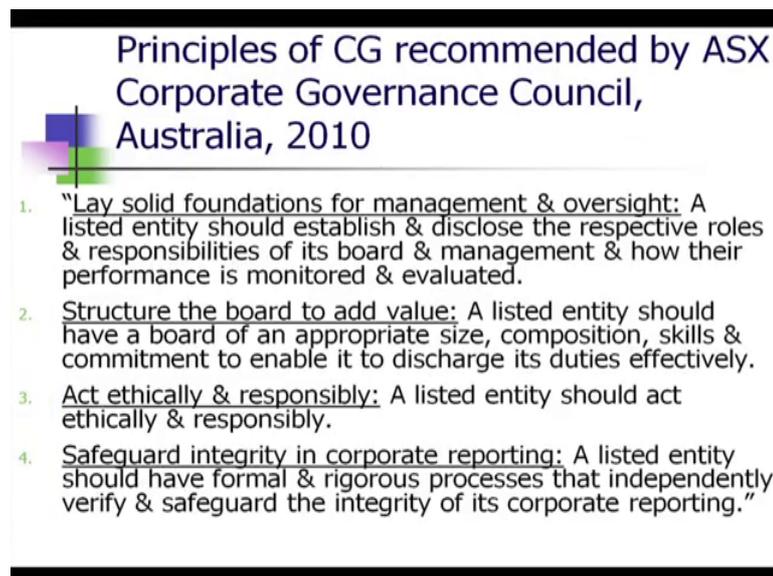


Corporate Social Responsibility
Prof. Aradhna Malik
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture - 40
Principles of Corporate Governance

Welcome back to the MOOC course on corporate social responsibility. My name is Aradhna Malik and I am helping you with this course, and we were discussing the board of directors. So, what we will do now is in this class we are going to talk about the principles of corporate governance, you know how is corporate governance done we were talking about implementation. So, we are going to talk about the principle the codes of corporate governance that have been outlined by various agencies, the two agencies that we will be looking at are one is the ASX agency.

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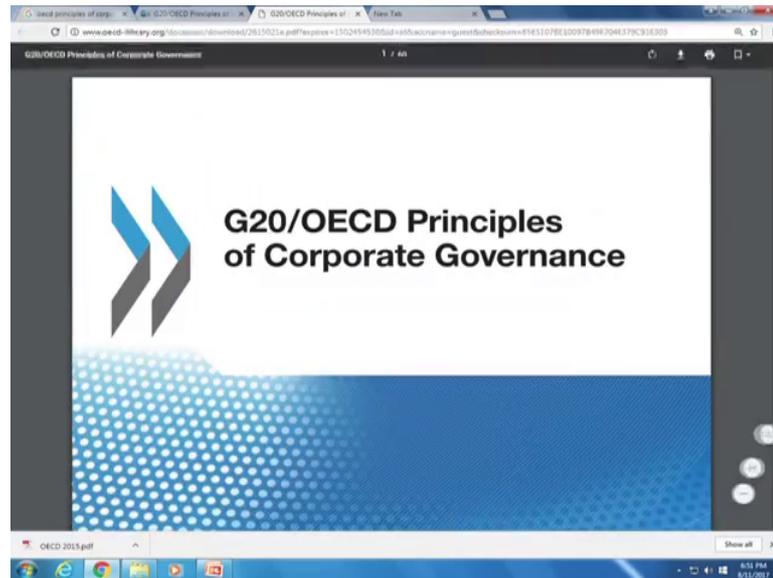


**Principles of CG recommended by ASX
Corporate Governance Council,
Australia, 2010**

1. Lay solid foundations for management & oversight: A listed entity should establish & disclose the respective roles & responsibilities of its board & management & how their performance is monitored & evaluated.
2. Structure the board to add value: A listed entity should have a board of an appropriate size, composition, skills & commitment to enable it to discharge its duties effectively.
3. Act ethically & responsibly: A listed entity should act ethically & responsibly.
4. Safeguard integrity in corporate reporting: A listed entity should have formal & rigorous processes that independently verify & safeguard the integrity of its corporate reporting."

So, I will just tell you it is the ASX corporate governance council Australia and these principles were recommended in 2010, and the other principles are by the OECD organization for economic cooperation and development here.

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So we will go into the details of these principles and as far as the OECD principles are concerned, I will read directly from the document and I will give you a summary on the slides when you get the reading material and you know. So, you what you can do as far as the OECD principles are concerned, you can just google the you know the word OECD principles 2 0 1 5 and you will get access to the same document. So, that is how we do this. So, let us see what we have here for you principles of corporate governance here.

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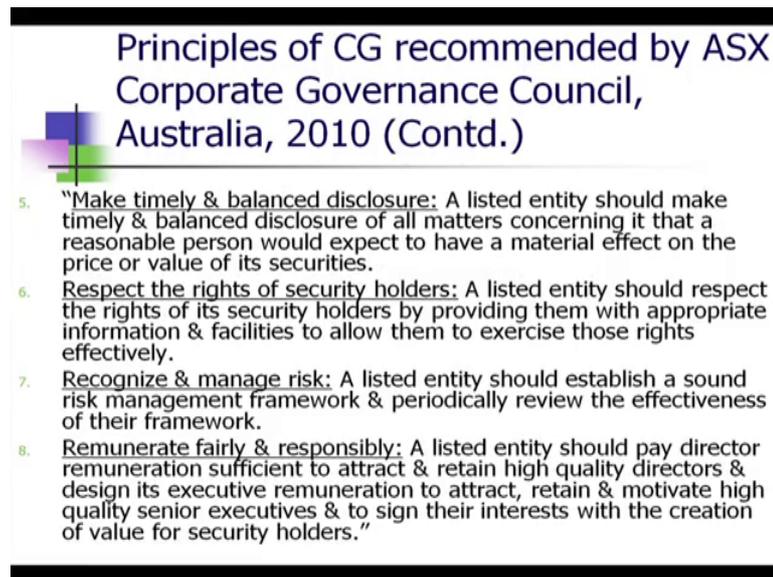
What are the principles? The principles of corporate governance broadly are transparency, accountability, disclosure, discipline, responsibility, fairness and incentives why because after all we are talking about profit making organizations, and people who do the work need to be suitably compensated. What are the incentives for putting and following putting a structure in place and following it.

So and of course, ensuring that whatever you do is done in an ethical manner in a fair and square manner all right principles of corporate governance recommended by the ASX corporate governance council Australia in 2010. The first principle is to lay solid foundations for management and oversight. A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated. So, solid foundations need to be laid down and they should be able to establish and disclose the roles and responsibilities of the board and management, and they should be able to disclose how the performance of the management and the board is going to be monitored, is going to be supervised, is going to be viewed and evaluate.

The second principle according to this is the structure structuring the board to add value. A listed entity should have a board of an appropriate size composition, skills and commitment to enable it to discharge its duties effectively. So, the constitution of the board should be such so that they are able to be involved in the work that they have taken on. They need the third principle is act ethically and responsibly. So, act ethically means that they should have a value system they should have certain ethical standards and they should act in a responsible manner. Safeguard integrity in corporate reporting one is doing things properly.

So doing things properly is one, the second is reporting that you have done things properly. Many times what people do is or the tendency is to do things in a haphazard manner, but make sure that the right things are written in the report that is not the way to do it. When we talk about ethical reporting, we report what we have done as truly and as factually correctly as possible which means we must do things in a correct manner in the right manner. So, safeguard integrity in corporate reporting a listed entity should have formal and rigorous processes, that independently verify and safeguard the integrity of its corporate reporting.

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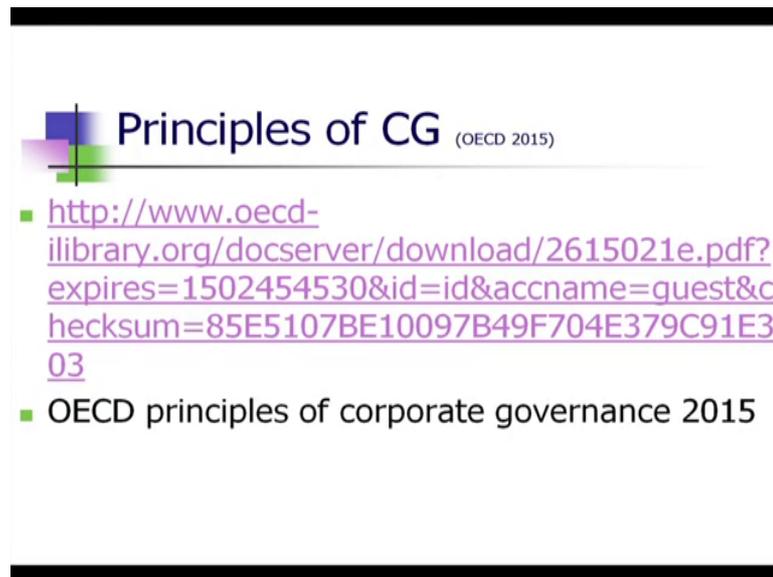
**Principles of CG recommended by ASX
Corporate Governance Council,
Australia, 2010 (Contd.)**

5. **Make timely & balanced disclosure:** A listed entity should make timely & 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 respect the rights of its security holders by providing them with appropriate information & facilities to allow them to exercise those rights effectively.
7. **Recognize & manage risk:** A listed entity should establish a sound risk management framework & periodically review the effectiveness of their framework.
8. **Remunerate fairly & responsibly:** A listed entity should pay director remuneration sufficient to attract & retain high quality directors & design its executive remuneration to attract, retain & motivate high quality senior executives & to sign their interests with the creation of value for security holders."

Then make timely and balanced disclosure: A listed entity should make timely and balanced disclosure of all matters concerning it so, that a reasonable person would expect to have a material effect on the price or value of its securities. Respect the rights of security holders: A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities, to allow them to exercise those rights effectively. Recognize and manage risk: A listed entity should establish a sound risk management framework and periodically review the effectiveness of the framework. 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 sign their interests with the creation of value for security holders.

So these are the principles of corporate governance recommended by the ASX corporate governance council. So, there is disclosure, there is respecting the rights of security holders, there is recognition and management of risk, there is remuneration of the people of the board of directors and the management.

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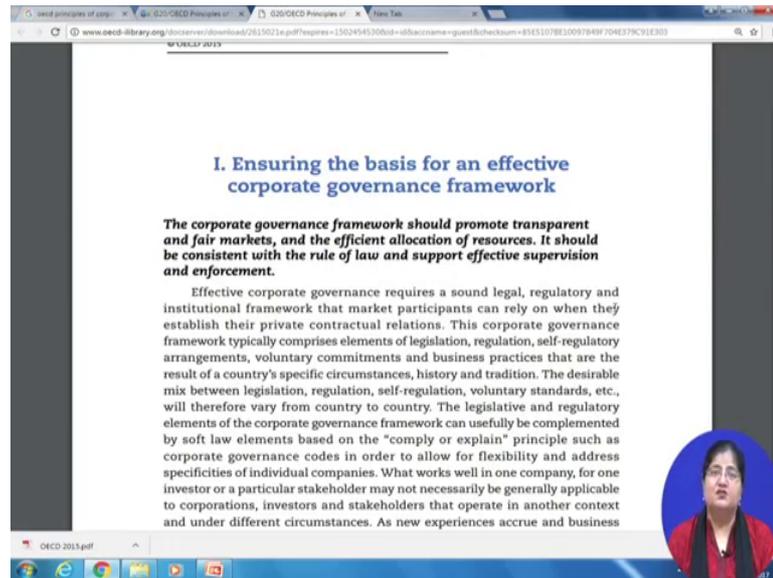


The slide features a title 'Principles of CG' in a large, dark blue font, with '(OECD 2015)' in a smaller font to its right. To the left of the title is a graphic consisting of a blue square, a green square, and a purple square, each with a white crosshair. Below the title is a horizontal line. Underneath the line, there is a green square bullet point followed by a purple URL: <http://www.oecd-ilibrary.org/docserver/download/2615021e.pdf?expires=1502454530&id=id&accname=guest&checksum=85E5107BE10097B49F704E379C91E303>. Below the URL is another green square bullet point followed by the text 'OECD principles of corporate governance 2015'.

The next thing the next set of principles of corporate governance that I would like to share with you and that is being followed by the rest of the world is the principles suggested by the organization for economic cooperation and development, these principles were first suggested in 1999, then they were revised in 2004 and further revision was conducted in 2015.

Now what I am going to do is I am going to read directly from the document, and I will give you a summary of the document on the slides you will not have them in the video, but you will have them as reading material after the end of this class, but I am telling you what you need to do, you need to google the words OECD corporate governance principles 2015 these are the keywords and you should be taken to this report and I have also provided the link here. So, you can freeze your screens and copy the link and it should take you to this document right here G20 OECD principles of corporate governance.

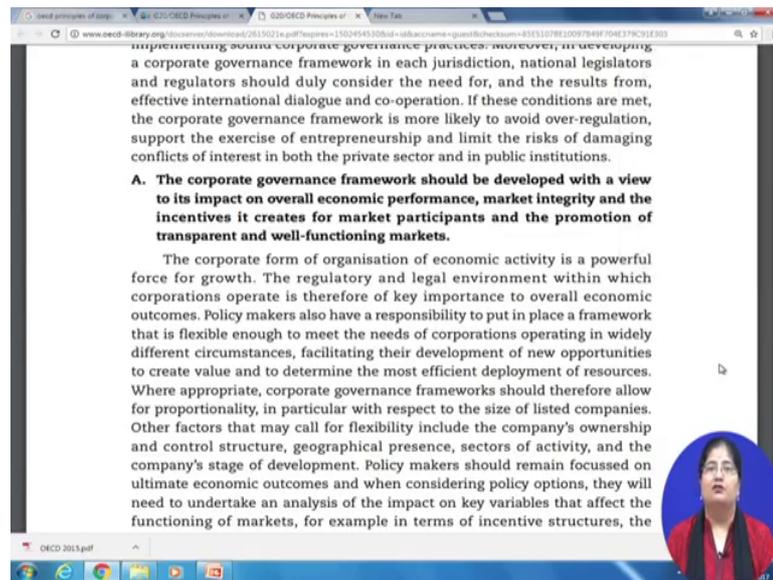
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So I will just scroll down and I will read from here. You will see that in this course many times I have taken you to websites and read directly from the websites now if you were in class I would have probably give you a handout and discussed it, but then you know the format of this course is such that I do not have the liberty to do that. So, this is what I am doing here. The first principle here is 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.

So you first form the basis for you know there is transparency and fair markets and the efficient allocation of resources. It should be consistent with the rule of law follow the law and support effective supervision and enforcement of the law, enforce effective supervision of processes and enforcement of the law.

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implementing sound corporate governance practices; moreover, in developing a corporate governance framework in each jurisdiction, national legislators and regulators should duly consider the need for, and the results from, effective international dialogue and co-operation. If these conditions are met, the corporate governance framework is more likely to avoid over-regulation, support the exercise of entrepreneurship and limit the risks of damaging conflicts of interest in both the private sector and in public institutions.

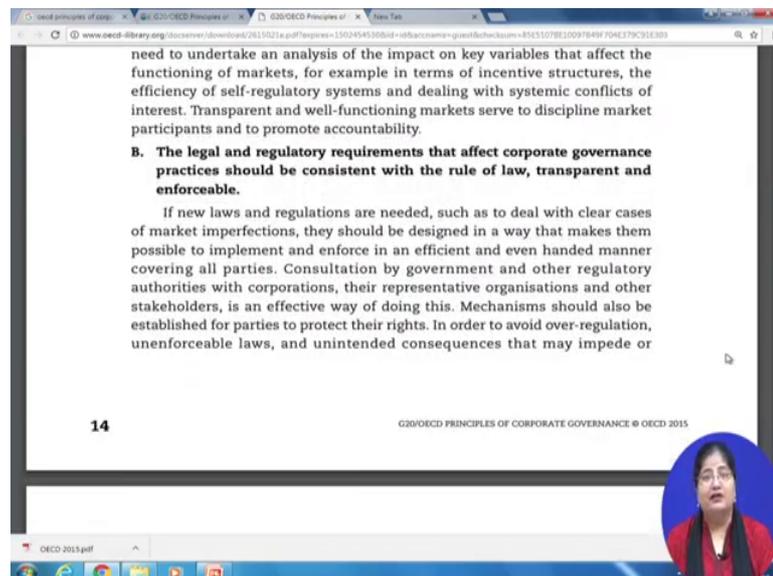
A. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and well-functioning markets.

