

Corporate Governance

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Major features of the Corporate Governance under Companies Act, 2013

Legal Framework	Companies Act, 2013 and Clause 49 of the Listing Agreement.
Voting Rights & Proxy Voting Rights	Sect. 47 provides all shareholders have the right to vote. Companies allowed issuing shares with multiple voting rights or dividends. Section 105 provides that a member, who is entitled to attend to vote, can appoint another person as a proxy to attend and vote at the meeting on his behalf. This section also provides the manner of appointing proxy.
Passing of Resolution by Postal Ballot	Sect. 110 gives the opportunity to members/ shareholders to vote on a particular resolution by postal ballot.
Firm Capital Structure	Requires board/shareholder approval to change capital structure. A merger needs 75% of the shareholder vote.
Shareholder Meetings	Sect. 96 It is required to hold AGM every year. Allows shareholders controlling 10% of voting rights or paid up capital to call a special or Extra Ordinary General Meeting
Board Structure	One third of the board should be non executive and a majority of these independent. In case where the Chairman of the board is an executive, 50% of the board be comprised of independent directors
Board Meetings	Sect. 173 the Board should meet at least four times a year. 33% of the board members or two members, whichever is greater, be present. All fees and compensation paid to the non-executive directors require prior approval of the shareholders in the AGM
Election of Directors	Sect. 152 the directors of the Board be approved and appointed by the company in the Annual General Meeting.

Resident Director	Section 149 Board of Directors of a company, must have at least one resident director, i.e. a person who has lived not less than 182 days in India in the previous and present calendar year.
Independent Directors	Under the Companies Act, 2013 the strength of number of Independent directors for the prescribed companies under Section 149(4) read with Rule 4 of Companies (Appointment and Qualifications of Directors) Rules, 2014 is as follows: Listed Public Company At least one third of total number of directors Public Companies having turnover of 100 crores rupees or more At least 2 directors Public companies having paid up capital of 10 crores rupees or more At least 2 directors.
Alternate Directors	Section 161(2) provide that a alternative director may be appointed by a company, if the articles confer such power or a decision is passed by a resolution if an independent Director is absent from India for not less than three months. He must be qualified to become an independent director, but should not hold any Directorship. An alternate Director cannot hold the office longer than the term of the Director in whose place he has been appointed. Additionally, he will have to vacate the office, if and when the original Director returns to India
Additional Directors	Section 161 provides that the article should confer such power on the Board of Directors of the Company. Such appointment is that the proposed person should not have failed to get appointed as a Director in a General Meeting.
Woman Director	Section 149 (1) of the Companies Act, 2013 prescribes the following classes of companies to have at least one woman director. i. All listed company's ii. Non-listed public companies having paid up share capital of Rs.100 crores or

	more or having turnover of Rs.300 crores or more.
Nominee Director	Section 149 explanations provided that a Director nominated by any financial institution pursuant to any law for the time being in force, or of any agreement or appointed by any Government or any other person to represent its interest.
Board Committees	Sect. 149 every board is required to have a shareholders grievance committee and an audit committee. Remuneration committee is non-mandatory. Board constituted by one third of the total number of directors of every listed company shall be independent directors.
Compulsory Audit Rotation	Sect. 139 it is compulsory to every listed companies and other specified companies to rotate their auditor after 5yrs if have individual auditor and if have firm auditors then rotate their auditor after 10yrs. The same auditor shall not be appointed for the next 5yrs.
Restriction on Auditors not to perform specified services	Sect. 144 impose restriction on statutory auditors of a company not to perform specified services provide in same Section.
Nomination & Remuneration Committee	Section 178(1) of the Companies Act prescribes appointment of Nomination and Remuneration committee. The duty of the Committee shall be to identify the persons who are qualified to become directors, and who can be appointed in the senior management and carry out the evaluation of directors. Section 178(5) prescribed appointment of stakeholder relationship Committee to resolve grievances of security holders of company.
Disclosure of Interest	Sect. 184 every company to have a compliance officer responsible for setting policies, procedures and monitoring adherence. SEBI has established an insider trading committee to monitor the same. Companies required to disclose information through annual reports/websites etc.,Management

		Discussion Analysis, a part of the Annual Report
Accounting		Shareholders to appoint an independent auditor, certified by Institute of Chartered Accountants of India. Accounting standards comply with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Companies conduct comprehensive audits annually.
Serious Investigation (SFIO)	Fraud Office	Section 211 (1) of the Companies Act, 2013 shall establish an office called the Serious Fraud Investigation office to investigate fraud relating to Company. SFIO can investigate into the affairs of the company or on receipt of report of Registrar or inspector or in the public interest or request from any Department of Central Government or State Government.
Audit Committees		Sect. 177 audit committee to have a minimum of three members, of which two-thirds be independent directors and at least one member should have accounting/finance background. Audit Committee also reviewed internal control systems.
Internal Audit		Section 138 has mandated the internal audit for all the listed companies, All listed companies having paid up share capital of Rs. 50 crores or more, all the non-listed companies having paid up share capital of Rs.50 crores or more, turnover of Rs.200 crores or more in the preceding financial year, outstanding loans or borrowings from the banks or public financial institutions of Rs.100 crores or more.
Secretarial audit		Sect. 204 provide that every listed company and other companies as may be specified need to annex with the Board's report a secretarial audit report.
Related Transactions	Party	Clause 49 required listed companies to disclose material significant related party transactions to shareholders.
Whistle Blower Policy or Vigil Mechanism		Sect. 177 (9) Right of access to all employees. Direct access to audit committee without informing the superiors.

Annual Reports Submissions	Section 134 Directors' Report – Part of Annual Report in which the details of Company have been mentioned which is intended to explain to shareholders, the overall financial position of the Company and its operation & Business Scope.
Class Action	Section 245 gives permission a specified number of members or depositors or class of them to file an application to the Tribunal, if the affairs of the company are being conducted in a manner prejudicial to the interest of him.
Corporate Social Responsibility	Section 135(1) of Companies Act, 2013 prescribes that every company shall constitute CSR Committee constituting of three or more directors with at least one independent director. These companies includes companies having net worth of Rs. 500 crores or more, turnover of Rs.1000 crore or more, or net profit of Rs.5 crores or more during any financial year.