings need not comply with the requirements of Sections 303A.01, .04 or .05. However, all limited partnerships (at the general partner level) and companies in bankruptcy proceedings must comply with the remaining provisions of Section 303A.

Closed-End and Open-End Funds

The Exchange considers the significantly expanded standards and requirements provided for in Section 303A to be unnecessary for closed-end and open-end management investment companies that are registered under the Investment Company Act of 1940, given the pervasive federal regulation applicable to them. However, closed-end funds must comply with the requirements of Sections 303A.06, .07(a) and (c), and .12.

Note, however, that in view of the common practice to utilize the same directors for boards in the same fund complex, closed-end funds will not be required to comply with the disclosure requirement in the second paragraph of the Commentary to 303A.07(a), which calls for disclosure of a board's determination with respect to simultaneous service on more than three public company audit committees. However, the other provisions of that paragraph will apply. Business development companies, which are a type of closed-end management investment company defined in Section 2(a)(48) of the Investment Company Act of 1940 that are not registered under that Act, are required to comply with all of the provisions of Section 303A applicable to domestic issuers other than Sections 303A.02 and .07(b). For purposes of Sections 303A.01, .03, .04, .05, and .09, a director of a business development company shall be considered to be independent if he or she is not an "interested person" of the company, as defined in Section 2(a)(19) of the Investment Company Act of 1940. As required by Rule 10A-3 under the Exchange Act, open-end funds (which can be listed as Investment Company Units, more commonly known as Exchange Traded Funds or ETFs) are required to comply with the requirements of Sections 303A.06 and .12(b) and (c).

Rule 10A-3(b)(3)(ii) under the Exchange Act requires that each audit committee must establish procedures for the confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters. In view of the external management structure often employed by closed-end and open-end funds, the Exchange also requires the audit committees of such companies to establish such procedures for the confidential, anonymous submission by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the management company, as well as employees of the management company. This responsibility must be addressed in the audit committee charter.

Other Entities

Except as otherwise required by Rule 10A-3 under the Exchange Act (for example, with respect to open-end funds), Section 303A does not apply to passive business organizations in the form of trusts (such as royalty trusts) or to derivatives and special purpose securities (such as those described in Sections 703.16, 703.19, 703.20 and 703.21). To the extent that Rule 10A-3 applies to a passive business organization, listed derivative or special purpose security, such entities are required to comply with Sections 303A.06 and .12(b).

Foreign Private Issuers

Listed companies that are foreign private issuers (as such term is defined in Rule 3b-4 under the Exchange Act) are permitted to follow home country practice in lieu of the provisions of this Section 303A, except that such companies are required to comply with the requirements of Sections 303A.06, .11 and .12(b) and (c).

Preferred and Debt Listings

Section 303A does not generally apply to companies listing only preferred or debt securities on the Exchange. To the extent required by Rule 10A-3 under the Exchange Act, all companies listing only preferred or debt securities on the NYSE are required to comply with the requirements of Sections 303A.06 and .12(b) and (c).

UK Corporate Governance Code, 2018

The Financial Reporting Council (FRC), an independent regulator in the UK and Ireland, is responsible for regulating auditors, accountants and actuaries and promotes transparency and integrity in business. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries.

The FRC published its new **2018 UK Corporate Governance Code (2018 Code)** on July 16, 2018, together with revised **Guidance on Board Effectiveness** which supplements the 2018 Code by suggesting good practice to assist companies in applying the 2018 Code's Principles and reporting on that application.

The Code is applicable to all companies with a premium listing, whether incorporated in the UK or elsewhere. The new Code applies to accounting periods beginning on or after 1 January 2019.

The 2018 Code sets out the principles by which the board of directors should promote the purpose, values and future success of the company. The Code sets out standards of good practice in relation to issues such as leadership, effectiveness, accountability, remuneration, and relations with shareholders. The Code does not set out a rigid set of rules; instead it offers flexibility through the application of Principles and through 'comply or explain' Provisions and supporting guidance. It is the responsibility of boards to use this flexibility wisely and of investors and their advisors to assess differing company approaches thoughtfully.

The Listing Rules require companies to explain how they have applied the main principles of the Code and the extent to which they have complied with the detailed provisions. The main principles provided in the code are given hereunder.

Heading	***Principles***
BOARD LEADERSHIP AND COMPANY PURPOSE	A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture. C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties. E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Heading	*Principles*
DIVISION OF RESPONSIBILITIES	F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information. G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business. H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.
COMPOSITION, SUCCESSION AND EVALUATION	J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management.4 Both appointments and succession plans should be based on merit and objective criteria5 and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed. L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.
AUDIT, RISK AND INTERNAL CONTROL	M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. N. The board should present a fair, balanced and understandable assessment of the company's position and prospects. O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long- term strategic objectives.
REMUNERATION	P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

Heading	Principles
	Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management10 remuneration should be established. No director should be involved in deciding their own remuneration outcome. R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Corporate Governance Principles and Recommendations, Australia - 2019

The ASX Corporate Governance Council ("Council"), convened in August 2002 is the organisation which brings together various business, shareholder and industry groups, each offering valuable insights and expertise on governance issues from the perspective of their particular stakeholders. Its primary work has been the development of the Principles and Recommendations.