The corporate form of organisation of economic activity is a powerful force for growth. The regulatory and legal environment within which corporations operate is therefore of key importance to overall economic outcomes. Policy makers also have a responsibility to put in place a framework that is flexible enough to meet the needs of corporations operating in widely different circumstances, facilitating their development of new opportunities to create value and to determine the most efficient deployment of resources. Where appropriate, corporate governance frameworks should therefore allow for proportionality, in particular with respect to the size of listed companies. Other factors that may call for flexibility include the company's ownership and control structure, geographical presence, sectors of activity, and the company's stage of development. Policy makers should remain focussed on ultimate economic outcomes and when considering policy options, they will need to undertake an analysis of the impact on key variables that affect the functioning of markets, for example in terms of incentive structures, the

The next under this 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. Let me see if I can increase the size even more here this might be easier for you to read.

And the incentives it creates for market participants and the promotion of transparent and well functioning markets.

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need to undertake an analysis of the impact on key variables that affect the functioning of markets, for example in terms of incentive structures, the efficiency of self-regulatory systems and dealing with systemic conflicts of interest. Transparent and well-functioning markets serve to discipline market participants and to promote accountability.

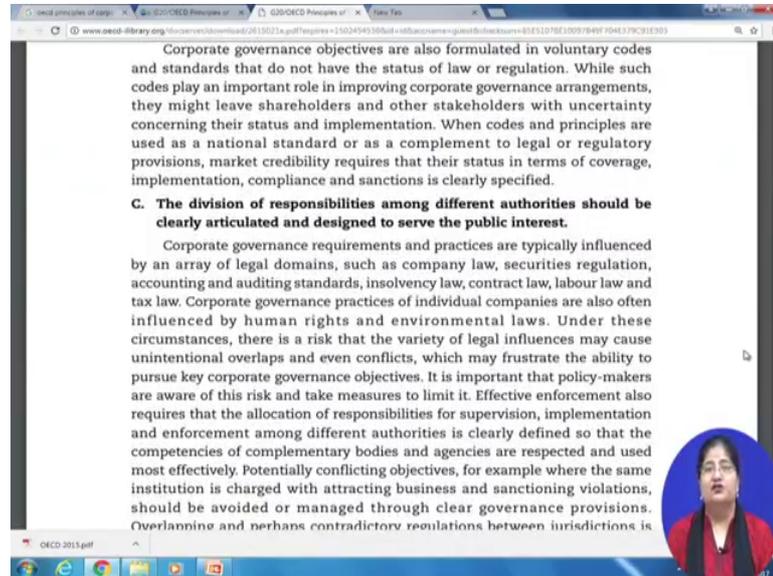
B. The legal and regulatory requirements that affect corporate governance practices should be consistent with the rule of law, transparent and enforceable.

If new laws and regulations are needed, such as to deal with clear cases of market imperfections, they should be designed in a way that makes them possible to implement and enforce in an efficient and even handed manner covering all parties. Consultation by government and other regulatory authorities with corporations, their representative organisations and other stakeholders, is an effective way of doing this. Mechanisms should also be established for parties to protect their rights. In order to avoid over-regulation, unenforceable laws, and unintended consequences that may impede or

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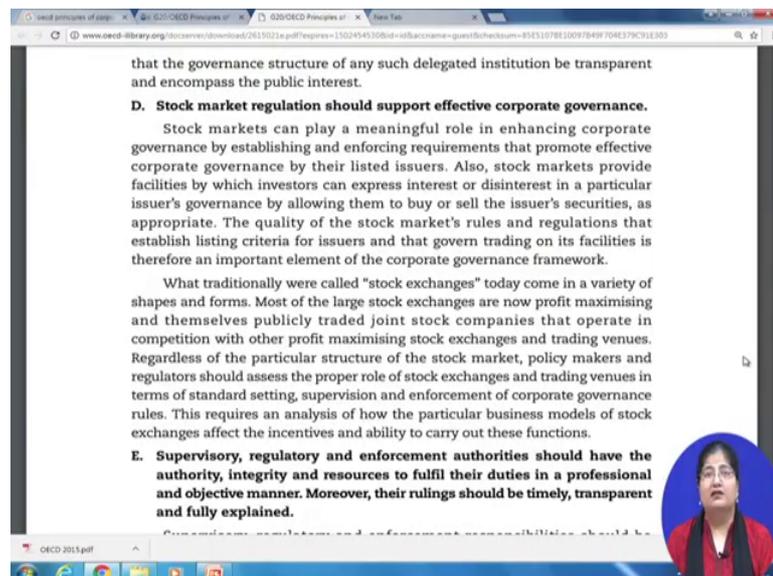
The legal and regulatory environments that affect corporate governance practices should be consistent with the rule of law transparent and enforceable.

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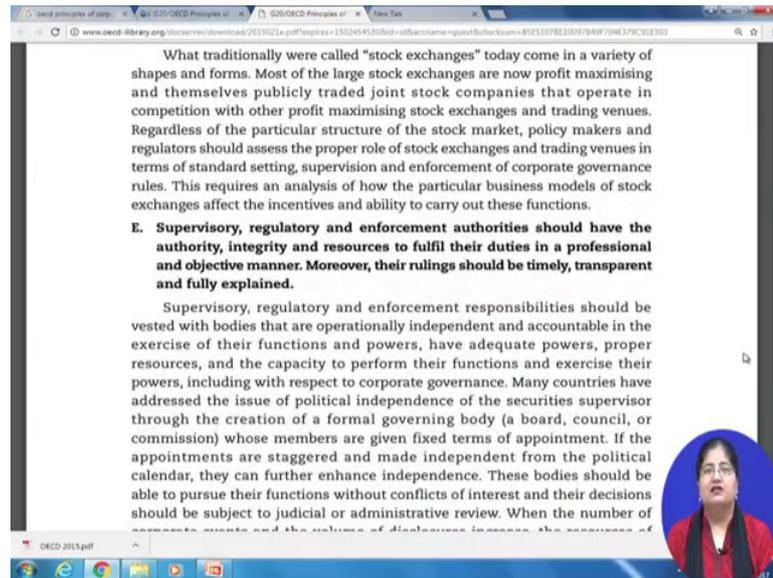


The division of responsibilities among different authorities, should be clearly articulated and designed to serve the public interest.

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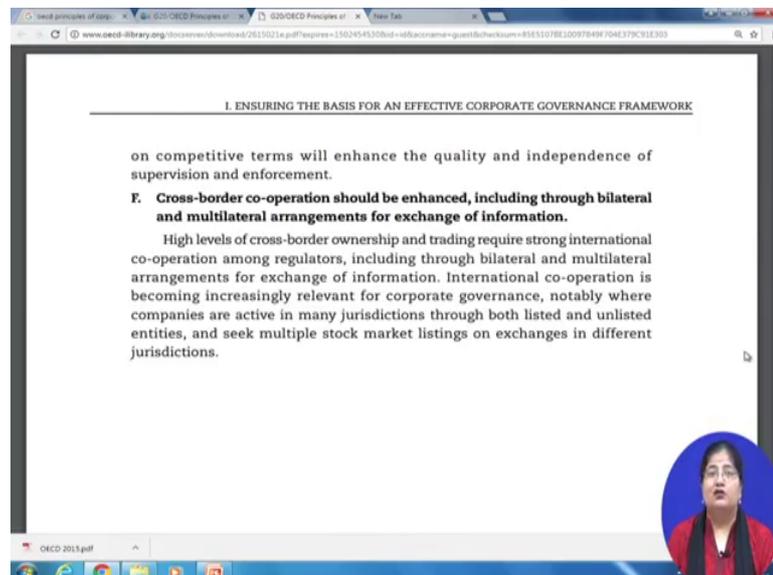
What traditionally were called "stock exchanges" today come in a variety of shapes and forms. Most of the large stock exchanges are now profit maximising and themselves publicly traded joint stock companies that operate in competition with other profit maximising stock exchanges and trading venues. Regardless of the particular structure of the stock market, policy makers and regulators should assess the proper role of stock exchanges and trading venues in terms of standard setting, supervision and enforcement of corporate governance rules. This requires an analysis of how the particular business models of stock exchanges affect the incentives and ability to carry out these functions.

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.

Supervisory, regulatory and enforcement responsibilities should be vested with bodies that are operationally independent and accountable in the exercise of their functions and powers, have adequate powers, proper resources, and the capacity to perform their functions and exercise their powers, including with respect to corporate governance. Many countries have addressed the issue of political independence of the securities supervisor through the creation of a formal governing body (a board, council, or commission) whose members are given fixed terms of appointment. If the appointments are staggered and made independent from the political calendar, they can further enhance independence. These bodies should be able to pursue their functions without conflicts of interest and their decisions should be subject to judicial or administrative review. When the number of

Stock market regulation should support effective corporate governance, supervisory regulatory and enforcement authorities should have the authority integrity and resources to fulfill their duties in a professional and objective manner, moreover their ruling should be timely transparent and fully explained.

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I. ENSURING THE BASIS FOR AN EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK

on competitive terms will enhance the quality and independence of supervision and enforcement.

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

High levels of cross-border ownership and trading require strong international co-operation among regulators, including through bilateral and multilateral arrangements for exchange of information. International co-operation is becoming increasingly relevant for corporate governance, notably where companies are active in many jurisdictions through both listed and unlisted entities, and seek multiple stock market listings on exchanges in different jurisdictions.

And cross border cooperation should be enhanced including through including through bilateral and multilateral arrangements for exchange of information.

So this is principle one principle two is the rights and duties.

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The screenshot shows a presentation slide with the following content:

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.

Equity investors have certain property rights. For example, an equity share in a publicly traded company can be bought, sold, or transferred. An equity share also entitles the investor to participate in the profits of the corporation, with liability limited to the amount of the investment. In addition, ownership of an equity share provides a right to information about the corporation and a right to influence the corporation, primarily by participation in general shareholder meetings and by voting.

As a practical matter, however, the corporation cannot be managed by shareholder referendum. The shareholding body is made up of individuals and institutions whose interests, goals, investment horizons and capabilities vary. Moreover, the corporation's management must be able to take business decisions rapidly. In light of these realities and the complexity of managing the corporation's affairs in fast moving and ever changing markets, shareholders are not expected to assume responsibility for managing corporate activities. The responsibility for corporate strategy and operations is typically placed in the hands of the board and a management team that is selected, motivated

The slide is displayed in a browser window with a video feed of a presenter in the bottom right corner.

The sorry the rights and equitable treatment of shareholders and key ownership functions this is the broad category, under this category the principle is that 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.

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The screenshot shows a presentation slide with the following content:

II. THE RIGHTS AND EQUITABLE TREATMENT OF SHAREHOLDERS AND KEY OWNERSHIP FUNCTIONS

also be a practical instrument to obtain timely injunctions, and ultimately facilitate the rapid settlement of disputes.

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.

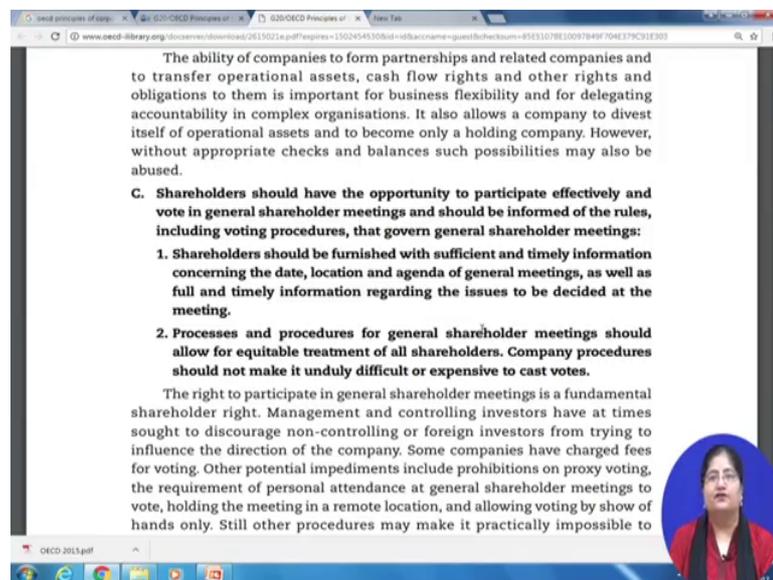
B. Shareholders should be sufficiently informed about, and have the right to approve or participate in, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional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

The ability of companies to form partnerships and related companies and to transfer operational assets, cash flow rights and other rights and obligations to them is important for business flexibility and for delegating accountability in complex organisations. It also allows a company to divest itself of operational assets and to become only a holding company. However,

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So this is for the protection of shareholders, under this the various suggestions are basic shareholder rights should include the right to secure methods of ownership registration, convey or transfer shares obtain relevant and material information on the corporation on a timely and regular basis, participate and vote in general shareholder meetings. Elect and remove members of the board and share in the profits of the corporation. Shareholders should be sufficiently informed about and have the right to approve or participate in decisions concerning, fundamental corporate changes such as amendments to the statutes, articles of incorporation or similar governing documents of the company the authorization of additional shares and extraordinary transactions including the transfer all of all or substantially all assets that in effect result in the sale of the company.

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Then 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, 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. 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.

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voting practices.

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.

In order to encourage shareholder participation in general meetings, many jurisdictions have improved the ability of shareholders to place items on the agenda through a simple and clear process of filing amendments and resolutions, and to submit questions in advance of the general meeting and to obtain replies from management and board members. Shareholders should also be able to ask questions relating to the external audit report. Companies are justified in assuring that abuses of such opportunities do not occur. It is reasonable, for example, to require that in order for shareholder resolutions to be placed on the agenda, they need to be supported by shareholders holding a specified market value or percentage of shares or voting rights. This threshold should be determined taking into account the degree of ownership concentration, in order to ensure that minority shareholders are not effectively prevented from putting any items on the agenda. Shareholder resolutions that are approved and fall within the competence of the shareholders' meeting should be addressed by the board.

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

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.

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are justified in assuring that abuses of such opportunities do not occur. It is reasonable, for example, to require that in order for shareholder resolutions to be placed on the agenda, they need to be supported by shareholders holding a specified market value or percentage of shares or voting rights. This threshold should be determined taking into account the degree of ownership concentration, in order to ensure that minority shareholders are not effectively prevented from putting any items on the agenda. Shareholder resolutions that are approved and fall within the competence of the shareholders' meeting should be addressed by the board.

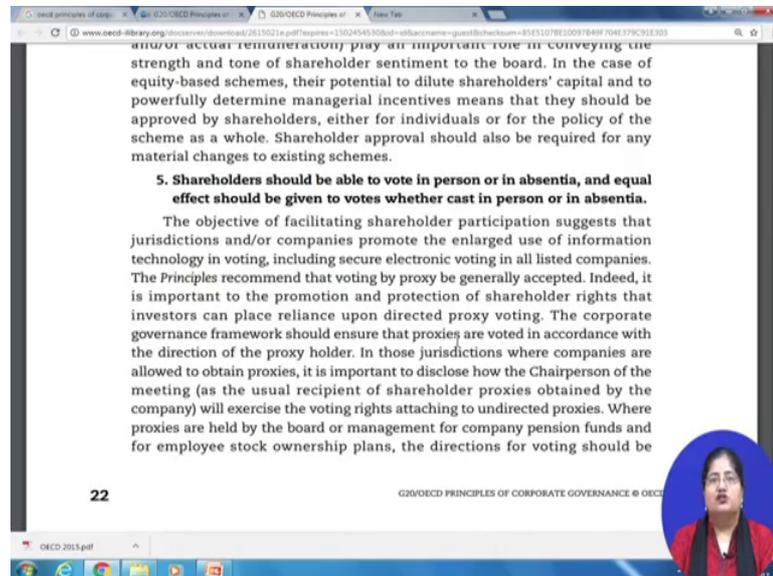
4. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known, including through votes at shareholder meetings, on the remuneration of board members and/or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

To elect the members of the board is a basic shareholder right. For the election process to be effective, shareholders should be able to participate in the nomination of board members and vote on individual nominees or on different lists of them. To this end, shareholders have access in a number of countries to the company's voting materials which are made available to shareholders, subject to conditions to prevent abuse. With respect to nomination

Effective shareholder participation and 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 ok.

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and/or actual remuneration) play an important role in conveying the strength and tone of shareholder sentiment to the board. In the case of equity-based schemes, their potential to dilute shareholders' capital and to powerfully determine managerial incentives means that they should be approved by shareholders, either for individuals or for the policy of the scheme as a whole. Shareholder approval should also be required for any material changes to existing schemes.

