CORPORATE GOVERNANCE

MEANING

CORPORATE GOVERNANCE refers to the way a corporation is governed. it is the technique b y which companies are directed and managed. it means carrying the business as per the stakeholders‘ desires. it is actually conducted by the board of directors and the concerned committees for the company‘s stakeholder‘s benefit. it is all about balancing individual and societal goals, as well as, economic and social goals.

ESSENTIAL ELEMENTS OF GOOD CORPORATE GOVERNANCE

1) ROLE OF THE BOARD
2) LEGISLATION
3) MANAGEMENT ENVIRONMENT
4) BOARD SKILLS
   - TECHNICAL/OPERATIONAL EXPERTISE
   - FINANCIAL SKILLS
   - LEGAL SKILLS
   - KNOWLEDGE OF GOVERNANCE

5) **BOARD APPOINTMENTS**6) **BOARD INDUCTION & TRAINING**

7) **BOARD INDEPENDENCE**

8) **BOARD MEETINGS**

9) **CODE OF CONDUCT**

10) **STRATEGY SETTING**

11) **BUSINESS AND COMMUNITY OBLIGATIONS**

12) **FINANCIAL & OPERATIONAL OBLIGATIONS**

13) **MONITORING THE BOARD'S PERFORMANCE**

14) **AUDIT COMMITTEES**

15) **RISK MANAGEMENT**

BOARD OF DIRECTORS

Meaning-

A board of directors is a group of individuals that are elected as, or elected to act as, representatives of the stockholders to establish corporate management related policies and to make decisions on major company issues. The formal link between shareholders and the managers of an organisation Powers to the BOD is given by the memorandum of association and articles of association. BOD are the key persons in corporate governance

- **What is the composition and committees of board of directors**

The BOD of the company shall have combination of executive and non-executive directors with not less than 50% of them comprising of non-executive directors. The ultimate control as to the composition of the board of directors rests with the shareholders, who can always appoint, and – more importantly, sometimes – dismiss a director. The shareholders can also fix the minimum and maximum number of directors

- **Executive director:** An executive director is a chief executive officer (CEO) or managing director of an organization, company, or corporation. Closely associated in the day to day management. He is a full time director and a paid employee of the company.

- **Non Executive director:** A non-executive director is a member of a company's board of directors who is not part of the executive team. A non-executive director typically does not engage in the day-to-day management of the organization, but is involved in policy making and planning exercises. He is normally a promoter of the company having high stakes in the company.

ADVANTAGES OF CORPORATE GOVERNANCE

- It ensures organization in managed in a manner that fits the best interests of all.
- Enhances performance of companies
- Enhances access to capital
- Enhances long term prosperity
- Provides a barrier to corrupt dealings- limiting discretionary decision making
- Introducing Codes of Ethics
- Impacts on the society as a whole: Better companies, Better societies

DUTIES & RESPONSIBILITIES OF BOARD OF DIRECTORS

Duties & Responsibilities

Primary Duties	*Enhanced Responsibilities*
• Act in the best interests of the company • Safeguard the interests of the stakeholders • Attend Board Meetings and participate in decisions • Avoid conflict situations • Not seek personal gains • Maintain confidentiality • Fiduciary duty • Discharge duties required in specific committees of the Board	• To compel directors to act in accordance with the strict terms of their mandate • To compel them to exercise care and skill in carrying out their various functions • To compel them to use their wide discretionary powers in good faith and proper purpose, & • Finally, to compel them to act loyally in advancing the interest of their company.

What is a committee?

- Committee is the system by which companies are directed and controlled. it is generally understood as the framework of rules and relationships, system and processes within and by which authority is exercised and controlled in corporations .

1. KUMAR MANGALAM BIRLA COMMITTEE

In early 1999, **Securities and Exchange Board of India (SEBI) had set up a committee under Shri Kumar Mangalam Birla, member SEBI Board, to promote and raise the standards of good** corporate governance.

- The report submitted by the committee is the first formal and comprehensive attempt to evolve a Code of Corporate Governance, in the context of prevailing conditions of governance in Indian companies, as well as the state of capital markets

CADBURY COMMITTEE :

CADBURY REPORT (1992) - The Cadbury Committee was set-up in May 1991 by the Financial Reporting Council of the London Stock Exchange. The Cadbury Report, titled Financial Aspects of Corporate Governance‘ is a report of a committee chaired by Adrian Cadbury that sets out recommendations on the arrangement of company boards and accounting systems to mitigate corporate governance risks and failures. The report was published in 1992. The committee published its report in December 1992. Adrian Cadbury the chairman of the Cadbury committee.

THANK YOU