The Corporate Governance Principles and Recommendations ("Principles and Recommendations") were first introduced in 2003. A second edition was published in 2007 and a third in 2014. In 2017, the Council agreed that it was an appropriate time to commence work on a fourth edition of the Principles and Recommendations to address emerging issues around culture, values and trust, fuelled by recent examples of conduct by some listed entities falling short of community standards and expectations.

The fourth edition comes into force for financial years commencing on or after 1 January 2020.

These Principles and Recommendations set out recommended corporate governance practices for entities admitted to the ASX official list as an ASX listing, regardless of the legal form they take, whether they are established in Australia or elsewhere, and whether they are internally or externally managed. The Principles and Recommendations are not mandatory and do not seek to prescribe the corporate governance practices that a listed entity must adopt.

The "if not, why not" approach is fundamental to the operation of the Principles and Recommendations. This approach ensures that the market receives an appropriate level of information about the entity's governance arrangements so that investors and other stakeholders can have a meaningful dialogue with the board and management on governance matters and can factor the information provided into their decision on whether or not to invest in the entity and how to vote on particular resolutions.

The Principles and Recommendations are structured around, and seek to promote, 8 central principles. There are 35 specific recommendations of general application intended to give effect to these principles, as well as 3 additional recommendations that only apply in certain limited cases.

8 Central Principles

1. **Lay solid foundations for management and oversight:** A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

2. **Structure the board to be effective and add value:** The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

3. **Instill a culture of acting lawfully, ethically and responsibly:** A listed entity should instill and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

4. **Safeguard the integrity of corporate reports:** A listed entity should have appropriate processes to verify the integrity of its corporate reports.

5. **Make timely and balanced disclosure:** A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

6. **Respect the rights of security holders:** A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

7. **Recognise and manage risk:** A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

8. **Remunerate fairly and responsibly:** A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

New Code of Corporate Governance, Singapore - 2018

The Code of Corporate Governance which is applicable to listed companies in Singapore on a comply-or-explain basis, first came into effect on 1 January 2003.

The Code aims to promote high levels of corporate governance in Singapore by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply. The Practice Guidance complements the Code by providing guidance on the application of the Principles and Provisions and setting out best practices for companies. Adoption of the Practice Guidance is voluntary.

This version of the Code, has at its core broad Principles of corporate governance. Compliance with, and observation of, these Principles is mandatory. These Principles set out broadly accepted characteristics of good corporate governance. Companies are required to describe their corporate governance practices with reference to both the Principles and Provisions, and how the company's practices conform to the Principles.

Principles

1. The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

2. The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

3. There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

4. The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

5. The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

6. The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

7. The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

8. The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.
9. The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.
10. The Board has an Audit Committee ("AC") which discharges its duties objectively.
11. The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.
12. The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.
13. The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

In terms of the corporate governance practices, the new Code has made some notable changes, including:

Director Independence and Director Nomination Processes

- From January 1, 2022, independent directors will have a tenure limit of nine years. Where an independent director has served nine consecutive years of service, continuation on the board as an independent director will be subject to a two-tier vote from (i) all shareholders; and (ii) all shareholders, excluding directors, the chief executive officer, and their associates.
- From January 1, 2022, boards must be majority independent where the board chair is not independent, and the Code establishes that regardless of board chair, non-executive directors will need to comprise the majority of boards.
- Companies will be required to disclose the criteria used for selecting, appointing, and re-appointing directors. The criteria will also include disclosure of director relationships and time commitments, including outside board directorships and other professional obligations.
- The threshold to qualify as a "substantial shareholder" will now be 5% of issued share capital, previously 10%.

Remuneration Matters

- Companies must disclose how the board and key management personnel's remuneration are appropriate and proportionate to a company's sustained performance and value creation, as based on a company's strategic objectives.
- Annual reports will include the disclosure of remuneration for each director and CEO, aligned with the top five key management personnel in bands no wider than $250,000. Companies will also need to disclose the names and remuneration of substantial shareholders, or immediate family members if their remuneration exceeds $100,000 per year, along with the familial relationship to a director and/or CEO.

Audit, Risk Management, and Internal Controls

- Companies may choose to establish a separate board-level risk committee.
- While there will only be a two-year look back for former audit partners serving as a director, audit

committees should meet independently with external and internal auditors without the presence of management at least annually.

Shareholder Rights and Engagement

- Companies should present proposals at general meetings that are not “bundled”; if any proposals are linked or interdependent, the company should disclose an explanation, including material implications, in the notice of meeting.
- Shareholders would gain the ability to abstain from voting, provided a company’s Constitution or other documents allow for such a voting option.
- Improved disclosure on board and shareholder communication, as part of policies to promote communication with shareholders.
- The development of new mechanisms to enable shareholders to contact companies with questions.
- Strengthened policies regarding engagement with stakeholder groups, including the role of corporate websites to communicate with stakeholders.

The Code also calls for the formation of a Corporate Governance Committee to promote industry-led good corporate practice. As for compliance, the Code is based on a comply-or-explain basis, while any variation from the Code will require explicit explanations from companies as to how the intent of their practices aligns with Code principles.