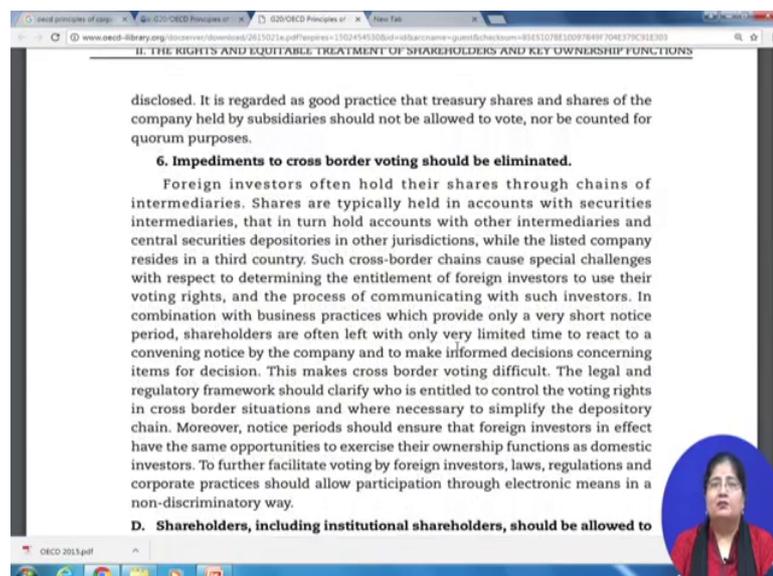
5. Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.

The objective of facilitating shareholder participation suggests that jurisdictions and/or companies promote the enlarged use of information technology in voting, including secure electronic voting in all listed companies. The Principles recommend that voting by proxy be generally accepted. Indeed, it is important to the promotion and protection of shareholder rights that investors can place reliance upon directed proxy voting. The corporate governance framework should ensure that proxies are voted in accordance with the direction of the proxy holder. In those jurisdictions where companies are allowed to obtain proxies, it is important to disclose how the Chairperson of the meeting (as the usual recipient of shareholder proxies obtained by the company) will exercise the voting rights attaching to undirected proxies. Where proxies are held by the board or management for company pension funds and for employee stock ownership plans, the directions for voting should be

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

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disclosed. It is regarded as good practice that treasury shares and shares of the company held by subsidiaries should not be allowed to vote, nor be counted for quorum purposes.

6. Impediments to cross border voting should be eliminated.

Foreign investors often hold their shares through chains of intermediaries. Shares are typically held in accounts with securities intermediaries, that in turn hold accounts with other intermediaries and central securities depositories in other jurisdictions, while the listed company resides in a third country. Such cross-border chains cause special challenges with respect to determining the entitlement of foreign investors to use their voting rights, and the process of communicating with such investors. In combination with business practices which provide only a very short notice period, shareholders are often left with only very limited time to react to a convening notice by the company and to make informed decisions concerning items for decision. This makes cross border voting difficult. The legal and regulatory framework should clarify who is entitled to control the voting rights in cross border situations and where necessary to simplify the depository chain. Moreover, notice periods should ensure that foreign investors in effect have the same opportunities to exercise their ownership functions as domestic investors. To further facilitate voting by foreign investors, laws, regulations and corporate practices should allow participation through electronic means in a non-discriminatory way.

D. Shareholders, including institutional shareholders, should be allowed to

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period, shareholders are often left with only very limited time to react to a convening notice by the company and to make informed decisions concerning items for decision. This makes cross border voting difficult. The legal and regulatory framework should clarify who is entitled to control the voting rights in cross border situations and where necessary to simplify the depository chain. Moreover, notice periods should ensure that foreign investors in effect have the same opportunities to exercise their ownership functions as domestic investors. To further facilitate voting by foreign investors, laws, regulations and corporate practices should allow participation through electronic means in a non-discriminatory way.

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.

It has long been recognised that in companies with dispersed ownership, individual shareholders might have too small a stake in the company to warrant the cost of taking action or for making an investment in monitoring performance. Moreover, if small shareholders did invest resources in such activities, others would also gain without having contributed (i.e. they are "free riders"). This effect, which serves to lower incentives for monitoring, is probably less of a problem for institutions, particularly financial institutions acting in a fiduciary capacity, in deciding whether to increase their ownership to a significant stake in individual companies, or to rather simply diversify. However, other costs with regard to holding a significant stake might still be high. In many instances institutional investors are prevented from doing this because it is beyond their capacity or would require investing more of their assets in one company than may be prudent. To overcome this asymmetry

Impediments to cross border voting should be eliminated; 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.

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however, if co-operation does not involve issues of corporate control, or conflict with concerns about market efficiency and fairness, the benefits of more effective ownership may still be obtained. To provide clarity among shareholders, regulators may issue guidance on forms of co-ordination and agreements that do or do not constitute such acting in concert in the context of takeover and other rules.

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.

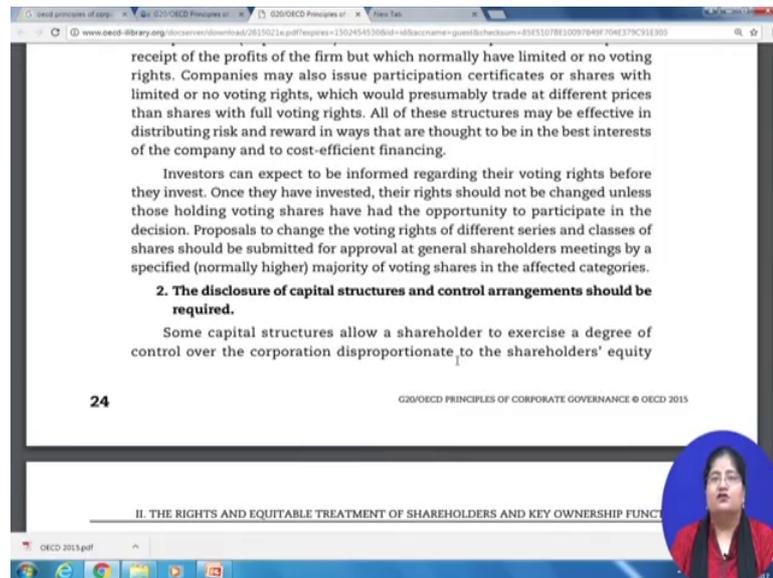
The optimal capital structure of the firm is best decided by the management and the board, subject to the approval of the shareholders. Some companies issue preferred (or preference) shares which have a preference in respect of receipt of the profits of the firm but which normally have limited or no voting rights. Companies may also issue participation certificates or shares with limited or no voting rights, which would presumably trade at different prices than shares with full voting rights. All of these structures may be effective in distributing risk and reward in ways that are thought to be in the best interests of the company and to cost-efficient financing.

Investors can expect to be informed regarding their voting rights before they invest. Once they have invested, their rights should not be changed unless

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. Within any series

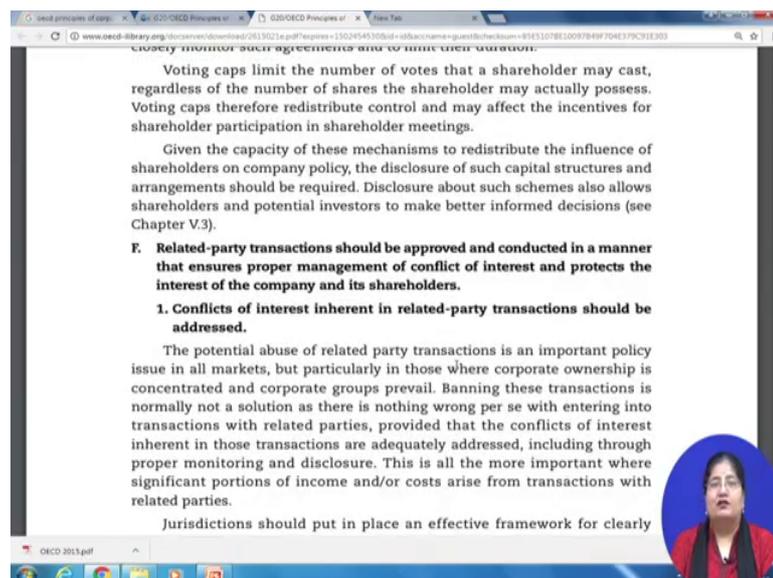
of a class all shares should carry the same rights, all investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase any changes in economic or voting rights should be subject to approval by those classes of shares which are negatively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

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

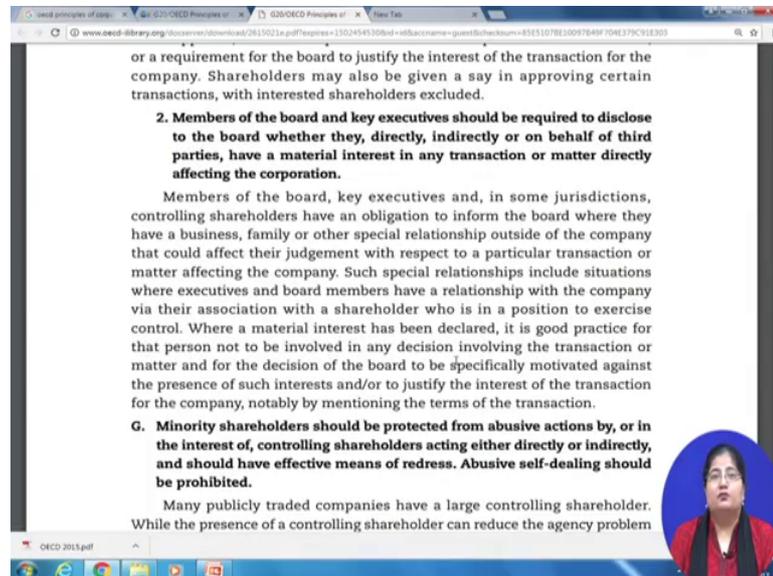
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Related party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interests of the company and

its shareholders, under this you have conflicts of interest inherent in related party transactions should be addressed.

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or a requirement for the board to justify the interest of the transaction for the company. Shareholders may also be given a say in approving certain transactions, with interested shareholders excluded.

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.

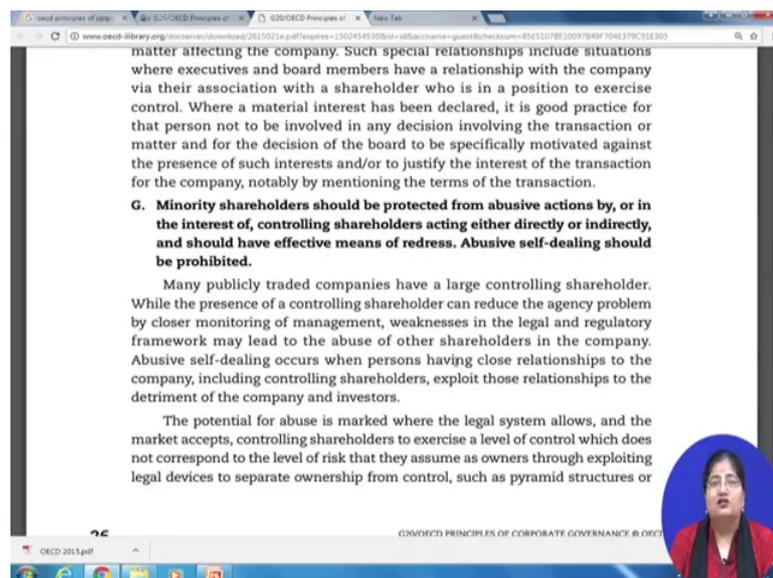
Members of the board, key executives and, in some jurisdictions, controlling shareholders have an obligation to inform the board where they have a business, family or other special relationship outside of the company that could affect their judgement with respect to a particular transaction or matter affecting the company. Such special relationships include situations where executives and board members have a relationship with the company via their association with a shareholder who is in a position to exercise control. Where a material interest has been declared, it is good practice for that person not to be involved in any decision involving the transaction or matter and for the decision of the board to be specifically motivated against the presence of such interests and/or to justify the interest of the transaction for the company, notably by mentioning the terms of the transaction.

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.

Many publicly traded companies have a large controlling shareholder. While the presence of a controlling shareholder can reduce the agency problem

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

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matter affecting the company. Such special relationships include situations where executives and board members have a relationship with the company via their association with a shareholder who is in a position to exercise control. Where a material interest has been declared, it is good practice for that person not to be involved in any decision involving the transaction or matter and for the decision of the board to be specifically motivated against the presence of such interests and/or to justify the interest of the transaction for the company, notably by mentioning the terms of the transaction.

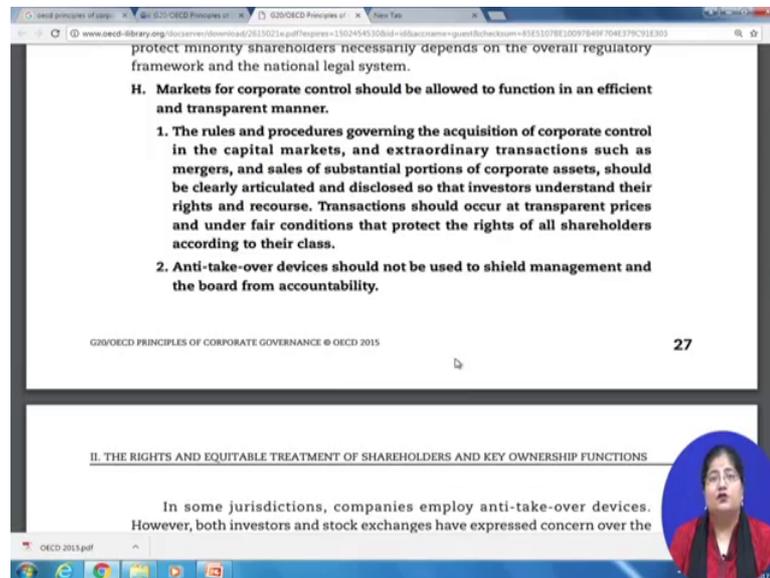
G. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited.

Many publicly traded companies have a large controlling shareholder. While the presence of a controlling shareholder can reduce the agency problem by closer monitoring of management, weaknesses in the legal and regulatory framework may lead to the abuse of other shareholders in the company. Abusive self-dealing occurs when persons having close relationships to the company, including controlling shareholders, exploit those relationships to the detriment of the company and investors.

The potential for abuse is marked where the legal system allows, and the market accepts, controlling shareholders to exercise a level of control which does not correspond to the level of risk that they assume as owners through exploiting legal devices to separate ownership from control, such as pyramid structures or

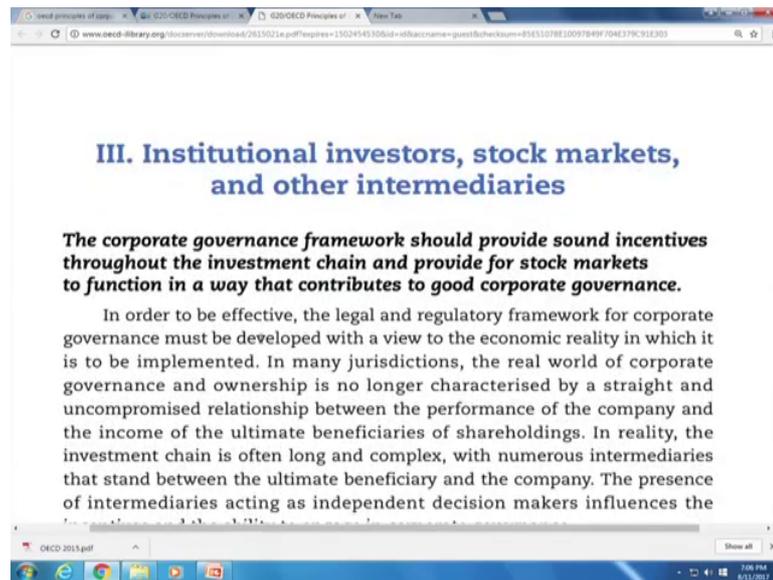
Then minority shareholders should be protected from abusive actions by or in the interest of controlling shareholders acting either directly or indirectly, and should have effective means of redress abusive self dealing should be prohibited.

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Then markets for corporate control should be allowed to function in an efficient and transparent manner, the rules and procedures governing the acquisition of corporate control in the capital markets and extraordinary transactions such as mergers and sale 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. Anti take over devices should not be used to shield management and the board from accountability and so, this ends the discussion on shareholders.