King IV Report on Corporate Governance, South Africa – 2016

The King Committee, a private-sector body comprising of former South African Supreme Court Judge, Mervyn King was formed in 1992, to draft corporate governance guidelines. Four reports have been issued by the King Committee since then –

- (King I), 1994
- (King II), 2002
- (King III), 2009 and
- (King IV) 2016.

King IV is structured as a Report that includes a Code, with additional, separate sector supplements for SME’s, NPO’s, State-Owned Entities, Municipalities and Retirement Funds. The King Code contains both principles and recommended practices aimed at achieving governance outcomes.

King IV requires an “Apply AND Explain” approach to disclosure, as opposed to King III which was ‘Apply or Explain’. This means that application of the principles is assumed and that an explanation is disclosed on the practices that have been implemented and how these support achieving the associated governance principle.

Whilst King IV is voluntary (unless prescribed by law or a stock exchange Listings Requirement) it is envisaged that it will be applicable to all organisations irrespective of their form or manner of incorporation.

The objectives of King IV are to:

- Promote corporate governance as integral to running an organisation and delivering governance outcomes such as ethical culture, good performance, effective control and legitimacy.
- Broaden the acceptance of the King IV by making it accessible and fit for implementation across a variety of sectors and organisational types.
- Reinforce corporate governance as a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner.

- Encourage transparent and meaningful reporting to stakeholders.
- Present corporate governance as concerned with not only structure and process, but also with an ethical and consciousness and conduct.

King IV Principles

GOVERNANCE ELEMENT	*PRINCIPLES*
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP	1. The governing body should lead ethically and effectively. 2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. 3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.
STRATEGY, PERFORMANCE AND REPORTING	4. The governing body should appreciate that the organisation' score purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. 5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.
GOVERNING STRUCTURES AND DELEGATION	6. The governing body should serve as the focal point and custodian of corporate governance in the organisation. 7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. 8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties. 9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness. 10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.
GOVERNANCE FUNCTIONAL AREAS	11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives. 12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

GOVERNANCE ELEMENT	PRINCIPLES
	13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen. 14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. 15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.
STAKEHOLDER RELATIONSHIPS	16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. 17. The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.

OECD PRINCIPLES OF CORPORATE GOVERNANCE

Good corporate governance is not an end in itself. It is a means to create market confidence and business integrity, which in turn is essential for companies that need access to equity capital for long term investment. Access to equity capital is particularly important for future oriented growth companies and to balance any increase in leveraging. The updated G20/OECD Principles of Corporate Governance (the Principles) therefore provide a very timely and tangible contribution to the G20 priority in 2015 to support investment as a powerful driver of growth.

The Principles are also about inclusiveness. Today, millions of households around the world have their savings in the stock market, directly or indirectly. And publicly listed companies provide for more than 200 million jobs. The Principles also address the rights of these stakeholders and their ability to participate in corporate wealth creation.

> "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."
>
> **G20/OECD Principles of Corporate Governance**

The Principles were originally developed by the OECD in 1999 and further updated in 2004. Following the request by the G20 Finance Ministers and Central Bank Governors at their meeting on 9-10 February 2015 in Istanbul, a draft of the revised Principles was presented and discussed at the G20/OECD Corporate Governance Forum in Istanbul on 10 April 2015 where they found broad support among participants. The Principles were subsequently presented at the May and August 2015 meetings of the G20 Investment and Infrastructure Working Group. The OECD Council adopted the Principles on 8 July 2015. The Principles were then submitted to the G20 Finance Ministers and Central Bank Governors meeting in Ankara 4-5 September for endorsement as joint G20/ OECD Principles and transmission to the G20 Leaders Summit in November 2015.

The Principles provide guidance through recommendations and annotations across six chapters.

I. Ensuring the basis for an effective corporate governance framework:

The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement:

A. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and well-functioning markets.

B. The legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable.

C. The division of responsibilities among different authorities should be clearly articulated and designed to serve the public interest.

D. Stock market regulation should support effective corporate governance.

E. Supervisory, regulatory and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.

F. Cross-border co-operation should be enhanced, including through bilateral and multilateral arrangements for exchange of information.

II. The rights and equitable treatment of shareholders and key ownership functions:

The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights:

A. Basic shareholder rights should include the right to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant and material information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect and remove members of the board; and 6) share in the profits of the corporation.

B. Shareholders should be sufficiently informed about, and have the right to approve or participate in, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional shares; and 3) extraordinary transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company.

C. Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings:

1. Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.

2. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

3. Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.

4. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known, including through votes at shareholder meetings, on the remuneration of board members and/or key executives, as applicable. The equity component of compensation schemes for board members and employees should be subject to shareholder approval.

5. Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.

6. Impediments to cross border voting should be eliminated.

D. Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.

E. All shareholders of the same series of a class should be treated equally. Capital structures and arrangements that enable certain shareholders to obtain a degree of influence or control disproportionate to their equity ownership should be disclosed.

1. Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in economic or voting rights should be subject to approval by those classes of shares which are negatively affected.

2. The disclosure of capital structures and control arrangements should be required.

F. Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.

1. Conflicts of interest inherent in related-party transactions should be addressed.

2. Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

G. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self dealing should be prohibited.

H. Markets for corporate control should be allowed to function in an efficient and transparent manner.

1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.

2. Anti-take-over devices should not be used to shield management and the board from accountability.

III. Institutional investors, stock markets, and other intermediaries:

The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance:

A. Institutional investors acting in a fiduciary capacity should disclose their corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.

B. Votes should be cast by custodians or nominees in line with the directions of the beneficial owner of the shares.

C. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.

D. The corporate governance framework should require that proxy advisors, analysts, brokers, rating agencies and others that provide analysis or advice relevant to decisions by investors, disclose and minimise conflicts of interest that might compromise the integrity of their analysis or advice.

E. Insider trading and market manipulation should be prohibited and the applicable rules enforced.

F. For companies who are listed in a jurisdiction other than their jurisdiction of incorporation, the applicable corporate governance laws and regulations should be clearly disclosed. In the case of cross listings, the criteria and procedure for recognising the listing requirements of the primary listing should be transparent and documented.

G. Stock markets should provide fair and efficient price discovery as a means to help promote effective corporate governance.

IV. The role of stakeholders in corporate governance:

The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises:

A. The rights of stakeholders that are established by law or through mutual agreements are to be respected.

B. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

C. Mechanisms for employee participation should be permitted to develop.

D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.

E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities and their rights should not be compromised for doing this.

F. The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.

V. Disclosure and transparency:

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company:

A. Disclosure should include, but not be limited to, material information on:

1. The financial and operating results of the company.
2. Company objectives and non-financial information.
3. Major share ownership, including beneficial owners, and voting rights.

4. Remuneration of members of the board and key executives.
5. Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.
6. Related party transactions.
7. Foreseeable risk factors.
8. Issues regarding employees and other stakeholders.
9. Governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented.

B. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting.

C. An annual audit should be conducted by an independent, competent and qualified, auditor in accordance with high-quality auditing standards in order to provide an external and objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects.

D. External auditors should be accountable to the shareholders and owe a duty to the company to exercise due professional care in the conduct of the audit.

E. Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users.

VI. The responsibilities of the board:

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders:

A. Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.

B. Where board decisions may affect different shareholder groups differently, the board should treat all shareholders fairly.

C. The board should apply high ethical standards. It should take into account the interests of stakeholders.

D. The board should fulfil certain key functions, including:

1. Reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.
2. Monitoring the effectiveness of the company's governance practices and making changes as needed.
3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.

5. Ensuring a formal and transparent board nomination and election process.
6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
7. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
8. Overseeing the process of disclosure and communications.

E. The board should be able to exercise objective independent judgement on corporate affairs.

1. Boards should consider assigning a sufficient number of nonexecutive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration.
2. Boards should consider setting up specialised committees to support the full board in performing its functions, particularly in respect to audit, and, depending upon the company's size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.
3. Board members should be able to commit themselves effectively to their responsibilities.
4. Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences.

F. In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.

G. When employee representation on the board is mandated, mechanisms should be developed to facilitate access to information and training for employee representatives, so that this representation is exercised effectively and best contributes to the enhancement of board skills, information and independence.

The Finnish Corporate Governance Code, 2020

The new Corporate Governance Code for Finnish listed companies ("2020 CG Code") entered into force from 01 January 2020 replacing the previous CG Code applied since 2016 ("2015 CG Code"). The purpose of the Corporate Governance Code is to harmonise the procedures of listed companies and to promote openness with regard to corporate governance and remuneration. From the perspective of a shareholder and an investor, the Corporate Governance Code increases the transparency of corporate governance and the ability of shareholders and investors to evaluate the practices applied by individual companies. The Corporate Governance Code also provides investors with an overview of the kinds of corporate governance practices that are acceptable for Finnish listed companies.

While the number of recommendations in the 2020 CG Code has decreased, the 2020 CG Code introduces additional requirements on listed companies, in particular in relation to remuneration and related party transactions as required by the Shareholders' Rights Directive and the national rules implementing the Directive. The 2020 CG Code also introduces changes to the recommendation concerning the audit committee and clarifications to the recommendation concerning the assessment and disclosure of independence of board members. For example, the company's remuneration statement has been replaced by the remuneration policy for governing bodies ("remuneration policy") and remuneration report for governing bodies ("remuneration report"), which are supplemented by information provided on the company's website. The remuneration policy and report concern the company's board of directors, supervisory board, if any, and the managing director and deputy managing director. Information on the remuneration of the rest of the management team will in future be provided on the company's website. The remuneration reporting section also includes a checklist to clarify the reporting obligations. Similarly, the board must in future report which of the board members are independent of the company and which are independent of the company's significant shareholders. In addition, the reasoning for determining that a board member is not independent must also be reported. The criteria to be taken into account in the overall assessment of independence have also been supplemented so that under the interpretation of the criteria, the benefits paid and offered to a member of the board by a shareholder otherwise than on the basis of an employment or service relationship may require assessment.

The Finnish Securities Market Association's board adopted the amended and updated CG Code in September 2019. As a result of which the new 2020 CG Code came into force in January 2020 replacing the previous Finnish CG Code.