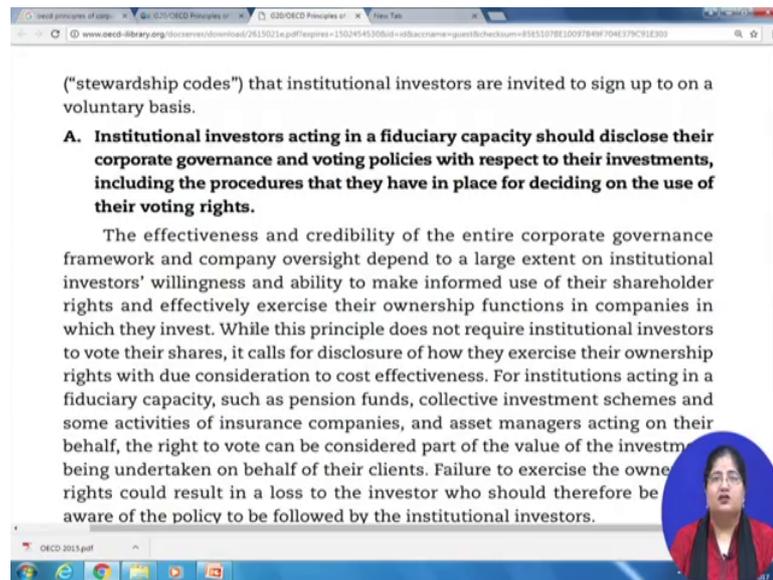
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The third one is institutional investors stock markets and other intermediaries. So, you can see that you know this these the set of principles is really looking after the interests of all associated with the you know with the organization and so, in the corporate governance structure the interests of everybody connected to the organization are being taken care of and. So, we will read this also and now I am going to take the liberty of reading it on the screen here because it is easier to do. So, anyway, but you can have the document with you I will see if I can increase the size even more, let me see I think this is better easier to read.

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.

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("stewardship codes") that institutional investors are invited to sign up to on a voluntary basis.

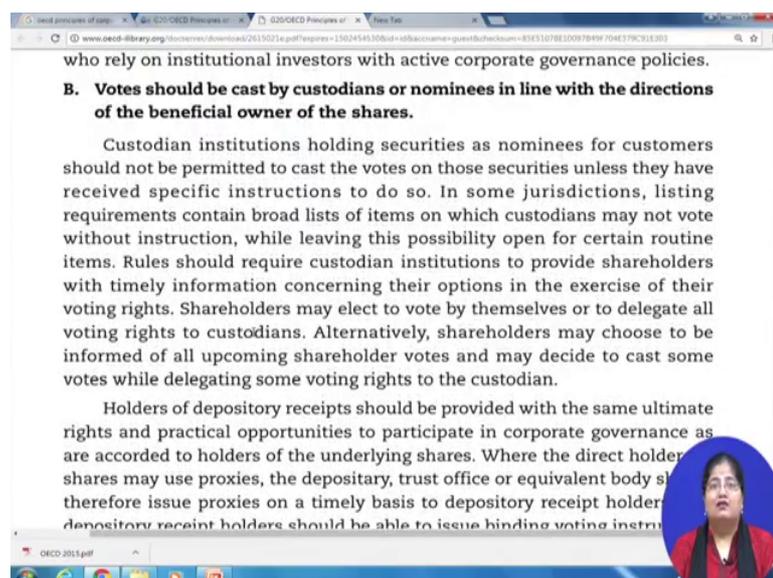
A. Institutional investors acting in a fiduciary capacity should disclose their corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.

The effectiveness and credibility of the entire corporate governance framework and company oversight depend to a large extent on institutional investors' willingness and ability to make informed use of their shareholder rights and effectively exercise their ownership functions in companies in which they invest. While this principle does not require institutional investors to vote their shares, it calls for disclosure of how they exercise their ownership rights with due consideration to cost effectiveness. For institutions acting in a fiduciary capacity, such as pension funds, collective investment schemes and some activities of insurance companies, and asset managers acting on their behalf, the right to vote can be considered part of the value of the investment being undertaken on behalf of their clients. Failure to exercise the ownership rights could result in a loss to the investor who should therefore be aware of the policy to be followed by the institutional investors.

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

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who rely on institutional investors with active corporate governance policies.

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

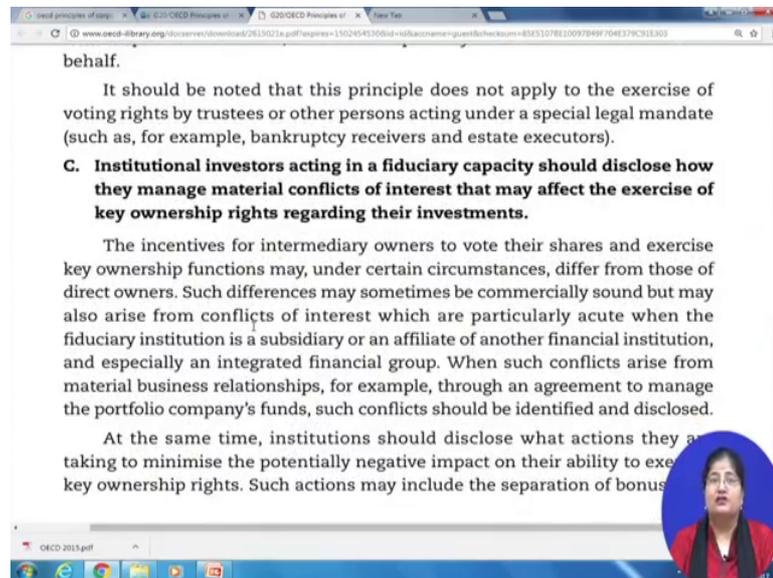
Custodian institutions holding securities as nominees for customers should not be permitted to cast the votes on those securities unless they have received specific instructions to do so. In some jurisdictions, listing requirements contain broad lists of items on which custodians may not vote without instruction, while leaving this possibility open for certain routine items. Rules should require custodian institutions to provide shareholders with timely information concerning their options in the exercise of their voting rights. Shareholders may elect to vote by themselves or to delegate all voting rights to custodians. Alternatively, shareholders may choose to be informed of all upcoming shareholder votes and may decide to cast some votes while delegating some voting rights to the custodian.

Holders of depository receipts should be provided with the same ultimate rights and practical opportunities to participate in corporate governance as are accorded to holders of the underlying shares. Where the direct holder of shares may use proxies, the depository, trust office or equivalent body should therefore issue proxies on a timely basis to depository receipt holders. Depository receipt holders should be able to issue binding voting instructions.

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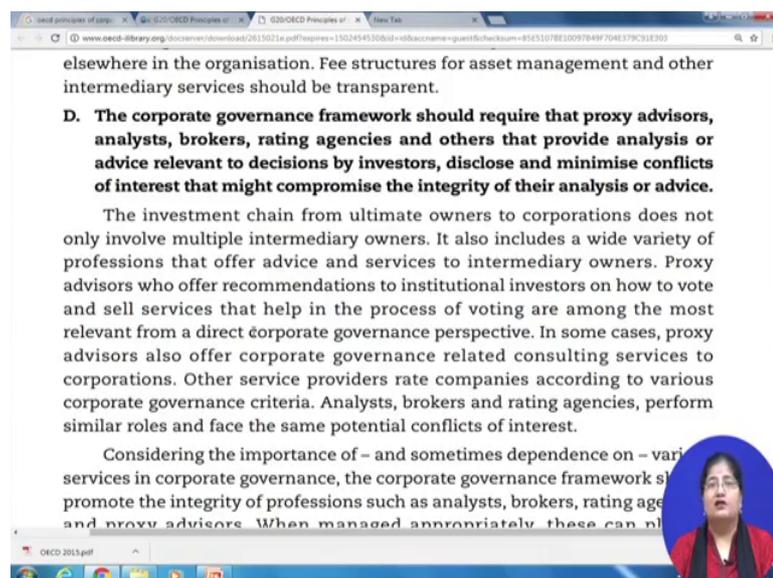
So the description of each of these is given under you know the specific principle. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect.

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The exercise of key ownership rights regarding their investments the corporate governance framework should require that proxy advisors analysts brokers rating agencies.

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And others that provide analysis or advice related to or relevant to decisions by investors disclose and minimize conflicts of interest that might compromise the integrity of their analysis or advice.

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the implementation of self-regulatory codes designed to mitigate such conflicts of interest or other risks related to integrity, and have provided for private and/or public monitoring arrangements.

Providers of proxy advisory services should, where appropriate in each context, disclose publicly and/or to investor clients the process and methodology that underpin their recommendations, and the criteria for their voting policies relevant for their clients.

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

As insider trading entails manipulation of the capital markets, it is prohibited by securities regulations, company law and/or criminal law in most countries. These practices can be seen as constituting a breach of good corporate governance as they violate the principle of equitable treatment of shareholders. However, the effectiveness of such prohibition depends on vigorous enforcement action.

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III. INSTITUTIONAL INVESTORS, STOCK MARKETS, AND OTHER INTERMEDIARIES

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.

It is increasingly common that companies are listed or traded at venues located in a different jurisdiction than the one where the company is incorporated. This may create uncertainty among investors about which corporate governance rules and regulations apply for that company. It concerns everything from procedures and locations for the annual shareholders meeting, to minority rights. The company should therefore clearly di

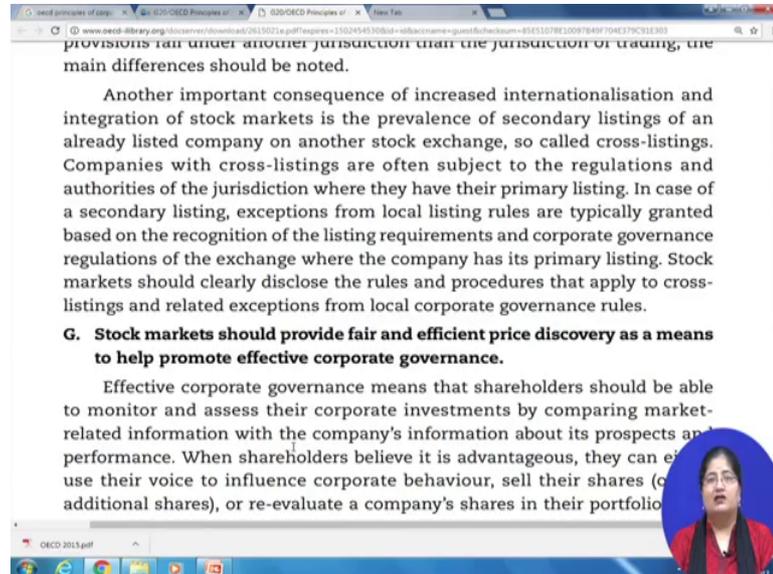
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Insider trading and market manipulation should be prohibited, and the applicable rules enforced. For companies who are listed in a jurisdiction other than their jurisdiction of incorporation the applicable corporate governance laws and regulations should be clearly

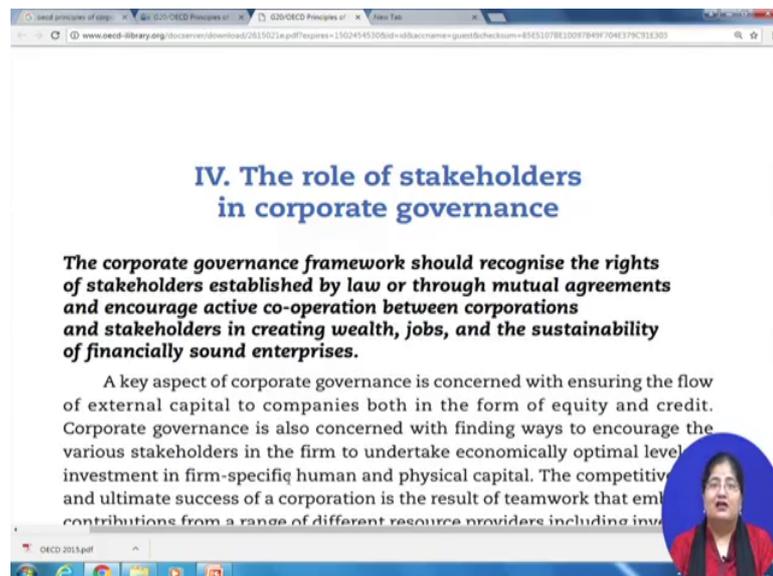
disclosed; in the case of cross listings the criteria and procedure for recognizing the listing requirements of the primary listing should be transparent and documented.

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

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The next is the role of stakeholders in corporate governance. So, we have talked about shareholders, we have talked about we have talked about the you know the other parties here now we are going to talk about these stakeholders in corporate governance.

Corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth jobs and the sustainability of financially sound enterprises.

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should recognize the interests of stakeholders and their contribution to the long-term success of the corporation.

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

The rights of stakeholders are often established by law (e.g. labour, business, commercial, environmental, and insolvency laws) or by contractual relations that companies must respect. Nevertheless, even in areas where stakeholder interests are not legislated, many firms make additional commitments to stakeholders, and concern over corporate reputation and corporate performance often requires the recognition of broader interests. For multinational enterprises, this may in some jurisdictions be achieved by companies using the *OECD Guidelines for Multinational Enterprises* for due diligence procedures that address the impact of such commitments.

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

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Under this the rights of stakeholders that are established by law or through mutual agreements to be respected.

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IV. THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

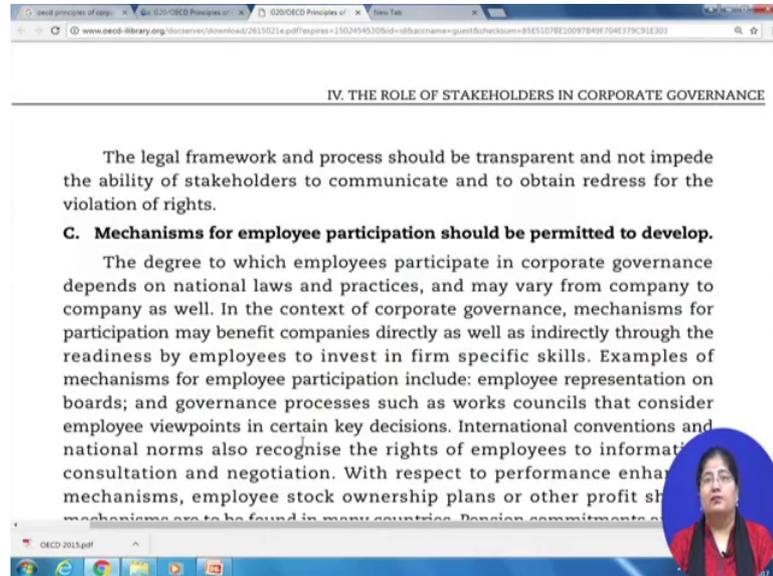
The legal framework and process should be transparent and not impede the ability of stakeholders to communicate and to obtain redress for violation of rights.

C. Mechanisms for employee participation should be permitted to de

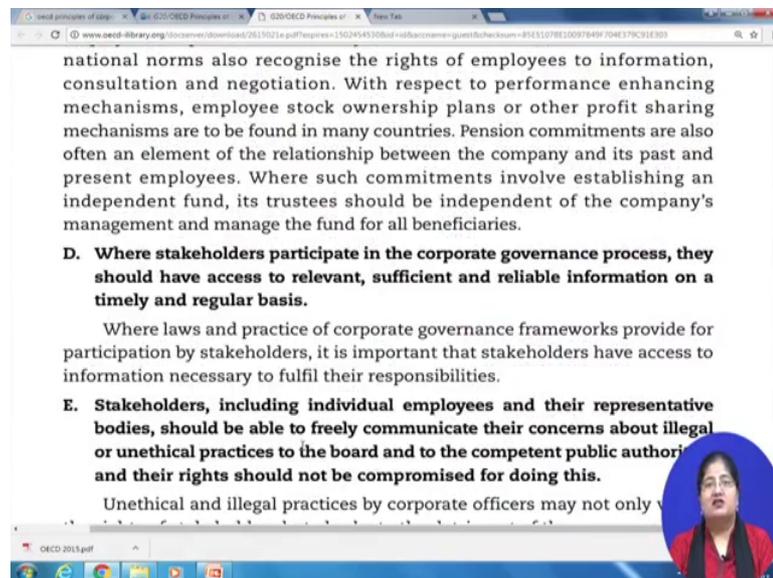
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Where stakeholder interests are protected by law stakeholders, should have the opportunity to obtain effective redress for violation of their rights.

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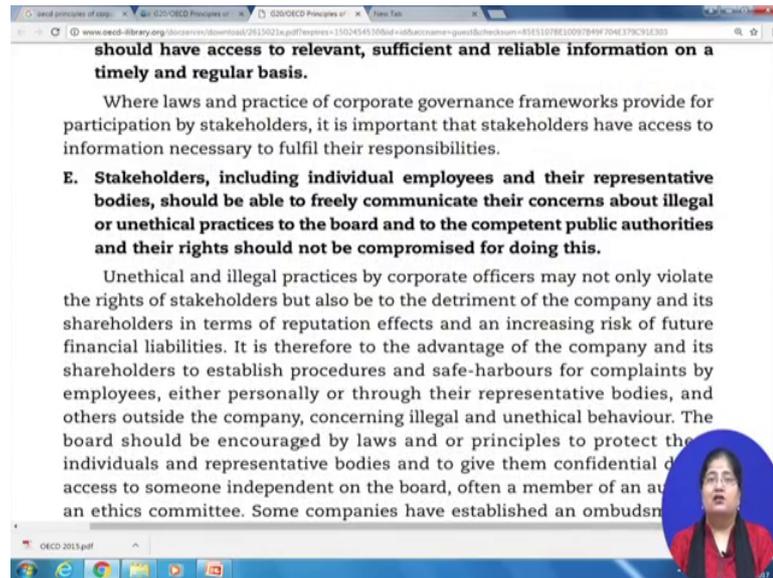


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Mechanisms for employee participation should be permitted to develop, where stakeholders participate in the corporate governance process they should have access to relevant sufficient and reliable information on a timely and regular basis.

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should have access to relevant, sufficient and reliable information on a timely and regular basis.

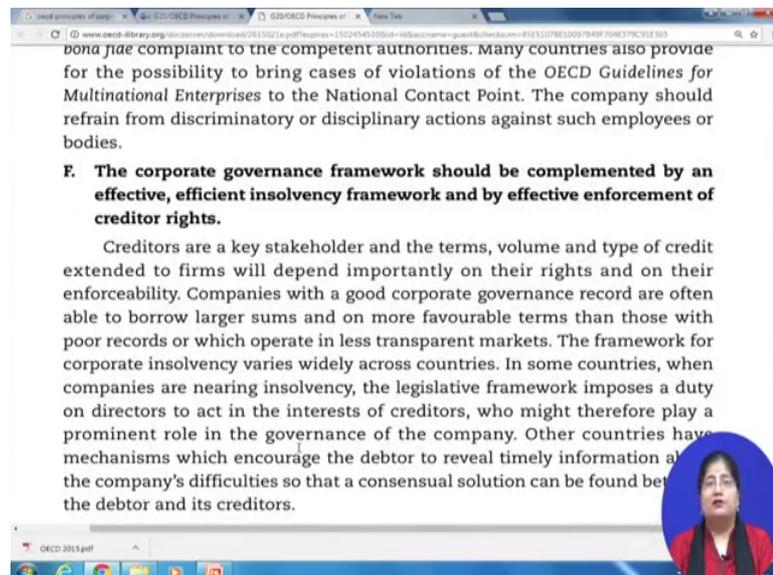
Where laws and practice of corporate governance frameworks provide for participation by stakeholders, it is important that stakeholders have access to information necessary to fulfil their responsibilities.

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.

Unethical and illegal practices by corporate officers may not only violate the rights of stakeholders but also be to the detriment of the company and its shareholders in terms of reputation effects and an increasing risk of future financial liabilities. It is therefore to the advantage of the company and its shareholders to establish procedures and safe-harbours for complaints by employees, either personally or through their representative bodies, and others outside the company, concerning illegal and unethical behaviour. The board should be encouraged by laws and or principles to protect the individuals and representative bodies and to give them confidential access to someone independent on the board, often a member of an audit committee or an ethics committee. Some companies have established an ombudsman.

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.

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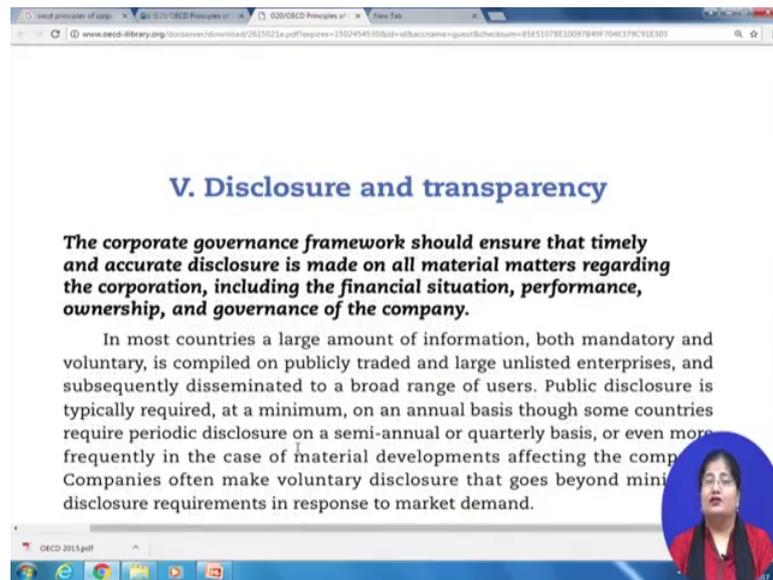
bona fide complaint to the competent authorities. Many countries also provide for the possibility to bring cases of violations of the OECD Guidelines for Multinational Enterprises to the National Contact Point. The company should refrain from discriminatory or disciplinary actions against such employees or bodies.

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

Creditors are a key stakeholder and the terms, volume and type of credit extended to firms will depend importantly on their rights and on their enforceability. Companies with a good corporate governance record are often able to borrow larger sums and on more favourable terms than those with poor records or which operate in less transparent markets. The framework for corporate insolvency varies widely across countries. In some countries, when companies are nearing insolvency, the legislative framework imposes a duty on directors to act in the interests of creditors, who might therefore play a prominent role in the governance of the company. Other countries have mechanisms which encourage the debtor to reveal timely information about the company's difficulties so that a consensual solution can be found between the debtor and its creditors.

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

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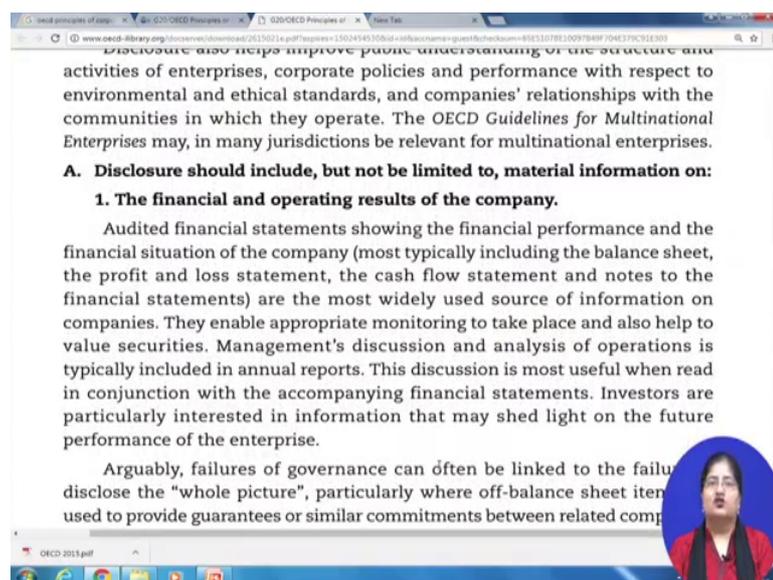
V. Disclosure and transparency

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.

In most countries a large amount of information, both mandatory and voluntary, is compiled on publicly traded and large unlisted enterprises, and subsequently disseminated to a broad range of users. Public disclosure is typically required, at a minimum, on an annual basis though some countries require periodic disclosure on a semi-annual or quarterly basis, or even more frequently in the case of material developments affecting the company. Companies often make voluntary disclosure that goes beyond minimum disclosure requirements in response to market demand.

Next is disclosure and transparency. So, we are going back to the prime the main list that we had talked about in the beginning. So, now, we are going to talk about disclosure and transparency; 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.

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Disclosure also helps improve public understanding of the structure and activities of enterprises, corporate policies and performance with respect to environmental and ethical standards, and companies' relationships with the communities in which they operate. The *OECD Guidelines for Multinational Enterprises* may, in many jurisdictions be relevant for multinational enterprises.

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

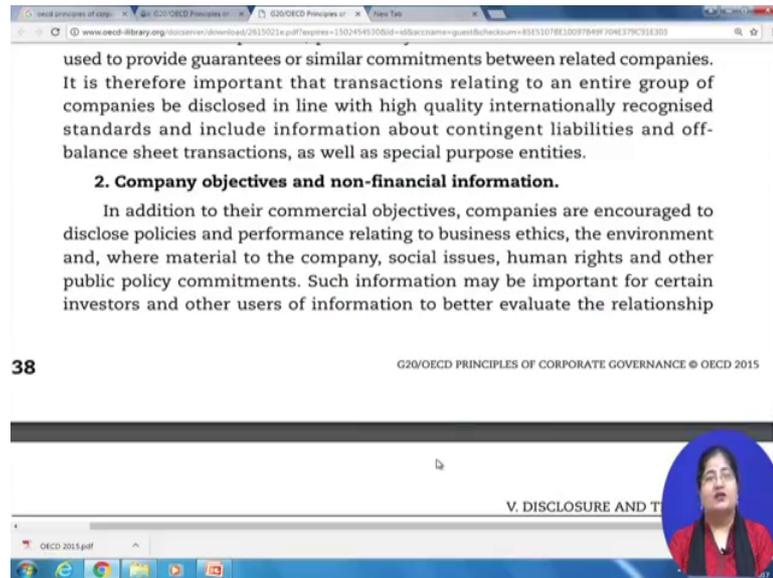
1. The financial and operating results of the company.

Audited financial statements showing the financial performance and the financial situation of the company (most typically including the balance sheet, the profit and loss statement, the cash flow statement and notes to the financial statements) are the most widely used source of information on companies. They enable appropriate monitoring to take place and also help to value securities. Management's discussion and analysis of operations is typically included in annual reports. This discussion is most useful when read in conjunction with the accompanying financial statements. Investors are particularly interested in information that may shed light on the future performance of the enterprise.

Arguably, failures of governance can often be linked to the failure to disclose the "whole picture", particularly where off-balance sheet items are used to provide guarantees or similar commitments between related companies.

Disclosure should include, but not be limited to material information on one the financial and operating results of the company.

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used to provide guarantees or similar commitments between related companies. It is therefore important that transactions relating to an entire group of companies be disclosed in line with high quality internationally recognised standards and include information about contingent liabilities and off-balance sheet transactions, as well as special purpose entities.

2. Company objectives and non-financial information.

In addition to their commercial objectives, companies are encouraged to disclose policies and performance relating to business ethics, the environment and, where material to the company, social issues, human rights and other public policy commitments. Such information may be important for certain investors and other users of information to better evaluate the relationship

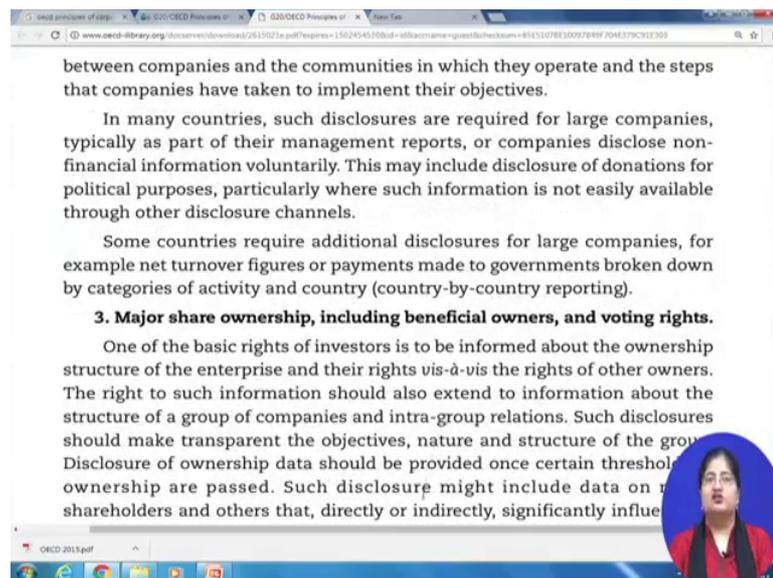
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V. DISCLOSURE AND T

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between companies and the communities in which they operate and the steps that companies have taken to implement their objectives.

In many countries, such disclosures are required for large companies, typically as part of their management reports, or companies disclose non-financial information voluntarily. This may include disclosure of donations for political purposes, particularly where such information is not easily available through other disclosure channels.

Some countries require additional disclosures for large companies, for example net turnover figures or payments made to governments broken down by categories of activity and country (country-by-country reporting).

3. Major share ownership, including beneficial owners, and voting rights.

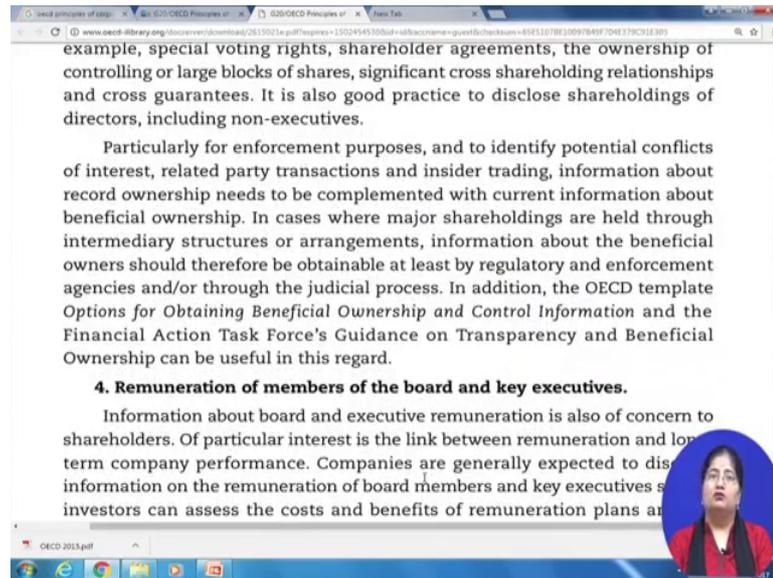
One of the basic rights of investors is to be informed about the ownership structure of the enterprise and their rights vis-à-vis the rights of other owners. The right to such information should also extend to information about the structure of a group of companies and intra-group relations. Such disclosures should make transparent the objectives, nature and structure of the group. Disclosure of ownership data should be provided once certain thresholds of ownership are passed. Such disclosure might include data on the shareholdings of major shareholders and others that, directly or indirectly, significantly influence

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Company objectives and non financial information, major share ownership including beneficial owners and voting rights.

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example, special voting rights, shareholder agreements, the ownership of controlling or large blocks of shares, significant cross shareholding relationships and cross guarantees. It is also good practice to disclose shareholdings of directors, including non-executives.

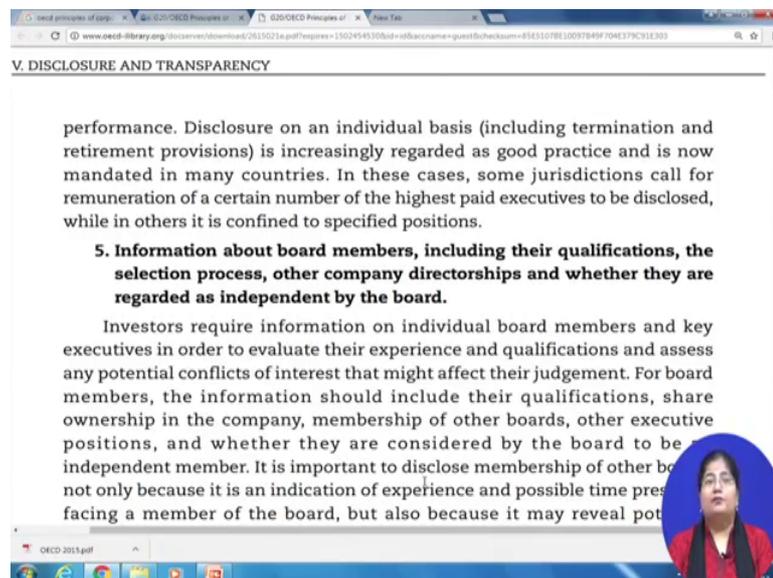
Particularly for enforcement purposes, and to identify potential conflicts of interest, related party transactions and insider trading, information about record ownership needs to be complemented with current information about beneficial ownership. In cases where major shareholdings are held through intermediary structures or arrangements, information about the beneficial owners should therefore be obtainable at least by regulatory and enforcement agencies and/or through the judicial process. In addition, the OECD template *Options for Obtaining Beneficial Ownership and Control Information* and the Financial Action Task Force's *Guidance on Transparency and Beneficial Ownership* can be useful in this regard.

4. Remuneration of members of the board and key executives.

Information about board and executive remuneration is also of concern to shareholders. Of particular interest is the link between remuneration and long term company performance. Companies are generally expected to disclose information on the remuneration of board members and key executives so that investors can assess the costs and benefits of remuneration plans and

Remuneration of members of the board and key executives.

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V. DISCLOSURE AND TRANSPARENCY

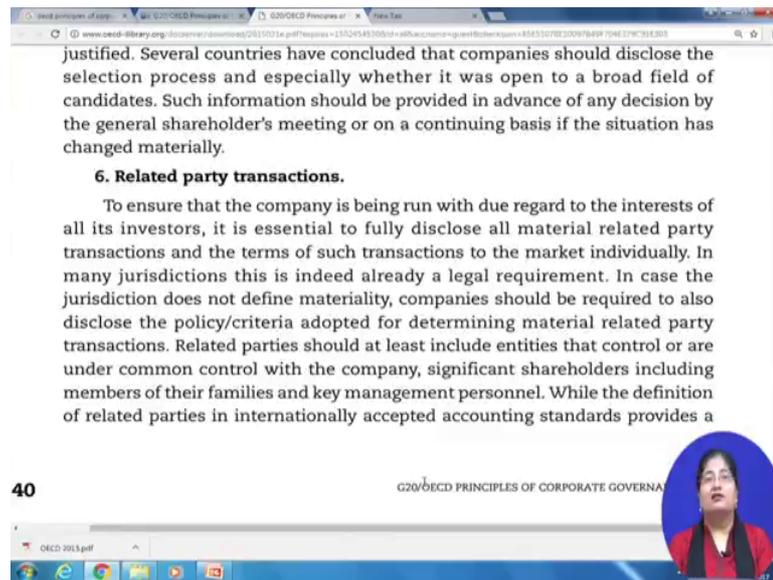
performance. Disclosure on an individual basis (including termination and retirement provisions) is increasingly regarded as good practice and is now mandated in many countries. In these cases, some jurisdictions call for remuneration of a certain number of the highest paid executives to be disclosed, while in others it is confined to specified positions.

5. Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.

Investors require information on individual board members and key executives in order to evaluate their experience and qualifications and assess any potential conflicts of interest that might affect their judgement. For board members, the information should include their qualifications, share ownership in the company, membership of other boards, other executive positions, and whether they are considered by the board to be an independent member. It is important to disclose membership of other boards not only because it is an indication of experience and possible time pressures facing a member of the board, but also because it may reveal potential

Information about board members including their qualifications, the selection processes other company directorships and whether they are regarded as independent by the board.

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justified. Several countries have concluded that companies should disclose the selection process and especially whether it was open to a broad field of candidates. Such information should be provided in advance of any decision by the general shareholder's meeting or on a continuing basis if the situation has changed materially.

6. Related party transactions.

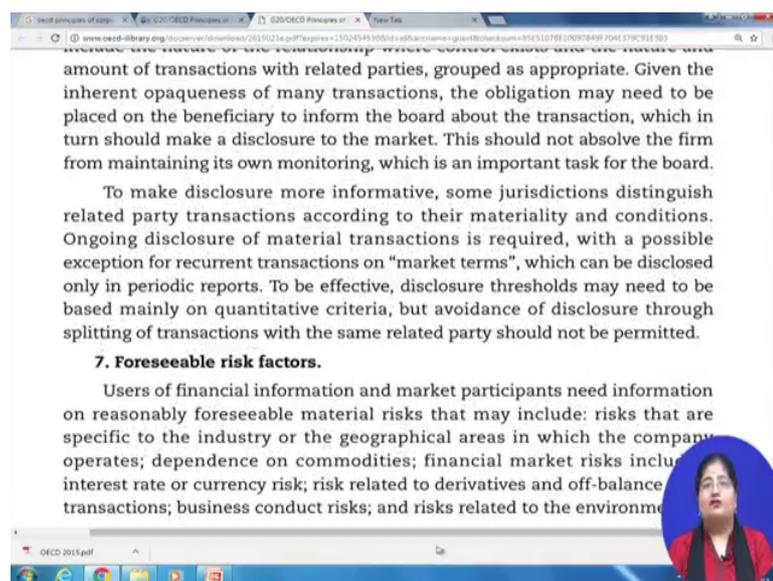
To ensure that the company is being run with due regard to the interests of all its investors, it is essential to fully disclose all material related party transactions and the terms of such transactions to the market individually. In many jurisdictions this is indeed already a legal requirement. In case the jurisdiction does not define materiality, companies should be required to also disclose the policy/criteria adopted for determining material related party transactions. Related parties should at least include entities that control or are under common control with the company, significant shareholders including members of their families and key management personnel. While the definition of related parties in internationally accepted accounting standards provides a

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amount of transactions with related parties, grouped as appropriate. Given the inherent opaqueness of many transactions, the obligation may need to be placed on the beneficiary to inform the board about the transaction, which in turn should make a disclosure to the market. This should not absolve the firm from maintaining its own monitoring, which is an important task for the board.

To make disclosure more informative, some jurisdictions distinguish related party transactions according to their materiality and conditions. Ongoing disclosure of material transactions is required, with a possible exception for recurrent transactions on "market terms", which can be disclosed only in periodic reports. To be effective, disclosure thresholds may need to be based mainly on quantitative criteria, but avoidance of disclosure through splitting of transactions with the same related party should not be permitted.

7. Foreseeable risk factors.

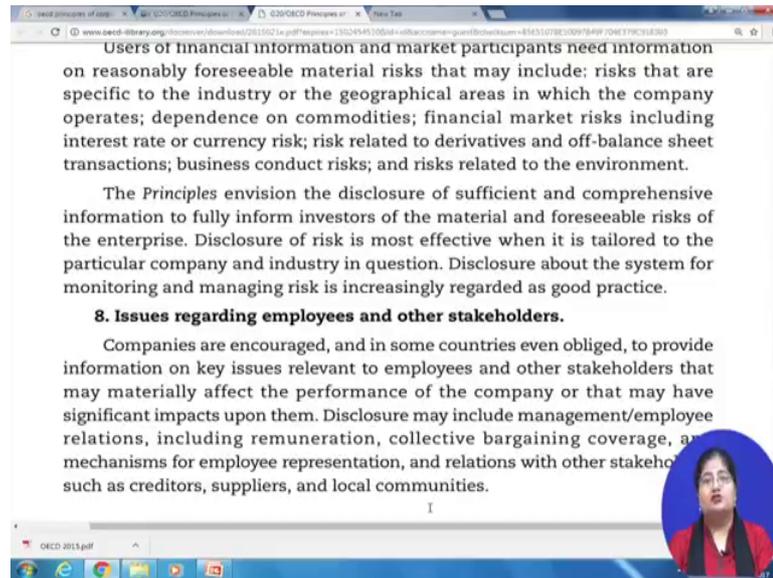
Users of financial information and market participants need information on reasonably foreseeable material risks that may include: risks that are specific to the industry or the geographical areas in which the company operates; dependence on commodities; financial market risks including interest rate or currency risk; risk related to derivatives and off-balance transactions; business conduct risks; and risks related to the environment

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Related party transactions and foreseeable risk factors issues regarding employees and other stakeholders.

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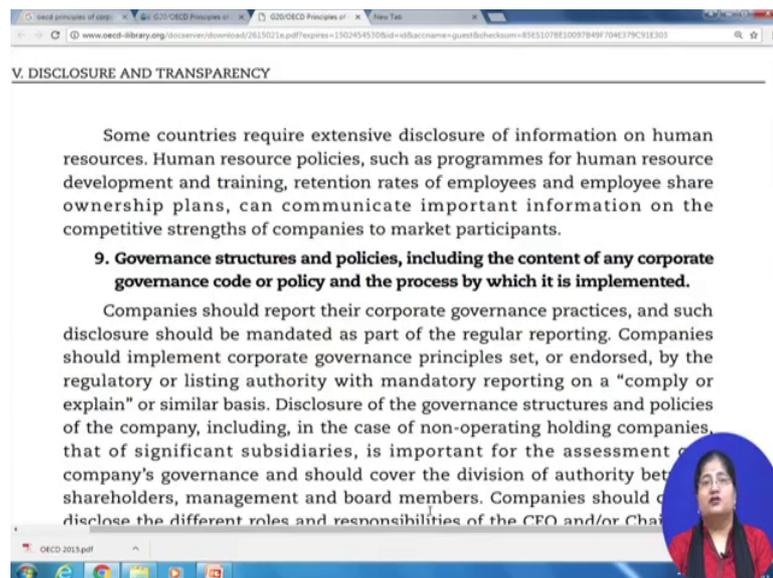
Users of financial information and market participants need information on reasonably foreseeable material risks that may include: risks that are specific to the industry or the geographical areas in which the company operates; dependence on commodities; financial market risks including interest rate or currency risk; risk related to derivatives and off-balance sheet transactions; business conduct risks; and risks related to the environment.

The Principles envision the disclosure of sufficient and comprehensive information to fully inform investors of the material and foreseeable risks of the enterprise. Disclosure of risk is most effective when it is tailored to the particular company and industry in question. Disclosure about the system for monitoring and managing risk is increasingly regarded as good practice.

8. Issues regarding employees and other stakeholders.

Companies are encouraged, and in some countries even obliged, to provide information on key issues relevant to employees and other stakeholders that may materially affect the performance of the company or that may have significant impacts upon them. Disclosure may include management/employee relations, including remuneration, collective bargaining coverage, and mechanisms for employee representation, and relations with other stakeholders such as creditors, suppliers, and local communities.

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V. DISCLOSURE AND TRANSPARENCY

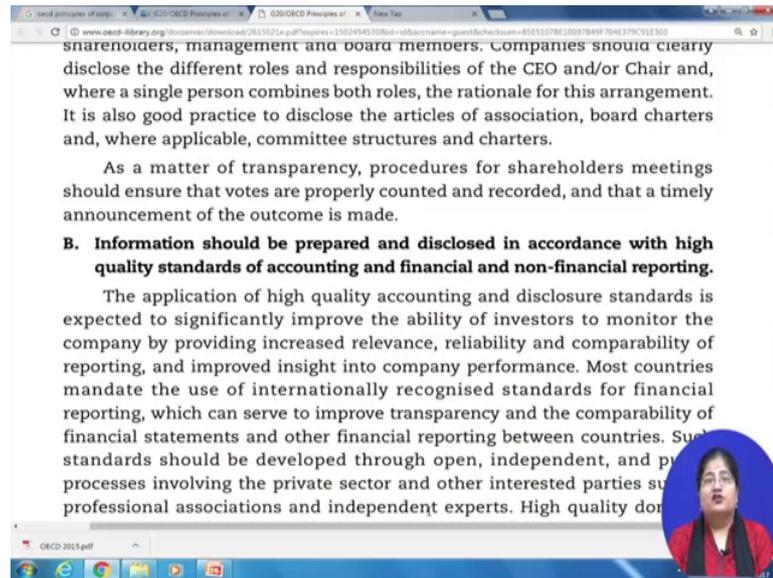
Some countries require extensive disclosure of information on human resources. Human resource policies, such as programmes for human resource development and training, retention rates of employees and employee share ownership plans, can communicate important information on the competitive strengths of companies to market participants.

9. Governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented.

Companies should report their corporate governance practices, and such disclosure should be mandated as part of the regular reporting. Companies should implement corporate governance principles set, or endorsed, by the regulatory or listing authority with mandatory reporting on a “comply or explain” or similar basis. Disclosure of the governance structures and policies of the company, including, in the case of non-operating holding companies, that of significant subsidiaries, is important for the assessment of a company’s governance and should cover the division of authority between shareholders, management and board members. Companies should disclose the different roles and responsibilities of the CEO and/or Chair

Governance structures and policies including the content of any corporate governance code or policy, and the process by which it is implemented.

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stakeholders, management and board members. Companies should clearly disclose the different roles and responsibilities of the CEO and/or Chair and, where a single person combines both roles, the rationale for this arrangement. It is also good practice to disclose the articles of association, board charters and, where applicable, committee structures and charters.

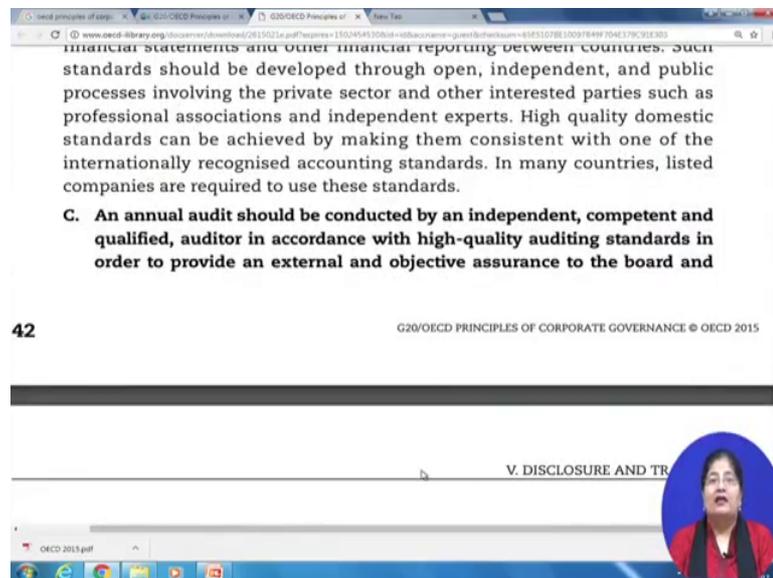
As a matter of transparency, procedures for shareholders meetings should ensure that votes are properly counted and recorded, and that a timely announcement of the outcome is made.

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

The application of high quality accounting and disclosure standards is expected to significantly improve the ability of investors to monitor the company by providing increased relevance, reliability and comparability of reporting, and improved insight into company performance. Most countries mandate the use of internationally recognised standards for financial reporting, which can serve to improve transparency and the comparability of financial statements and other financial reporting between countries. Such standards should be developed through open, independent, and public processes involving the private sector and other interested parties such as professional associations and independent experts. High quality domestic

Then information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non financial reporting.

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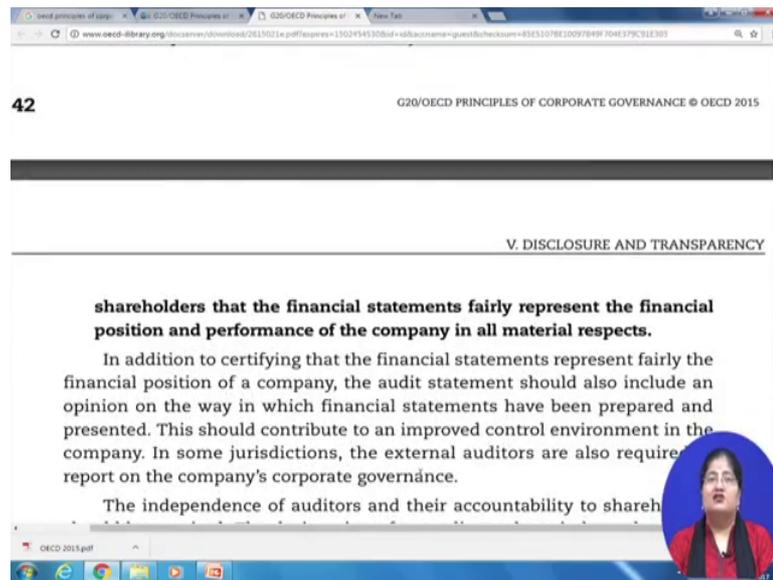
financial statements and other financial reporting between countries. Such standards should be developed through open, independent, and public processes involving the private sector and other interested parties such as professional associations and independent experts. High quality domestic standards can be achieved by making them consistent with one of the internationally recognised accounting standards. In many countries, listed companies are required to use these standards.

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

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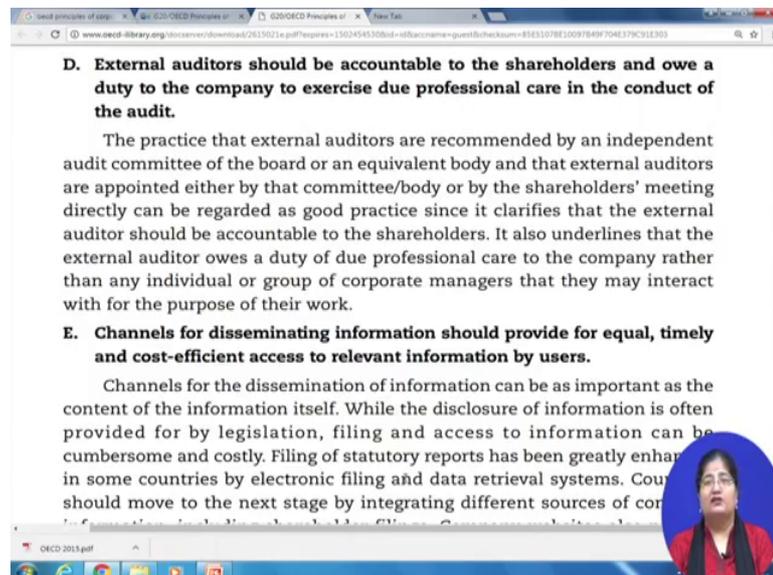
V. DISCLOSURE AND TR

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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 aspects.

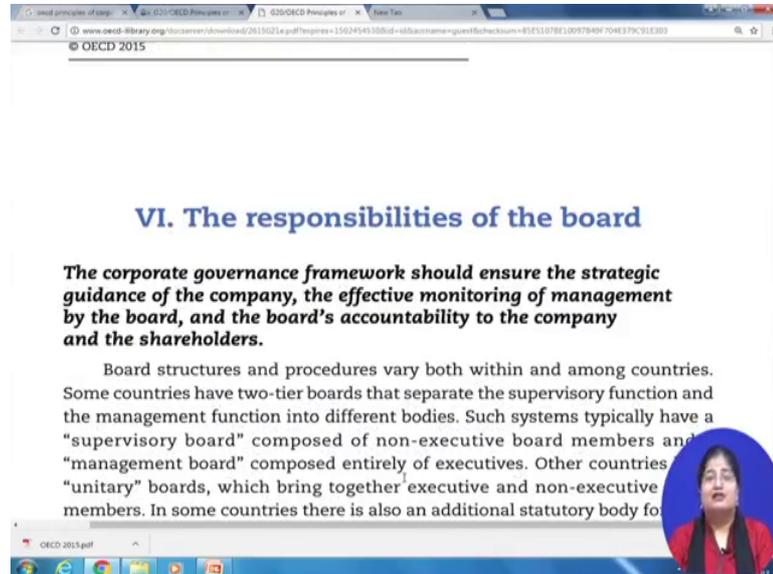
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External auditors should be accountable to the shareholders, and owe a duty to the company to exercise due professional care in the conduct of the audit, channels for

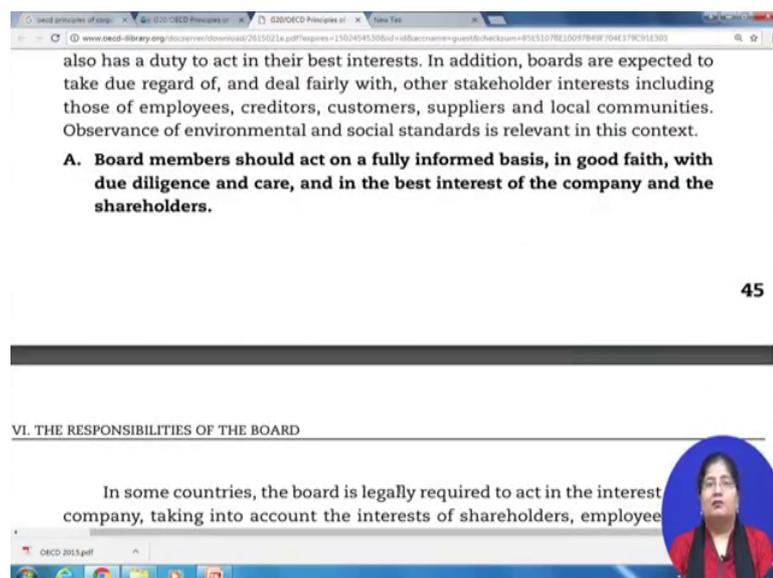
disseminating information should provide for equal timely and cost efficient access to relevant information by users.

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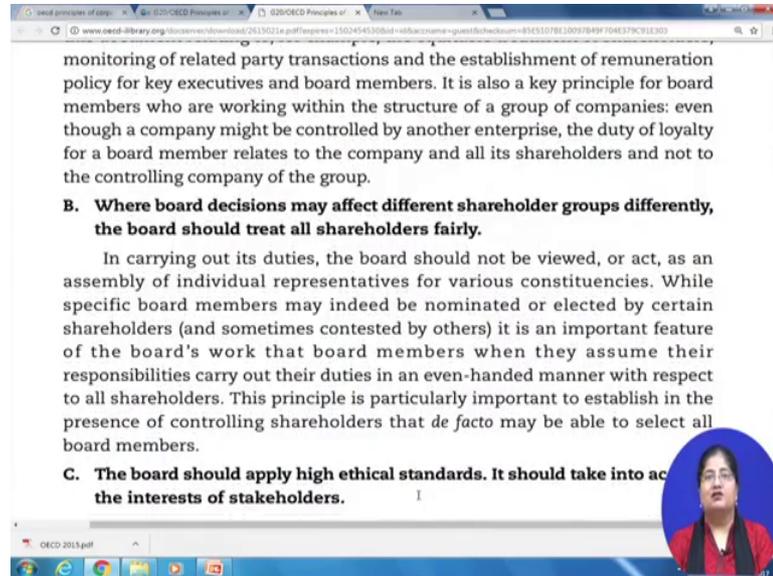
The next is the responsibilities of the board. So, these are also outlined to the corporate governance framework should ensure the strategic guidance of the company the effective monitoring and management by the board, and the boards accountability to the company and the shareholders.

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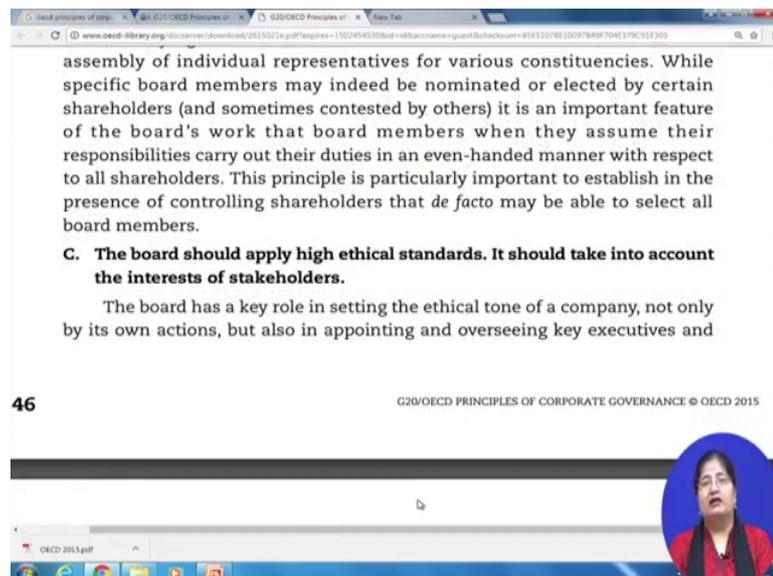
Board members should act on a fully informed basis in good faith with due diligence and care and in the best interest of the company and the shareholders.

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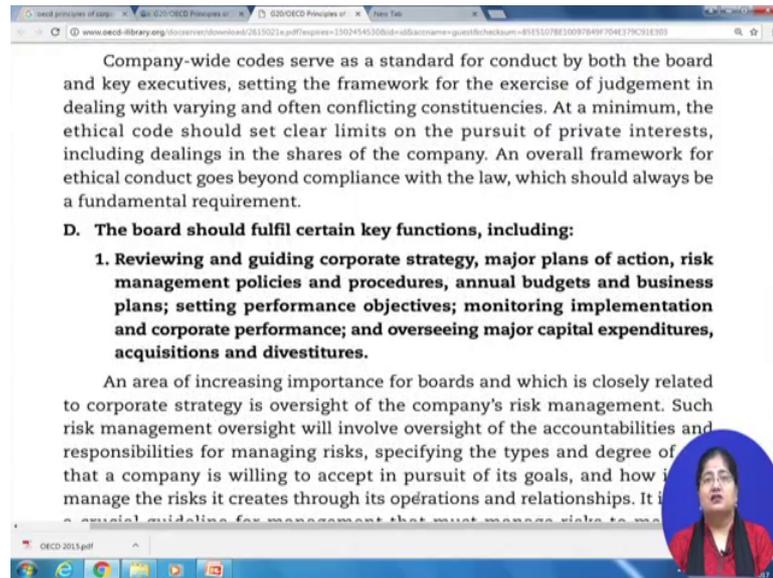
Where board decisions may affect shareholder groups differently, the board should treat all shareholders fairly.

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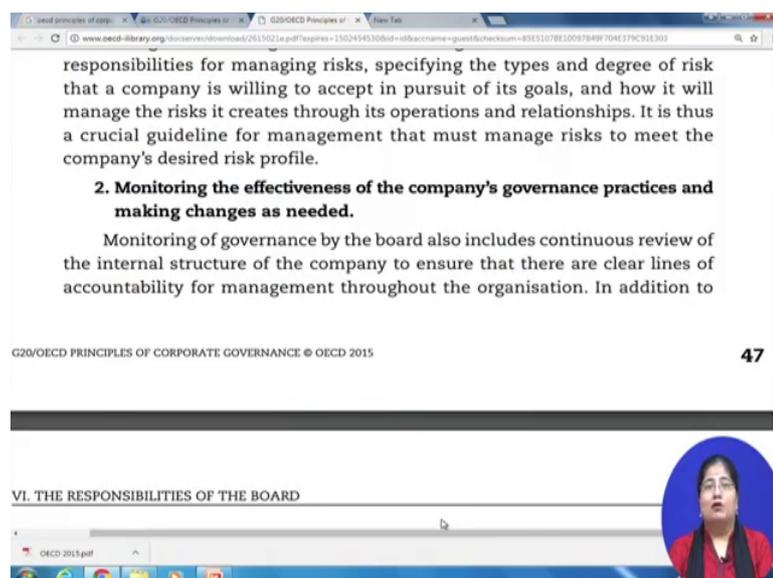
The board should apply high ethical standards, it should take into account the interests of stakeholders.

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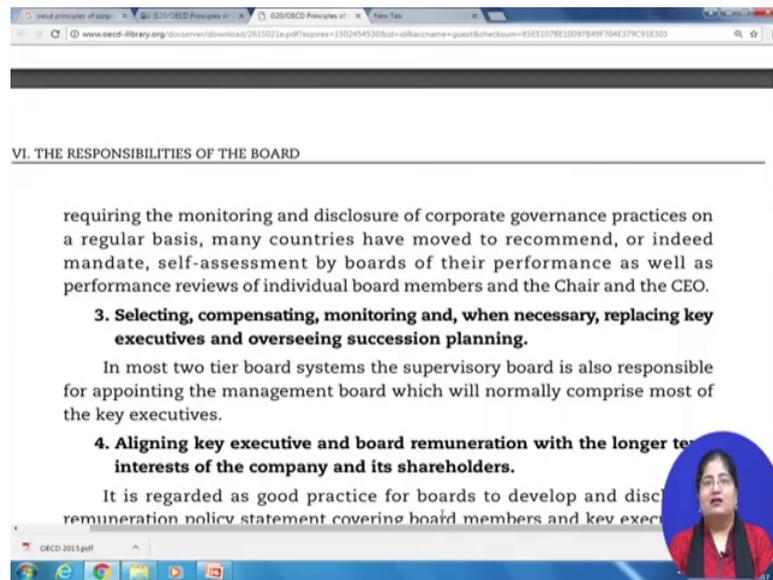
The board should fulfill certain key functions, including reviewing and guiding corporate strategy major plans of action, risk management policies and procedures annual budgets and business plans setting performance objectives monitoring and implementation and corporate performance monitoring implementation and corporate performance and overseeing major capital expenditures acquisitions and divestitures.

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Monitoring the effectiveness of the company's governance practices and making changes as needed.

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VI. THE RESPONSIBILITIES OF THE BOARD

requiring the monitoring and disclosure of corporate governance practices on a regular basis, many countries have moved to recommend, or indeed mandate, self-assessment by boards of their performance as well as performance reviews of individual board members and the Chair and the CEO.

3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

In most two tier board systems the supervisory board is also responsible for appointing the management board which will normally comprise most of the key executives.

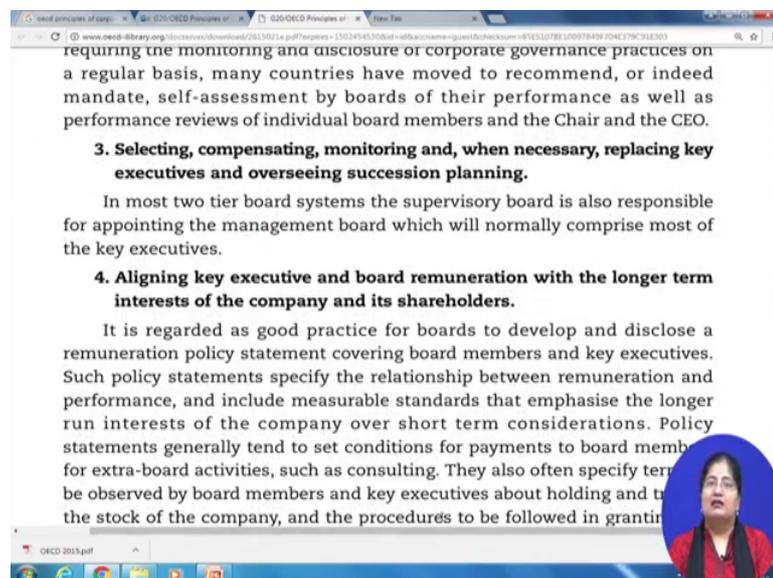
4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.

It is regarded as good practice for boards to develop and disclose a remuneration policy statement covering board members and key executives.

The screenshot shows a PDF document with a video inset of a woman in a red top and black shawl. The document is titled 'VI. THE RESPONSIBILITIES OF THE BOARD' and contains text about corporate governance practices, including sections 3 and 4. Section 3 is highlighted in bold and discusses selecting, compensating, monitoring, and replacing key executives. Section 4 is also highlighted in bold and discusses aligning key executive and board remuneration with the longer term interests of the company and its shareholders. The text mentions that in two-tier board systems, the supervisory board is responsible for appointing the management board, and that it is good practice for boards to develop and disclose a remuneration policy statement.

Selecting compensating monitoring and when necessary replacing key executives and overseeing succession planning.

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requiring the monitoring and disclosure of corporate governance practices on a regular basis, many countries have moved to recommend, or indeed mandate, self-assessment by boards of their performance as well as performance reviews of individual board members and the Chair and the CEO.

3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

In most two tier board systems the supervisory board is also responsible for appointing the management board which will normally comprise most of the key executives.

4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.

It is regarded as good practice for boards to develop and disclose a remuneration policy statement covering board members and key executives. Such policy statements specify the relationship between remuneration and performance, and include measurable standards that emphasise the longer run interests of the company over short term considerations. Policy statements generally tend to set conditions for payments to board members for extra-board activities, such as consulting. They also often specify terms to be observed by board members and key executives about holding and trading the stock of the company, and the procedures to be followed in granting

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They grant the company the right to withhold and recover compensation from executives in cases of managerial fraud and other circumstances, for example when the company is required to restate its financial statements due to material noncompliance with financial reporting requirements.

5. Ensuring a formal and transparent board nomination and election process.

These Principles promote an active role for shareholders in the nomination and election of board members. The board has an essential role to play in ensuring that this and other aspects of the nominations and election process are respected. First, while actual procedures for nomination may differ among countries, the board or a nomination committee has a special responsibility to make sure that established procedures are transparent and respected. Second, the board has a key role in defining the general or individual profile of board members that the company may need at any given

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Aligning key executive and board remuneration with the longer term interests of the company and its shareholders, ensuring a formal and transparent board nomination and election process.

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time, considering the appropriate knowledge, competencies and expertise to complement the existing skills of the board. Third, the board or nomination committee has the responsibility to identify potential candidates to meet desired profiles and propose them to shareholders, and/or consider those candidates advanced by shareholders with the right to make nominations. There are increasing calls for open search processes extending to a broad range of people.

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.

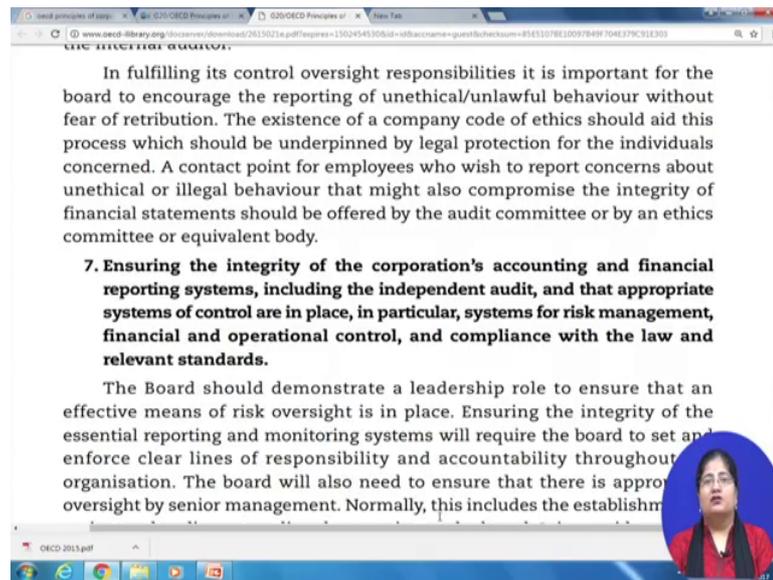
It is an important function of the board to oversee the internal control systems covering financial reporting and the use of corporate assets and to guard against abusive related party transactions. These functions are often assigned to the internal auditor which should maintain direct access to the board. Where other corporate officers are responsible such as the general counsel, it is important that they maintain similar reporting responsibilities to the internal auditor.

In fulfilling its control oversight responsibilities it is important f

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Monitoring and managing potential conflicts of interest of management board members and shareholders including misuse of corporate assets and abuse in related party transactions.

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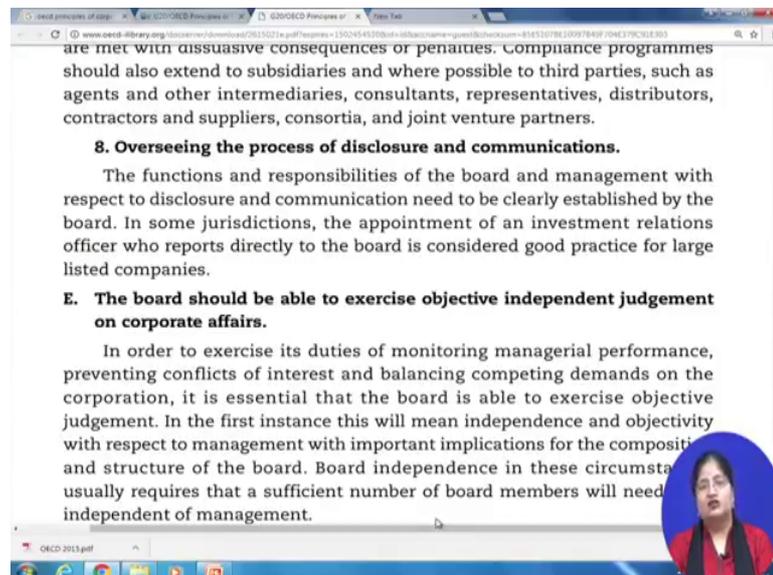
In fulfilling its control oversight responsibilities it is important for the board to encourage the reporting of unethical/unlawful behaviour without fear of retribution. The existence of a company code of ethics should aid this process which should be underpinned by legal protection for the individuals concerned. A contact point for employees who wish to report concerns about unethical or illegal behaviour that might also compromise the integrity of financial statements should be offered by the audit committee or by an ethics committee or equivalent body.

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.

The Board should demonstrate a leadership role to ensure that an effective means of risk oversight is in place. Ensuring the integrity of the essential reporting and monitoring systems will require the board to set and enforce clear lines of responsibility and accountability throughout the organisation. The board will also need to ensure that there is appropriate oversight by senior management. Normally, this includes the establishment

Ensuring the integrity of the corporations 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.

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are met with dissuasive consequences or penalties. Compliance programmes should also extend to subsidiaries and where possible to third parties, such as agents and other intermediaries, consultants, representatives, distributors, contractors and suppliers, consortia, and joint venture partners.

8. Overseeing the process of disclosure and communications.

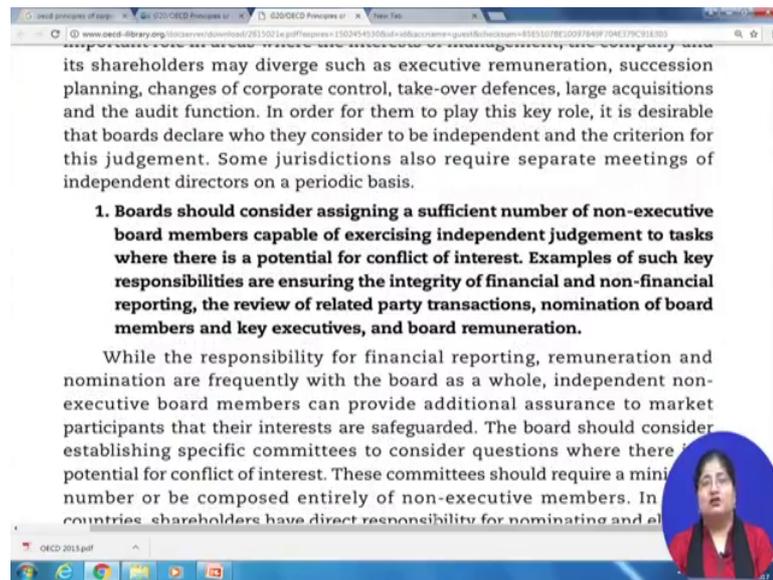
The functions and responsibilities of the board and management with respect to disclosure and communication need to be clearly established by the board. In some jurisdictions, the appointment of an investment relations officer who reports directly to the board is considered good practice for large listed companies.

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

In order to exercise its duties of monitoring managerial performance, preventing conflicts of interest and balancing competing demands on the corporation, it is essential that the board is able to exercise objective judgement. In the first instance this will mean independence and objectivity with respect to management with important implications for the composition and structure of the board. Board independence in these circumstances usually requires that a sufficient number of board members will need to be independent of management.

Overseeing the process of disclosure and communications, the board should be able to exercise objective independent judgment on corporate affairs.

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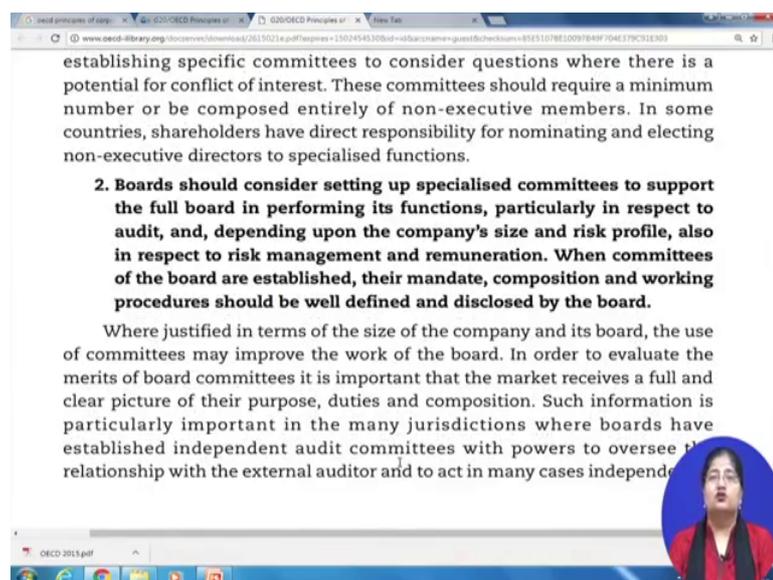
its shareholders may diverge such as executive remuneration, succession planning, changes of corporate control, take-over defences, large acquisitions and the audit function. In order for them to play this key role, it is desirable that boards declare who they consider to be independent and the criterion for this judgement. Some jurisdictions also require separate meetings of independent directors on a periodic basis.

1. Boards should consider assigning a sufficient number of non-executive 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.

While the responsibility for financial reporting, remuneration and nomination are frequently with the board as a whole, independent non-executive board members can provide additional assurance to market participants that their interests are safeguarded. The board should consider establishing specific committees to consider questions where there is a potential for conflict of interest. These committees should require a minimum number or be composed entirely of non-executive members. In some countries, shareholders have direct responsibility for nominating and electing

Boards should consider assigning a sufficient number of non executive board members capable of exercising independent judgment or tasks, where there is a potential for conflict of interest examples of such key responsibilities 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.

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establishing specific committees to consider questions where there is a potential for conflict of interest. These committees should require a minimum number or be composed entirely of non-executive members. In some countries, shareholders have direct responsibility for nominating and electing non-executive directors to specialised functions.

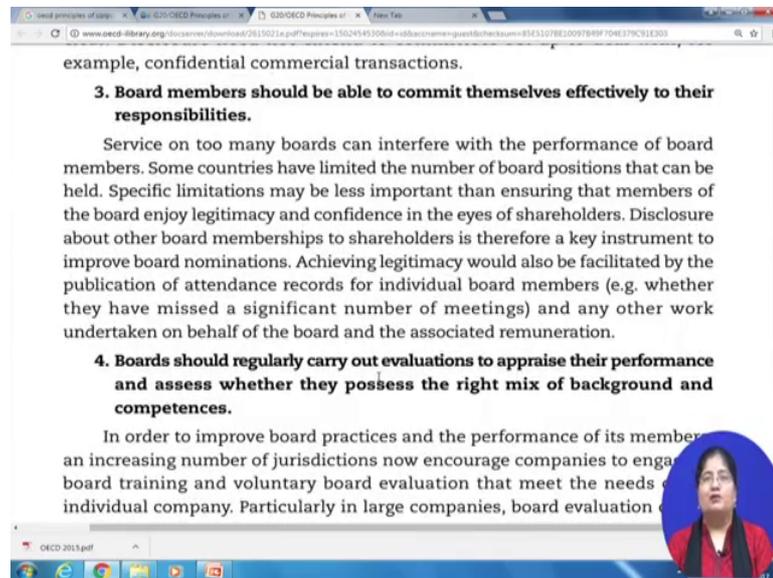
2. Boards should consider setting up specialised committees to support the full board in performing its functions, particularly in respect to audit, and, depending upon the company's size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.

Where justified in terms of the size of the company and its board, the use of committees may improve the work of the board. In order to evaluate the merits of board committees it is important that the market receives a full and clear picture of their purpose, duties and composition. Such information is particularly important in the many jurisdictions where boards have established independent audit committees with powers to oversee the relationship with the external auditor and to act in many cases independently

Board should consider setting up specialized committees to support the full board in performing, its functions particularly in respect to audit and depending on the company's

size and risk profile also in respect to also in sorry 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.

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example, confidential commercial transactions.

3. Board members should be able to commit themselves effectively to their responsibilities.

Service on too many boards can interfere with the performance of board members. Some countries have limited the number of board positions that can be held. Specific limitations may be less important than ensuring that members of the board enjoy legitimacy and confidence in the eyes of shareholders. Disclosure about other board memberships to shareholders is therefore a key instrument to improve board nominations. Achieving legitimacy would also be facilitated by the publication of attendance records for individual board members (e.g. whether they have missed a significant number of meetings) and any other work undertaken on behalf of the board and the associated remuneration.

4. Boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences.

In order to improve board practices and the performance of its members, an increasing number of jurisdictions now encourage companies to engage in board training and voluntary board evaluation that meet the needs of the individual company. Particularly in large companies, board evaluation can be supported by external facilitators to increase objectivity. Unless certain qualifications are required, such as for financial institutions, this might include that board members acquire appropriate skills upon appointment. Thereafter, board members may remain abreast of relevant new laws, regulations, and changing commercial and other risks through in-house training and external courses. In order to avoid groupthink and bring a diversity of thought to board discussion, boards should also consider if they collectively possess the right mix of background and competences.

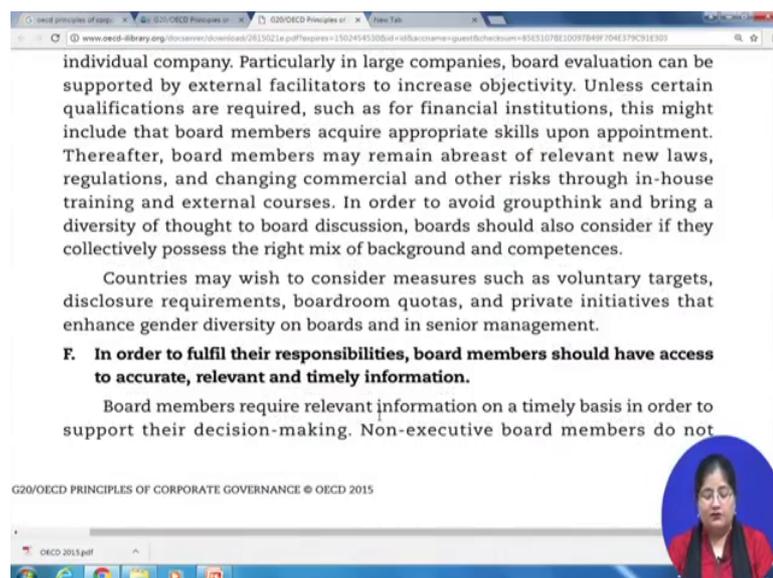
Countries may wish to consider measures such as voluntary targets, disclosure requirements, boardroom quotas, and private initiatives that enhance gender diversity on boards and in senior management.

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

Board members require relevant information on a timely basis in order to support their decision-making. Non-executive board members do not

Board members should be able to commit themselves effectively to their responsibilities, boards should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competencies.

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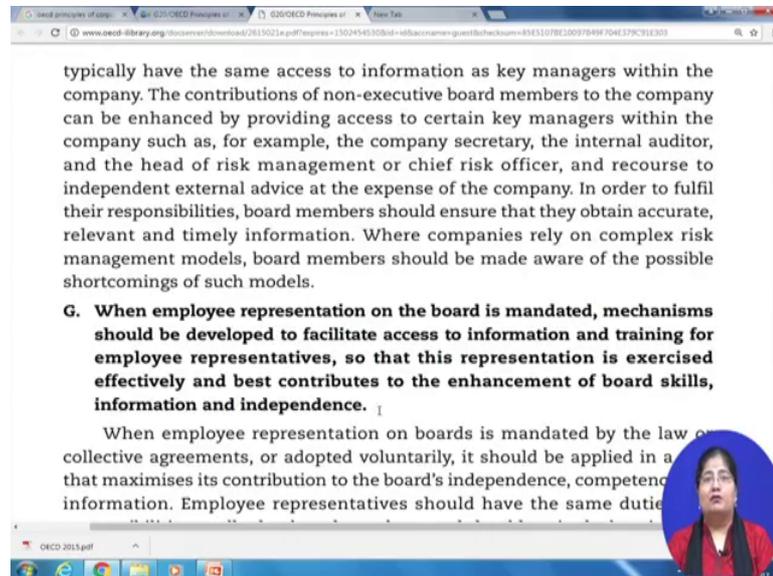
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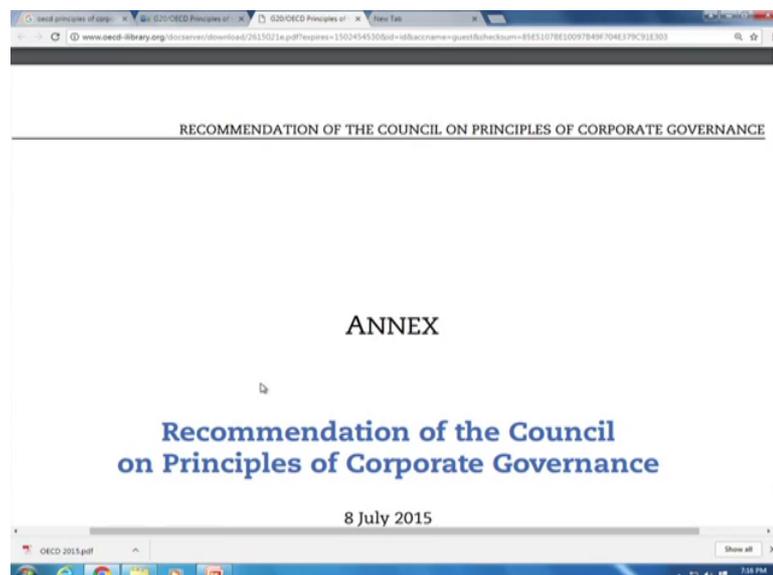
In order to fulfill their responsibilities, board members should have access to accurate relevant and timely information.

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When employee representation on the board is mandated, mechanism 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 and so, these are the different principles of corporate governance that have been shared.

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Now of course, the recommendation of the council on principles of corporate governance is given here, but this is something that you can read on your own. So, you know. So, these are the principles and I am going to summarize all of these and I will give them to you, but before I do that I would really like you to go to this document and read it on your own, I will put the key words here again I told you that you know you could do that.

So, let me just put the key words in front of you so that you can find this on you know through the internet you can type in OECD principles of corporate governance 2015, and when you do this the save the document up here will pop up, I suggest you go to this document and you read it and then you can discuss about this and I will give you a summary of this document in the slides when you get them at the end of this lecture.

So, that is all we have time for in this class and you know the reading could have been a little stressful for you, but then I wanted to show you the actual document and as you can see the explanation of each principle is given there. So, let us have a discussion about this on the forum is well and I hope you enjoyed it and.

Thank you very much for listening; in the next class we will talk some more about corporate governance will wind up the discussion on corporate governance and corporate social responsibility.

Thank you.