The 'comply or explain' principle applies to the CG Code. Thus, the starting point is that the company must comply with all recommendations set out in the CG Code.

The Italian Corporate Governance Code

The Italian Corporate Governance Code applies to all companies with shares listed on the Italian main market ("Mercato Telematico Azionario") managed by Borsa Italiana ("companies").

Adoption of this Code is voluntary and is disclosed in the report on corporate governance and ownership structures ("corporate governance report").

The code has 6 articles and each article of the Code is divided into principles, which define the objectives of good governance, and into recommendations, which indicate the behaviour that the Code deems appropriate to achieve the objectives indicated in the principles.

The Code is neutral with respect to the governance model specifically adopted by the company (traditional; "one- tier", which includes the so-called "modello monistico" for Italian companies; "two-tier", which includes the so-called "modello dualistico" for Italian companies). For companies adopting the "two-tier" model, the Code requires that the supervisory board is to be assigned the task of deliberating on the company's strategic guidelines and transactions of strategic importance (so-called "high level" management powers).

Companies apply the Code according to the principle of substance over form and the recommendations thereof on a "comply or explain" basis.

Companies adopting the Code provide in their corporate governance report accurate, easily understandable and exhaustive, albeit concise, information on how the Code is applied.

The application of the Code is based on principles of flexibility and proportionality.

Companies disclose in their corporate governance report how they have specifically applied the Code's principles. The choice to depart from one or more recommendations of the Code may depend on factors internal and external to the company, whereby the practice recommended by the Code may not be functional or compatible with its governance model. The application of the Code implies, however, that each deviation is clearly indicated in the corporate governance report and that companies: (a) explain how the best practice recommended by the Code has been disregarded; (b) describe the reasons for the deviation; (c) describe how the decision to depart from the recommendations has been made within the company; (d) if the deviation is limited in time, indicate when they plan to apply the related best practice; (e) describe any action adopted as an alternative to the best practice which they have not implemented and explain how this choice helps the company achieving the objective underlying the Code's principles and in any case contributes to good corporate governance.

In order to ensure a proportional application of the Code, some recommendations are calibrated according to the company's size and ownership structure, providing for:

- a set of recommendations intended only for larger companies ("large companies" category contained in the Code's "definitions");
- a simplified application of some recommendations by companies other than the "large" ones;
- the adaptation of some recommendations to companies with concentrated ownership (cf. the category of "companies with concentrated ownership" contained in the Code's "definitions").

In the presence of primary or secondary regulations incompatible with the application of certain recommendations of the Code, disclosure of the reasons for their failed or partial application is not required.

The Committee monitors the state of the Code's application, the evolution of the applicable regulatory framework and the international best practices, and is responsible for updating the Code. To this end, it evaluates a possible revision of the Code usually every two years.

The application of the Code is facilitated by a set of Q&As, periodically updated also in consideration of any requests that might be submitted by those companies that apply the Code.

The present Code was approved by the Committee in January 2020.

The companies adopting the Code are required to apply it starting from the first financial year that begins after 31 December 2020, while the disclosure shall be provided in the corporate governance report to be published during 2022.

"Large companies" apply the recommendations regarding the presence of independent directors in the board of directors starting from the first renewal of the board of directors following 31 December 2020.

Japan's Stewardship Code - Principles for Responsible Institutional Investors

In this Code, "stewardship responsibilities" refers to the responsibilities of institutional investors to enhance the medium- to long-term investment return for their clients and beneficiaries (including ultimate beneficiaries; the same shall apply hereafter) by improving and fostering the investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability (medium- to long-term sustainability including ESG factors) consistent with their investment management strategies.

This Code defines principles considered to be helpful for institutional investors who behave as responsible institutional investors in fulfilling their stewardship responsibilities with due regard both to their clients and beneficiaries and to investee companies. By fulfilling their stewardship responsibilities properly in line with this Code, institutional investors will also be able to contribute to the growth of the economy as a whole.

Activities by institutional investors done to discharge their stewardship responsibilities (hereafter, "stewardship activities") should not be seen to be confined to voting, although voting is an essential element of stewardship activities. Stewardship activities include proper monitoring of the investee companies and constructive engagement with them done to discharge the stewardship responsibilities to foster sustainable growth of the companies

In the Code, two categories of institutional investors are identified: "institutional investors as asset managers" (hereafter, "asset managers"), which are entrusted to manage funds and invest in companies; and "institutional investors as asset owners" (hereafter, "asset owners"), including providers of funds.

The asset managers are expected to contribute to the enhancement of the corporate value of investee companies through day-to-day constructive dialogue with them.

The asset owners are expected to disclose their policies on fulfilling their stewardship responsibilities and contribute to the enhancement of the corporate value of investee companies through their own actions and/or the actions of the asset managers, to which they outsource their asset management activities.

The asset managers should aim to know the intention of the asset owners so that they can provide services as expected, and the asset owners should aim to assess the asset managers in line with the Code, not placing undue emphasis on short-term performance.

Parties such as proxy advisors and investment consultants for pensions which provide services at the request of institutional investors, etc. to contribute to the institutional investors' effective execution of stewardship activities (hereafter "service providers for institutional investors") are expected to play important roles in enhancing the functions of the entire investment chain running from their clients and beneficiaries to the investee companies.

GLOBAL CORPORATE GOVERNANCE FORUMS

A) Organisation for Economic Cooperation and Development

The Organization of Economic Cooperation and Development released its first set of corporate governance principles in 1999. A revised version was then released in 2004.

The principles were developed and endorsed by the ministers of OECD member countries in order to help OECD and Non-OECD governments in their efforts to create legal and regulatory frameworks for corporate governance in their countries.

The Organization for Economic Cooperation and Development (OECD) is a unique forum where the governments of 36-member states with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity, and sustainable development. The OECD Corporate Governance Factbook provides easily accessible and up-to-date information about the institutional, legal and regulatory frameworks for corporate governance across 49 jurisdictions worldwide. The Factbook complements the G20/OECD Principles of Corporate Governance and can be used by governments, regulators and the private sector to compare their own frameworks with those of other countries and also to get information on practices in specific jurisdictions.

The Factbook is divided into five main areas that are crucial for understanding how corporate governance functions in different jurisdictions:

I) The corporate and market landscape.

II) The corporate governance and institutional framework.

III) The rights and equitable treatment of shareholders and key ownership functions.

IV) The corporate board of directors.

V) Mechanisms for flexibility and proportionality in corporate governance.

The Factbook compiles information gathered from OECD, G20 and Financial Stability Board member delegates to the OECD Corporate Governance Committee. The factbook covers 49 jurisdictions including all 36 OECD countries as well as Argentina, Brazil, China, Colombia, Costa Rica, Hong Kong (China), India, Indonesia, Malaysia, Russian Federation, Saudi Arabia, Singapore and South Africa.

Principles of OECD Corporate Governance

1) **Ensure the basis of an effective corporate governance framework**

The corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

2) The rights of shareholders and key ownership functions

The corporate governance framework should protect and facilitate the exercise of shareholders' rights.

Basic shareholder rights should include the right to:

a) Secure methods of ownership registration;

b) Convey or transfer shares;

c) Obtain relevant and material information on the corporation on a timely and regular basis;

d) Participate and vote in general shareholder meetings;

e) Elect and remove members of the board; and

f) Share in the profits of the corporation.

3) The equitable treatment of shareholders; The rights and equitable treatment of shareholders and key ownership functions

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. The principles also state that:

a) All shareholders of the same series of a class should be treated equally;

b) Insider trading and abusive self-dealing should be prohibited;

c) Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

4) The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co- operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

5) Disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

6) The responsibilities of the board

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

B) National Foundation for Corporate Governance (NFCG)

With the goal of promoting better corporate governance practices in India, the Ministry of Corporate Affairs, Government of India, has set up National Foundation for Corporate Governance (NFCG) in the year 2003 in partnership with Confederation of Indian Industry (CII), Institute of Company Secretaries of India (ICSI) and Institute of Chartered Accountants of India (ICAI). In the year 2010, Institute of Cost Accountants of India and National Stock Exchange and in 2013 Indian Institute of Corporate Affairs were included in NFCG as trustees.

The Mission of NFCG are:

- To foster a culture of good governance, voluntary compliance and facilitate effective participation of different stakeholders;
- To catalyse capacity building in new emerging areas of Corporate Governance.

C) The Institute of Directors (IOD), UK

The IOD is a non-party-political business organisation established in United Kingdom in 1903. The IOD seeks to provide an environment conducive to business success.

The objects of IOD are:

(a) to promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations;

(b) to promote the study, research and development of the law and practice of corporate governance, and to publish, disseminate or otherwise make available the useful results of such study or research;

(c) to represent the interests of members and of the business community to government and in all public fora and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation; and

(d) to advance the interests of members of the Institute, and to provide facilities, services and benefits for them.

The day-to-day running of the Institute is managed by the Executive Directorate, headed by the Director General.

D) Commonwealth Association of Corporate Governance

The Commonwealth Association of Corporate Governance (CACG) was established in April 1998 to promote excellence in Corporate Governance in the Commonwealth. The CACG has two primary objectives:

a) to promote good standards in corporate governance and business practice throughout the Commonwealth; and

b) to facilitate the development of appropriate institutions which will be able to advance, teach and disseminate such standards.

The CACG also aims to facilitate the development of institutional capacity that promotes good corporate governance by education, consultation and information in all Commonwealth countries.

The Commonwealth Foundation is funded principally through annual contributions made by member governments.

Board of Governors comprising, in the main, UK-based representatives of member governments and five representatives of civil society, determines the policies.

There are 54 countries of the Commonwealth, of which 46 are currently Commonwealth Foundation members. Membership of the Foundation is voluntary, and is open to all Common-wealth governments.

E) International Corporate Governance Network

The International Corporate Governance Network (“ICGN”) is a not-for-profit company limited by guarantee and not having share capital under the laws of England and Wales founded in 1995.

ICGN’s mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies world-wide.

ICGN's positions are guided by the ICGN Global Governance Principles and Global Stewardship Principles, which were first published in 2003, as a statement on shareholder stewardship responsibilities both of which are implemented by:

- Influence policy by providing a reliable source of investor opinion on governance and stewardship;
- Connect peers at global events to enhance dialogue between companies and investors around long-term value creation; and
- Inform dialogue through education to enhance the professionalism of governance and stewardship practices.

It has four primary purposes:

(i) to provide an investor-led network for the exchange of views and information about corporate governance issues internationally;

(ii) to examine corporate governance principles and practices;

(iii) to develop and encourage adherence to corporate governance standards and guidelines; and

(iv) to generally promote good corporate governance.

The Network's mission is to develop and encourage adherence to corporate governance standards and guidelines, and to promote good corporate governance worldwide.

Membership of ICGN is open to those who are committed to the development of good corporate governance. The Membership section explains the benefits of membership, the different types of membership and how to join the ICGN.

The ICGN is governed by the ICGN Memorandum and Articles of Association.

The management and control of ICGN affairs are the responsibility of the Board of Governors. The Board in turn appoints a number of committees to recommend policy positions, to implement approved projects and to perform such functions that the Board may specify.

The Institute of Company Secretaries of India is a member of ICGN and also the country correspondent from India.

The ICGN Global Governance principles describe the responsibilities of board of directors and investors respectively and aim to enhance dialogue between the two parties. They embody ICGN's mission to inspire effective standards of governance and to advance efficient markets worldwide. The combination of responsibilities of boards of directors and investors in a single set of Principles emphasizes a mutual interest in protecting and generating sustainable corporate value. These principles were first initiated in 1995. The fourth edition of Principles was released in 2014.

F) The European Corporate Governance Institute

The European Corporate Governance Institute (ECGI) was founded in 2002. It has been established to improve corporate governance through fostering independent scientific research and related activities.

The ECGI is an international scientific non-profit association. It provides a forum for debate and dialogue between academics, legislators and practitioners, focusing on major corporate governance issues and thereby promoting best practice.

Its primary role is to undertake, commission and disseminate research on corporate governance. Based upon impartial and objective research and the collective knowledge and wisdom of its members, it advises on the formulation of corporate governance policy and development of best practice and undertake any other activity that will improve understanding and exercise of corporate governance.

It acts as a focal point for academics working on corporate governance in Europe and elsewhere, encouraging the interaction between the different disciplines, such as economics, law, finance and management.

The Institute articulates its work by expanding on the activities of the European Corporate Governance Network, disseminating research results and other relevant material.

It draws on the expertise of scholars from numerous countries and brings together a critical mass of expertise and interest to bear on this important subject.

Vision Statement of ECGI:

- Corporate governance lies at the heart of our capitalist systems. It is the interface between capital markets and companies, between employees and executives, and between society and the corporate sector. It is the driver of what companies do, how they do it and the effects they have on others. In other words, it sits at the centre of the success and failure of our economic systems.
- As such it warrants knowledge, research and insights of the best thinkers, practitioners and policymakers of our age. That is precisely what ECGI seeks to provide. It draws on the finest minds in academia from all over the world to tackle some of the most important issues that confront business and governments today. It uses the power of research to change ideas, influence practice and formulate policy to benefit all of us.
- Corporate governance refers to the way in which private and public companies, enterprises, entrepreneurship and financial institutions are governed and run in relation to their purpose, values, ownership, representation, accountability, financing, investment, performance, leadership, direction, management, employment, law, regulation and taxation.

Mission Statement of ECGI:

- The mission of ECGI is to assist the top academics in the field of corporate governance in bringing their research to the attention of leading practitioners, policymakers and thought leaders by making state of the art knowledge accessible and relevant to them. It promotes the development of new ideas through research that extends the boundaries of our understanding of how corporate governance contributes to the flourishing of business, economies and societies.

G) Conference Board

The Conference Board was established in year 1916 in the United States of America. The Conference Board is a global, independent business membership and research association working in the public interest and is a not-for-profit organization. The Conference Board creates and disseminates knowledge about management and the marketplace to help businesses strengthen their performance and serve the society in a better way.

Mission: The Conference Board is dedicated to equipping the world’s leading corporations with the practical knowledge they need to improve their performance and better serve society. It is an objective, independent source of economic and business knowledge with only one agenda: to help our members understand and deal with the most critical issues of our time.

It works as a global, independent membership organization in the public interest, it conducts research, convenes conferences, makes forecasts, assesses trends, publishes information and analysis, and brings executives together to learn from one another.

The Conference Board governance programs helps companies improve their processes, inspire public confidence, and ensure they are complying with regulations.

The Conference Board Directors' Institute is a premiere provider of governance education for directors. Through the Directors' Institute, the pro- gram provides corporate directors with a non-academic, impartial forum for open dialogue about the real-world business challenges they face.

The Corporate Governance program at The Conference Board has helped corporations develop strong core principals by improving their governance processes through a variety of programs including director training and global ethics education.

The Conference Board Global Corporate Governance Research Center brings together a distinguished group of senior corporate executives from leading world- class companies and influential institutional investors in a non-adversarial setting. In small groups of prominent senior executives, all discussions are confidential, enabling a free-flowing exchange of ideas and effective networking. This highly unique forum allows industry leaders to debate, develop, and advance innovative governance practices, and to drive landmark research in corporate governance.

H) The Asian Corporate Governance Association

The Asian Corporate Governance Association (ACGA) is an independent, non- profit membership organization dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia. ACGA was founded in 1999 from a belief that sound and improving corporate governance is fundamental to the long-term development of Asian economies and capital markets.

ACGA's scope of work covers three areas:

1. **Research:**

   Tracking corporate governance developments across 12 markets in Asia Pacific and producing independent analyses of new laws and regulations, investor engagement and corporate practices.

2. **Advocacy:**

   Engaging in a constructive dialogue with financial regulators, stock exchanges, institutional investors and companies on practical issues affecting the regulatory environment and the implementation of better corporate governance practices in Asia.

3. **Education:**

   Organising conferences and seminars that foster a deeper understanding of the competitive benefits of sound corporate governance and ways to implement it effectively.

   ACGA is funded by a network of sponsors and corporate members, including leading pension and investment funds, other financial institutions, listed companies, accounting firms and educational institutions. It is incorporated under the laws of Hong Kong and is managed by a secretariat based there. Its governing Council comprises directors from around Asia and other parts of the world.

I) Corporate Secretaries International Association (CSIA)

CSIA, a Geneva- registered body, which was established on 23rd March 2010 as an international organization whose members comprise national bodies of professionals at the frontline of governance. It is dedicated to promoting the values and practices of governance professionals in order to create, foster or enhance the environment in which business can be con-ducted in a fair, profitable and sustainable manner. CSIA issued Twenty Practical Steps to Better Corporate Governance.

Twenty Practical Steps to Better Corporate Governance

1. Recognize that good corporate governance is about the effectiveness of the governing body — not about compliance with codes.

2. Confirm the leadership role of the board chairman.
3. Check that non-executive directors have the necessary skills, experience, and courage.
4. Consider the caliber of the non-executive directors.
5. Review the role and contribution of non-executive directors.
6. Ensure that all directors have a sound understanding of the company.
7. Confirm that the board's relationship with executive management is sound.
8. Check that directors can access all the information they need.
9. Consider whether the board is responsible for formulating strategy.
10. Recognize that the governance of risk is a board responsibility.
11. Monitor board performance and pursue opportunities for improvement.
12. Review relations with shareholders — particularly institutional investors.
13. Emphasise that the company does not belong to the directors.
14. Ensure that directors' remuneration packages are justifiable and justified.
15. Review relations between external auditors and the company.
16. Consider relations with the corporate regulators.
17. Develop written board-level policies covering relations between the company and the societies it affects.
18. Review the company's attitudes to ethical behaviour.
19. Ensure that company secretary's function is providing value.
20. Consider how corporate secretary's function might be developed.

J) International Integrated Reporting Council (IIRC)

The IIRC, is a powerful, international cross section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors as well as civil society.

The IIRC was established in 2010 in recognition of the need to move towards an International Integrated Reporting Framework that is fit-for-purpose for the 21st century.

Mission:

The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

Vision:

The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

The IIRC seeks to build upon, enhance and support the work that has been done to date, and is ongoing, to achieve a reporting framework that:

- communicates the organization's strategy, business model, performance and plans against the background of the context in which it operates;
- provides a coherent framework within which market and regulatory driven reporting requirements can be integrated;

- is internationally agreed, so as to encourage convergence of approach and hence more ready understanding of information presented;
- reflects the use of and effect on all of the resources and relationships or "capitals" (human, natural and social as well as financial, manufactured and intellectual) on which the organization and society depend for prosperity; and
- reflects and communicates the interdependencies between the success of the organization and the value it creates for investors, employees, customers and, more broadly, society.

The IIRC is developing an International Integrated Reporting Framework that will facilitate the development of reporting over the coming decades. The core objective of the Framework is to guide organizations on communicating the broad set of information needed by investors and other stakeholders to assess the organization's long-term prospects in a clear, concise, connected and comparable format. This will enable those organizations, their investors and others to make better short-and long-term decisions.

LESSON ROUND-UP

- The root of the word Governance is from 'gubernate', which means to steer. Corporate governance would mean to steer an organization in the desired direction. The responsibility to steer lies with the board of directors/governing board. Governance is concerned with the intrinsic nature, purpose, integrity and identity of an organization with primary focus on the entity's relevance, continuity and fiduciary aspects.
- Corporate Governance Basic theories: Agency Theory; Stock Holder Theory; Stake Holder Theory; Stewardship Theory.
- OECD has defined corporate governance to mean "A system by which business corporations are directed and controlled".
- As per CII "Corporate governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions vis-à-vis its claimants - in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of 'good' corporate governance: maximising long-term shareholder value."
- The Kumar Mangalam Birla Committee constituted by SEBI has observed that: "Strong corporate governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high quality accounting practices. It is the muscle that moves a viable and accessible financial reporting structure."
- N.R. Narayana Murthy Committee on Corporate Governance constituted by SEBI has observed that: "Corporate Governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company."
- The Institute of Company Secretaries of India has also defined the term Corporate Governance to mean "Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders."