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INDEX

CORPORATE GOVERNANCE

INTRODUCTION

- Corporate Governance Refers To The Way A Corporation Is Governed. It Is The Technique By 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.

- Corporate Governance Is The Interaction Between Various Participants (Shareholders, Board Of Directors, And Company's Management) In Shaping Corporation's Performance And The Way It Is Proceeding Towards. The Relationship

- Between The Owners And The Managers In An Organization Must Be Healthy And There Should Be No Conflict Between The Two. The Owners Must See That Individual's Actual Performance Is According To The Standard Performance. These Dimensions Of Corporate Governance Should Not Be Overlooked.

- Corporate Governance Deals With The Manner The Providers Of Finance Guarantee Themselves Of Getting A Fair Return On Their Investment. Corporate Governance Clearly Distinguishes Between The Owners And The Managers. The Managers Are The Deciding Authority. In Modern Corporations, The Functions Or Tasks Of Owners And Managers Should Be Clearly Defined, Rather, Harmonizing.

- Corporate Governance Deals With Determining Ways To Take Effective Strategic Decisions. It Gives Ultimate Authority And Complete Responsibility To The Board Of Directors. In Today's Market- Oriented Economy, The Need For Corporate Governance Arises. Also, Efficiency As Well As Globalization Are Significant Factors Urging Corporate Governance. Corporate Governance Is Essential To Develop Added Value To The Stakeholders.

- Corporate Governance Ensures Transparency Which Ensures Strong And Balanced Economic Development. This Also Ensures That The Interests Of All Shareholders (Majority As Well As Minority Shareholders) Are Safeguarded. It Ensures That All Shareholders Fully Exercise Their Rights And That The Organization Fully Recognizes Their Rights.

- Corporate Governance Has A Broad Scope. It Includes Both Social And Institutional Aspects. Corporate Governance Encourages A Trustworthy, Moral, As Well As Ethical Environment.

- Corporate Governance Is The System Of Rule,Partices And Processes By Which A Company Is Directed And Controlled.

- Corporate Governance Refers To The Way In Which Companies Are Governed And To What Purpose. It Identifies Who Has Power And Accountability, And Who Makes Decisions. It Is, In Essence, A Toolkit That Enables Management And The Board To Deal More Effectively With The Challenges Of Running A Company. Corporate Governance Ensures That Businesses Have Appropriate Decision-Making Processes And Controls In Place So That The Interests Of All Stakeholders (Shareholders, Employees, Suppliers, Customers And The Community) Are Balanced.

- Governance At A Corporate Level Includes The Processes Through Which A Company's Objectives Are Set And Pursued In The Context Of The Social, Regulatory And Market Environment. It Is Concerned With Practices And Procedures For Trying To Make Sure That A Company Is Run In Such A Way That It Achieves Its Objectives, While Ensuring That Stakeholders Can Have Confidence That Their Trust In That Company Is Well Founded.

- As The Home Of Good Governance, The Institute Believes That Good Governance Is Important As It Provides The Infrastructure To Improve The Quality Of The Decisions Made By Those Who Manage Businesses. Good Quality, Ethical Decision-Making Builds Sustainable Businesses And Enables Them To Create Long-Term Value More Effectively.

DEFINITION OF CORPORATE GOVERNANCE

- ✓ The Definition Of Corporate Governance Most Widely Used Is "The System By Which Companies Are Directed And Controlled" (Cadbury Committee, 1992). More Specifically It Is The Framework By Which The Various Stakeholder Interests Are Balanced, Or, As The IFC States, "The Relationships Among The Management, Board Of Directors, Controlling Shareholders, Minority Shareholders And Other Stakeholders". Cadbury Committee [1] (U.K.), 1992 Has Defined Corporate Governance As Such

1. Corporate Governance Is The System By Which Companies Are Directed And Controlled. It Encompasses The Entire Mechanics Of The Functioning Of A Company And Attempts To Put In Place A System Of Checks And Balances Between The Shareholders, Directors, Employees, Auditor And The Management."

2. Corporate Governance Is The System By Which Business Corporations Are Directed And Controlled. The Corporate Governance Structure Specifies The Distribution Of Rights And Responsibilities Among Different Participants In The Corporation, Such As, The Board, Managers, Shareholders And Spells Out The Rules And Procedures For Making Decisions On Corporate Affairs. By Doing This, It Also Provides This; It Also Provides The Structure Through Which The Company Objectives Are Set, And The Means Of Attaining Those Objectives And Monitoring Performance."

3. Definition Of Corporate Governance By The Institute Of Company Secretaries Of India Is As Under:

4. "Corporate Governance Is The Application Of Best Management Practices, Compliance Of Law In True Letter And Spirit And Adherence To Ethical Standards For Effective Management And Distribution Of Wealth And Discharge Of Social Responsibility For Sustainable Development Of All Stakeholders".

HISTORY OF CORPORATE GOVERNANCE IN INDIA

- ✓ Corporate Governance Is Concerned With Set Of Principles, Ethics, Values, Morals, Rules Regulations, & Procedures Etc. Corporate Governance Establishes A System Whereby Directors Are Entrusted With Duties And Responsibilities In Relation To The Direction Of The Company's Affairs.

- ✓ The Term "Governance" Means Control I.E. Controlling A Company, An Organization Etc Or A Company & Corporate Governance Is Governing Or Controlling The Corporate Bodies I.E. Ethics, Values, Principles, Morals. For Corporate Governance To Be Good The Manager Needs To Meet Its

  Responsibilities Towards Its Owners (Shareholders), Creditors, Employees, Customers, Government And The Society At Large. Corporate Governance Helps In Establishing A System Where A Director Is Showered With Duties And Responsibilities Of The Affairs Of The Company.

- ✓ Corporate Governance Concept Emerged In India After The Second Half Of 1996 Due To Economic Liberalization And Deregulation Of Industry And Business. With The Changing Times, There Was Also Need For Greater Accountability Of Companies To Their Shareholders And Customers. The Report Of Cadbury Committee On The Financial Aspects Of Corporate Governance In The U.K. Has Given Rise To The Debate Of Corporate Governance In India.

- ✓ The "Corporate Governance Concept" Dwells In India From The Arthshastra Time Instead Of CEO At That Time There Were Kings And Subjects. Today, Corporate And Shareholders Replace Them But The Principles Still Remain Same, Unchanged.

- ✓ Corporate Governance In India Is A System Of Rules, Practices, And Processes To Control A Company. The Scope Of Corporate Governance And Objective Of Corporate Governance In India Has Been For The First Time Inoculated In The Theory Under The Clause 49 Of The Listing Agreement Of SEBI But It Was Later Included As The Concept Of The Corporate Governance Provided Under The Companies Act, 2013. The Scope Of Corporate Governance Can Be Stipulated Under Various Chapters Of The Companies Act, 2013 With Accounting Standards Under Section 129 And Section 133 Of The Act.

- ✓ Indian Economy For The 1st Time Here Was Together With World Economy For Product, Capital And Lab Our Market And Which Resulted Into World Of Capitalization, Corporate Culture, Business Ethics Which Was Found Important For The Existence Of Corporation In The World Market Place.
- ✓ For Effective Corporate Governance, Its Policies Need To Be Such That The Directors Of The Company Should Not Abuse Their Power And Instead Should Understand Their Duties And Responsibilities Towards The Company And Should Act In The Best Interests Of The Company In The Broadest Sense.
- ✓ The Concept Of 'Corporate Governance' Is Not An End; It's Just A Beginning Towards Growth Of Company For Long Term Prosperity.

CORPORATE GOVERNANCE IN INDIA PAST, PRESENT AND FUTURE

- ✓ Good Corporate Governance In The Changing Business Environment Has Emerged As Powerful Tool Of Competitiveness And Sustainability. It Is Very Important At This Point And It Needs Corporation For One And All I.E. From CEO Of Company To The Ordinary Staff For The Maximization Of The Stakeholders' Value And Also For Maximization Of Pleasure And Minimization Of Pain For The Long Term Business.
- ✓ Global Competitions In The Market Need Best Planning, Management, Innovative Ideas, Compliance With Laws, Good Relation Between Directors, Shareholders, Employees And Customers Of Companies, Value Based Corporate Governance In Order To Grow, Prosper And Compete In International Markets By Strengthen Their Strength Overcoming Their Weaknesses And Running Them Effectively And Efficiently In An Efficient And Transparent Manner By Adopting The Best Practices.
- ✓ Corporate India Must Commit Itself As Reliable, Innovative And Prompt Service Provider To Their Customers And Should Also Become Reliable Business Partners In Order To Prosper And To Have All Round Growth.
- ✓ Corporate Governance Is Nothing More Than A Set Of Ideas, Innovation, Creativity, Thinking Having Certain Ethics, Values, Principles Etc Which Gives Direction And Shape To Its People, Employees And Owners Of Companies And Help Them To Flourish In Global Market.
- ✓ Indian Corporate Bodies Having Adopted Good Corporate Governance Will Reach Themselves To A Benchmark For Rest Of The World; It Brings Laurels As A Way Of Appreciation.
- ✓ Corporate Governance Lays Down Ethics, Values, And Principles, Management Policies Of A Corporation Which Are Inculcated And Brought Into Practice. The

Importance Of Corporate Governance Lies In Promoting And Maintains Integrity, Transparency And Accountability Throughout The Organization.

Corporate Governance Has Existed Since Past But It Was In Different Form. During Vedic Times Kings Used To Have Their Ministers And Used To Have Ethics, Values, Principles And Laws To Run Their State. But Today It Is In The Form Corporate Governance Having Same Rules, Laws, Ethics, Values, And Morals Etc Which Helps In Running Corporate Bodies In The More Effective Ways So That They In The Age Of Globalization Become Global Giants.

- ✓ Several Indian Companies Like Pepsico, Infuses, Tata, Wipro, TCS, And Reliance Are Some Of The Global Giants Which Have Their Flag Of Success Flying High In The Sky Due To Good Corporate Governance.

- ✓ Today, Even Law Has A Great Role To Play In Successful And Growing Economy. Government And Judiciary Have Enacted Several Laws And Regulations Like SEBI, FEMA, Cyber Laws, Competition Laws Etc And Have Brought Several Amendments And Repeal The Laws In Order That They Don't Act As Barrier For These Corporate Bodies And Developing India. Judiciary Has Also Helped In Great Way By Solving The Corporate Disputes In Speedy Way.

- ✓ Corporate Bodies Have Their Aim, Values, Motto, Ethics And Principles Etc Which Guide Them To The Ladder Of Success. Big And Small Organizations Have Their Magazines Annual Reports Which Reflect Their Achievements, Failure, Their Profit And Loss, Their Current Position In The Market. A Few Companies Have Also Shown Awareness Of Environment Protection, Social Responsibilities And The Cause Of Upliftment And Social Development And They Have Deeply Committed Themselves To It. The Big Example Of Such A Company Can Be Of Deepak Fertilizers And Petrochemicals Corporation Limited Which Also Bagged 2nd Runner Up Award For The Corporate Social Responsibility By Business World In 2005. Under The Present Scenario, Stakeholders Are Given More Importance As To Hareholders, They Even Get Chance To Attend, Vote At General Meetings, Make Observations And Comments On The Performance Of The Company.

- ✓ Corporate Governance From The Futuristic Point Of View Has Great Role To Play. The Corporate Bodies In Their Corporate Have Much Futuristic Approach. They Have Vision For Their Company, On Which They Work For The Future Success. They Take Risk And Adopt Innovative Ideas, Have Futuristic Goals, Motto, And Future Objectives To Achieve. With Increase In Interdepence And Free Trade Among Countries And Citizens Across The Globe, Internationally Accepted Corporate Governance Standards Are Of Paramount Importance For Indian Companies Seeking To Distinguish Themselves In Global Footprint. The Companies Should Always Keep Improving, Enhancing And Upgrading Themselves By Bringing More Reliable Integrated Product And Service Quality. They Should Be More Transparent In Their Conduct.

- ✓ Corporate Governance Should Also Have Approach Of Holistic View, Value Based Governance, Should Be Committed Towards Corporate Social Upliftment And

Social Responsibility And Environment Protection. It Also Involves Creative, Generative And Positive Things That Add Value To The Various Stakeholders That Are Served As Customers. Be It Finance, Taxation, Banking Or Legal Framework Each And Every Place Requires Good Corporate Governance.

- ✓ Hence Corporate Governance Is A Means And Not An End, Corporate Excellence Should Be End.

CSR SOCIAL CORPORATE RESPONSIBILITIES

What Is CSR?

The Term "Corporate Social Responsibility (CSR)" Can Be Referred As Corporate Initiative To Assess And Take Responsibility For The Company's Effects On The Environment And Impact On Social Welfare. The Term Generally Applies To Companies Efforts That Go Beyond What May Be Required By Regulators Or Environmental Protection Groups. Corporate Social Responsibility May Also Be Referred To As "Corporate Citizenship" And Can Involve Incurring Short-Term Costs That Do Not Provide An Immediate Financial Benefit To The Company, But Instead Promote Positive Social And Environmental Change. While Proposing The Corporate Social Responsibility Rules Under Section 135 Of The Companies Act, 2013,

The Chairman Of The CSR Committee Mentioned The Guiding Principle As Follows:

- ✓ "CSR Is The Process By Which An Organization Thinks About And Evolves Its Relationships With Stakeholders For The Common Good, And Demonstrates Its Commitment In This Regard By Adoption Of Appropriate Business Processes And Strategies. Thus CSR Is Not Charity Or Mere Donations. CSR Is A Way Of Conducting Business, By Which Corporate Entities Visibly Contribute To The Social Good. Socially Responsible Companies Do Not Limit Themselves To Using Resources To Engage In Activities That Increase Only Their Profits. They Use CSR To Integrate Economic, Environmental And Social Objectives With The Company's Operations And Growth.

THE CONCEPT OF CSR IN INDIA

Social Responsibility: CS In India,

- ✓ The Emerging Concept Of Corporate Social Responsibility (CSR) Goes Beyond Charity And Requires The Company To Act Beyond Its Legal Obligations And To Integrated Social, Environmental And Ethical Concerns Into Company's Business Process.

- ✓ CSR In India Has Traditionally Been Seen As A Philanthropic Activity. And In Keeping With The Indian Tradition, It Was An Activity That Was Performed But Not

Deliberated. In 2014, India Became The First Country In The World To Have A Mandatory CSR Contribution Legislation.

- ✓ In India, The Concept Of CSR Is Governed By Clause 135 Of The Companies Act, 2013, Which Was Passed By Both Houses Of The Parliament, And Had Received The Assent Of The President Of India On 29 August 2013. The CSR Provisions Within

  The Act Is Applicable To Companies With An Annual Turnover Of 1,000 Crore INR And More, Or A Net Worth Of 500 Crore INR And More, Or A Net Profit Of Five Crore INR And More. The New Rules, Which Will Be Applicable From The Fiscal Year 2014-15 Onwards, Also Require Companies To Set-Up A CSR Committee Consisting Of Their Board Members, Including At Least One Independent Director. The Act Encourages Companies To Spend At Least 2% Of Their Average Net Profit In The Previous Three Projects, Such As The Facilitation Of Child Education, Immunization, And Creation Of Programs. The Company Has Been Able To Generate Sustainable Livelihood Opportunities For Six Million People Through Its CSR Activities.

- ✓ The Companies On Whom The Provisions Of The CSR Shall Be Applicable Are Contained In Sub Section 1 Of Section 135 Of The Companies Act, 2013. As Per The Said Section, The Companies Having Net Worth Of INR 500 Crore Or More; Or Turnover Of INR 1000 Crore Or More; Or Net Profit Of INR 5 Crore Or More During Any Financial Year Shall Be Required To Constitute A Corporate Social Responsibility Committee Of The Board "Hereinafter CSR Committee" With Effect From 1st April, 2014. The Pictorial Representation Below Gives The Representation Of Section 135

- ✓ The Above Provision Requires Every Company Having Such Prescribed Net Worth Or Turnover Or Net Profit Shall Be Covered Within The Ambit Of CSR Provisions. The Section Has Used The Word "Companies" Which Connotes A Wider Meaning And Shall Include The Foreign Companies Having Branch Or Project Offices In India.

CORPORATE SOCIAL RESPONSIBILITY UNDER COMPANIES ACT

Corporate Social Responsibility (CSR) Assumes Significance As It Permits Companies To Engage In Projects Or Programs Related To Activities Related To Social Welfare And Improvement Enlisted Under The Terms Of Companies Act, 2013. There Is An Element Of Flexibility In Company Activities By Allowing Them To Select Their Preferred CSR Engagements That Are In Agreement With The Overall CSR Policy Of The Company. In This Article, We Review The Applicability Of CSR, Policy Of CSR, Role Of Board Of Directors And Activities Of CSR.

✓ Definition Of Corporate Social Responsibility (CSR)

The Term Corporate Social Responsibility Or CSR Has Been Defined As Under, But Is Not Limited To:

1. Projects Or Programs With Reference To Activities That Are Specified In The Schedule; Or
2. Projects Or Programs Related To Activities Undertaken By The Board In Pursuance Of Recommendations Of The CSR Committee According To The Declared CSR Policy Subject To The Condition That Such Policy Covers Subjects Explained In The Schedule.
   Applicability Of Corporate Social Responsibility To Companies Corporate Social Responsibility Is Required For All Companies Viz. Private Limited Company, Limited Company. The Following Companies Are Necessary To Constitute A CSR Committee:

3. Companies With A Net Worth Of Rs. 500 Crores Or Greater, Or
4. Companies With A Turn Over Of Rs.1000crores Or Greater,Or
5. Companies With A Net Profit Of Rs. 5 Crores Or Greater.
6. If Any Of The Above Financial Strength Criteria Are Met, The Corporate Social Responsibility (CSR) Provisions And Related Rules Will Be Applicable To The Company. These Companies Are Required To Form A CSR Committee Consisting Of Its Directors. This Committee Oversees The Entire CSR Activities Of The Company.

Note: Corporate Social Responsibility Is A Requirement For Companies Meeting The Above Criteria. On The Other Hand, Section 8 Companies Are Incorporated Solely For Not-For-Profit Purposes.

Role Of Board Of Directors In CSR

The Board Of Directors Of A Company Plays A Significant Role In CSR Activities Of The Company. The Role Of Board Is As Follows:

1. Approval Of The CSR Policy.
2. Ensuringitsimplementation.
3. Disclosure Of The Contents Of CSR Policies Related To Its Report.
4. Placing The Same On Company's Website.
5. Ensuring That Statutory Specified Amount Is Spend By The Company With Reference To CSR Activities.
6. It's Significant To Note That There Is No Penalty If The Particular Amount Is Not Spent On CSR Activities. In Such Case, The Board's Report Must Identify The Reason For Such Short Spending.

CSR Committee And Policy

All Qualifying Company Required To Have A CSR Committee Are Required To Spend At Least 2% Of Its Average Net Profit For The Directly Preceding 3 Financial Years On CSR Activities. Additionally, The Qualifying Company Shall Be Necessitated To Comprise A Committee (CSR Committee) Of The Board Of Directors (Board) Comprising Of 3 Or More Directors. The CSR Committee Will Prepare And Recommend To The Board, A Policy Which Will Specify The Activities To Be Undertaken (CSR Policy); Advocate The Amount Of Expenditure To Be Incurred On The Activities Referred And Monitor The CSR Policy Related To The Company. The Board Will Take Into Account The Recommendations Made By The CSR Committee And Support The CSR Policy Of The Company.

Activities Permitted Under Corporate Social Responsibility (CSR)

The Following Activities Can Be Performed By A Company To Accomplish Its CSR Obligations:

- ✓ Eradicating Extreme Hunger And Poverty
- ✓ Promotion Of Education
- ✓ Promoting Gender Equality And Empowering Women
- ✓ Reducing Child Mortality
- ✓ Improving Maternal Health
- ✓ Combating Human Immunodeficiency Virus,Acquired, Immune Deficiency Syndrome Malaria And Other Diseases
- ✓ Ensuring Environmental Sustainability,
- ✓ Employment Enhancing Vocational Skills, Social Business Projects
- ✓ Contribution To The Prime Minister's National Relief Fund Or Any Other Fund Set Up By The Central Government Or The State Governments For Socio-Economic Development, And
- ✓ Relief And Funds For The Welfare Of The Scheduled Castes, The Scheduled Tribes, Other Backward.

Examples Of CSR In India

- ✓ **Tata Group**

The Tata Group Conglomerate In India Carries Out Various CSR Projects, Most Of Which Are Community Improvement And Poverty Alleviation Programs. Through Self-Help Groups, It Has Engaged In Women Empowerment Activities, Income Generation, Rural Community Development, And Other Social Welfare Programs. In The Field Of Education, The Tata Group Provides Scholarships And Endowments For Numerous Institutions.

The Group Also Engages In Healthcare Projects, Such As The Facilitation Of Child Education, Immunization, And Creation Of Awareness Of AIDS. Other Areas Include Economic Empowerment Through Agriculture Programs, Environment Protection, Providing Sports Scholarships, And Infrastructure Development, Such As Hospitals, Research Centers, Educational Institutions, Sports Academy, And Cultural Centers.

- ✓ **Ultratech Cement**

Ultratech Cement, India's Biggest Cement Company Is Involved In Social Work Across 407 Villages In The Country Aiming To Create Sustainability And Self-Reliance. Its CSR Activities Focus On Healthcare And Family Welfare Programs, Education, Infrastructure, Environment, Social Welfare, And Sustainable Livelihood.

The Company Has Organized Medical Camps, Immunization Programs, Sanitization Programs, School Enrollment, Plantation Drives, Water Conservation Programs, Industrial Training, And Organic Farming Programs.

- ✓ **Mahindra & Mahindra**

Indian Automobile Manufacturer Mahindra & Mahindra (M&M) Established The K. C. Mahindra Education Trust In 1954, Followed By Mahindra Foundation In 1969 With The Purpose Of Promoting Education. The Company Primarily Focuses On Education Programs To Assist Economically And Socially Disadvantaged Communities.

Its CSR Programs Invest In Scholarships And Grants, Livelihood Training, Healthcare For Remote Areas, Water Conservation, And Disaster Relief Programs. M&M Runs Programs Such As Nanhi Kali Focusing On Education For Girls, Mahindra Pride Schools For Industrial Training, And Lifeline Express For Healthcare Services In Remote Areas.

- ✓ **ITC Group**

ITC Group, A Conglomerate With Business Interests Across Hotels, FMCG, Agriculture, IT, And Packaging Sectors Has Been Focusing On Creating Sustainable Livelihood And Environment Protection Programs. The Company Has Been Able To Generate Sustainable Livelihood Opportunities For Six Million People Through Its CSR Activities.

Their E-Choupal Program, Which Aims To Connect Rural Farmers Through The Internet For Procuring Agriculture Products, Covers 40,000 Villages And Over Four Million Farmers. It's Social And Farm Forestry Program Assists Farmers In Converting Wasteland To Pulpwood Plantations. Social Empowerment Programs Through Micro-Enterprises Or Loans Have Created Sustainable Livelihoods For Over 40,000 Rural Women.

SEBI CODE OF CORPORATE GOVERNANCE

To Promote Good Corporate Governance, SEBI (Securities And Exchange Board Of India) Constituted A Committee On Corporate Governance Under The Chairmanship Of Kumar Mangalam Birla (Today Time The Chairmanship Of Madhabi Puri Buch)On The Basis Of The Recommendations Of This Committee, SEBI Issued Certain Guidelines On Corporate Governance; Which Are Required To Be Incorporated In The Listing Agreement Between The Company And The Stock Exchange.

An Overview Of SEBI Guidelines On Corporate Governance Is Given Below, Under Appropriate Heads:

A. Board Of Directors

Some Points In This Regard Are As Follows:

1. The Board Of Directors Of The Company Shall Have An Optimum Combination Of Executive And Non- Executive Directors.
2. The Number Of Independent Directors Would Depend On Whether The Chairman Is Executive Or Non-Executive.
   In Case Of Non-Executive Chairman, At Least, One Third Of The Board Should Comprise Of Independent
   Directors,And In Case Of Executive Chairman, At Least, Half Of The Board Should Comprise Of Independent Directors.

   The Expression 'Independent Directors' Means Directors, Who Apart From Receiving Director's Remuneration, Do Not Have Any Other Material Pecuniary Relationship With The Company.

B. Audit Committee

Some Points In This Regard Are As Follows:

The Company Shall Form An Independent Audit Committee Whose Constitution Would Be As Follows:

i. It Shall Have Minimum Three Members, All Being Non-Executive Directors, With The Majority Of Them Being Independent, And At Least One Director Having Financial And Accounting Knowledge.
ii. The Chairman Of The Committee Will Be An Independent Director.

(Iii) The Chairman Shall Be Present At The Annual General Meeting To Answer Shareholders' Queries.

(2) The Audit Committee Shall Have Powers Which Should Include The Following:

(I) To Investigate Any Activity Within Its Terms Of Reference.

(Ii) To Seek Information From Any Employee

(Iii) To Obtain Outside Legal Or Other Professional Advice

(Iv) To Secure Attendance Of Outsiders With Relevant Expertise, If Considered Necessary.

(3) The Role Of Audit Committees Should Include The Following:

(I) Overseeing Of The Company's Financial Reporting Process And The Disclosure Of Its Financial Information To Ensure That The Financial Statement Is Correct, Sufficient And Credible.

(Ii) Recommending The Appointment And Removal Of External Auditor.

(Iii) Reviewing The Adequacy Of Internal Audit Function

(Iv) Discussing With External Auditors, Before The Audit Commences, The Nature And Scope Of Audit; As Well As To Have Post-Audit Discussion To Ascertain Any Area Of Concern.

(V) Reviewing The Company's Financial And Risk Management Policies.

C. Remuneration Of Directors

a) The Following Disclosures On The Remuneration Of Directors Shall Be Made In The Section On The Corporate Governance Of The Annual Report:
b) All Elements Of Remuneration Package Of All The Directors I.E. Salary, Benefits, Bonus, Stock Options, Pension Etc.
c) Details Of Fixed Component And Performance Linked Incentives,Along With Performance Criteria.

D. Board Procedure Some Points In This Regards Are;

a) Board Meetings Shall Be Held At Least,Four Times A Year ,With A Maximum Gap Of 4 Months Between Any Two Meetings.
b) A Director Shall Not Be A Member Of More Than 10 Committees Or Act As Chairman Of More Than Five Committees, Across All Companies, In Which He Is A Director.

E. Management

A Management Discussion And Analysis Report Should Form Part Of The Annual Report To The Shareholders; Containing Discussion On The Following Matters (Within The Limits Set By The Company's Competitive Position).

(I) Opportunities And Threats

(Ii) Segment-Wise Or Product-Wise Performance

(Iii) Risks And Concerns

(Iv) Discussion On Financial Performance With Respect To Operational Performance

(V) Material Development In Human Resource/Industrial Relations Front.

F. Shareholders

Some Points In This Regard Are:

i. In Case Of Appointment Of A New Director Or Reappointment Of A Director, Shareholders Must Be Provided With The Following Information:
   a) Abriefresume(Summary)Ofthedirector
   b) Nature Of His Expertise
   c) Number Of Companies In Which He Holds The Directorship And Membership Of Committees Of The Board.

ii. A Board Committee Under The Chairmanship Of Non-Executive Director Shall Be Formed To Specifically Look Into The Redressing Of Shareholders And Investors Complaints Like Transfer Of Shares, Non- Receipt Of Balance Sheet Or Declared Dividends Etc. This Committee Shall Be Designated As 'Shareholders / Investors Grievance Committee.

G. Report On Corporate Governance

There Shall Be A Separate Section On Corporate Governance In The Annual Report Of The Company, With A Detailed Report On Corporate Governance.

H. Compliances

The Company Shall Obtain A Certificate From The Auditors Of The Company Regarding The Compliance Of Conditions Of Corporate Governance. This Certificate Shall Be Annexed With The Directors Report Sent To Shareholders And Also Sent To The Stock Exchange.

THE OECD PRINCIPLES OF CORPORATE GOVERNANCE STATES

BACKGROUND

- ✓ Corporate Governance Is Crucial For The Integrity And Efficiency Of Financial Markets. Poor Corporate Governance Reduces A Company's Potential And Can Lead To Financial Problems And Fraud.

- ✓ Companies That Are Well-Governed Typically Outperform Their Competitors, And Attract Investors Who Can Help Finance Future Expansion.

- ✓ In 1999, The Organization For Economic Cooperation And Development Published Principles Of Corporate Governance And Have Since Become A Global Benchmark For Policymakers, Investors, Firms, And Other Stakeholders.

- ✓ They've Also Been Adopted As One Of The Financial Stability Board's Key Standards For Sound Financial Systems, And They're The Foundation For The World Bank's Corporate Governance Reports On The Observance Of Standards And Codes (ROSC).

- ✓ The OECD Revised Version Of The OECD Principles Of Corporate Governance On April 22, 2004. It Included A Number Of New Proposals As Well As Changes To Existing Ones. A Consultation Process Included OECD Members And Representatives From OECD And Non-OECD Areas.

- ✓ A Second Review Of The Principles Was Conducted In 2014/15 Based On The 2004 Version Of The Principles With Significant Contributions From OECD's Regional Corporate Governance Roundtables In Latin America, Asia, The Middle East And North Africa, As Well As Experts, An Online Public Consultation, And The OECD's Official Advisory Bodies, The Business And Industry Advisory Committee (BIAC) And The Trade Union Advisory Committee (TUAC).

- ✓ The OECD Principles Urge Businesses To Ensure That They Have Processes In Place To Resolve Any Potential Conflicts Of Interest, And Provide A Framework For Internal Complaints About Management Or Board Appointments.

INTRODUCTION

"Corporate Governance Involves A Set Of Relationships Between A Company's Management, Its Board, Its Shareholders And Other Stakeholders. Corporate Governance Also Provides The Structure Through Which The Objectives Of The Company Are Set, And The Means Of Attaining Those Objectives And Monitoring Performance Are Determined."

While The Conventional Definition Of Corporate Governance And Acknowledges The Existence And Importance Of 'Other Stakeholders' They Still Focus On The Traditional Debate On The Relationship Between Disconnected Owners (Shareholders) And Often Self-Serving Managers. Indeed It Has Been Said, Rather Ponderously, That Corporate Governance Consists Of Two Elements:

1. The Longterm Relationship Which Has To Deal With Checks And Balances, Incentives For Manager And Communications Between Management And Investors.
2. The Transactional Relationship Which Involves Dealing With Disclosure And Authority. •Corporate Governance As Consisting Of Five Elements Which The Board Must Consider:

    - ➢ Long Term Strategic Goals
    - ➢ Employees: Past, Present And Future
    - ➢ Environment/Community
    - ➢ Customers/Suppliers
    - ➢ Compliance (Legal/Regulatory)

The Six OECD Principles Are:

- ➢ Ensuring The Basis Of An Effective Corporate Governance Framework

- The Rights And Equitable Treatment Of Shareholders And Key Ownership Functions
- Institutional Investors, Stock Markets, And Other Intermediaries
- The Role Of Stakeholders In Corporate Governance
- Disclosure And Transparency
- The Responsibilities Of The Board

Explanation Of Six OECD Principles

1. **Ensure The Basis Of An Effective Corporate Governance Framework;**

   The Corporate Governance Framework Should Promote Transparent And Efficient Markets, Be Consistent With The Rule Of Law And Clearly Articulate The Division Of Responsibilities Among Different Supervisory, Regulatory And Enforcement Authorities.

2. **The Rights And Equitable Treatment Of Shareholders And Key Ownership Function;**

   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.'

   Basic Shareholder Rights Should Include The Right To:

   a) Secure Methods Of Ownership Registration;
   b) Convey Or Transfer Shares;
   c) Obtain Relevant And Material Information On The Corporation On A Timely And Regular Basis.
   d) Participate And Vote In General Shareholder Meetings.
   e) Elect And Remove Members Of The Board And;
   f) Share In The Profits Of The Corporation.

3. **The 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.'

   - All Shareholders Of The Same Series Of A Class Should Be Treated Equally
   - Insider Trading And Abusive Self-Dealing Should Be Prohibited
   - Members Of The Board And Key Executives Should Be Required To Disclose To The Board Whether They, Directly, Indirectly Or On Behalf Of Third Parties, Have A Material Interest In Any Transaction Or Matter Directly Affecting The Corporation.

4. The Role Of Stakeholders In Corporate Governance

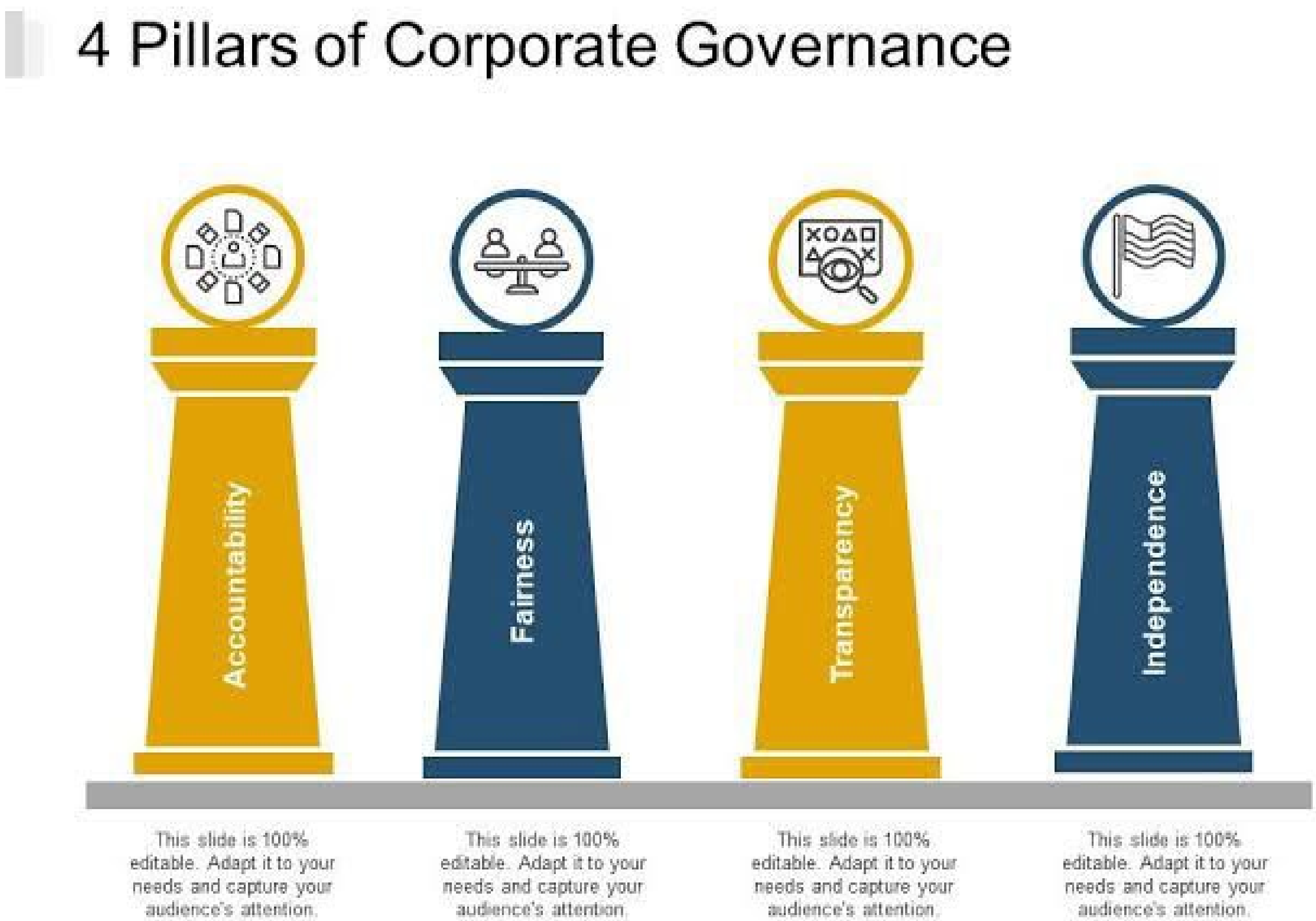
The Corporate Governance Framework Should Recognize The Rights Of Stakeholders Established By Law Or Through Mutual Agreements And Encourage Active Co-Operation Between Corporations And Stakeholders In Creating Wealth, Jobs, And The Sustainability Of Financially Sound Enterprises.

5. Disclosure And Transparency

The Corporate Governance Framework Should Ensure That Timely And Accurate Disclosure Is Made On All Material Matters Regarding The Corporation, Including The Financial Situation, Performance, Ownership, And Governance Of The Company.

6. The Responsibilities Of The Board

The Corporate Governance Framework Should Ensure The Strategic Guidance Of The Company, The Effective Monitoring Of Management By The Board, And The Board's Accountability To The Company And The Shareholders.



Pillars Of Corporate Governance

There Are Four Pillars For Successful Corporate Governance. They Are Accountability, Fairness, Transparency And Independence.

1) **Accountability:** Accountability Refers To Answer-Ability Or Liability. Shareholders Are Interested In Who Will Responsible For Which Operation And Liable For When Something Goes Wrong. And Even When Everything Goes Smoothly As Expected, Knowing That Someone Will Be Held Accountable For Future Mishaps Increases Shareholders' Confidence, Which In Turn Increases Their Desire To Invest More. This Applies From The Staff All The Way Up To Top Leadership Embracing Risk Management Within Defined Formal Appetite For Risk. This Also Include Fostering

Culture Of Compliance To Create Real And Perceived Believe That The Entity Is Operation Within Internal And External Boundaries.

2) **Fairness:** Fairness Means “Treating All Stakeholders Equally And Ensure Their Rights. The Corporate Governance Framework Should Protect Shareholder Rights And Ensure The Equitable Treatment Of All Stakeholders, Including Minority And Foreign Shareholders. Organization Should Respect The Right Of Shareholder And Encourage Them To Exercise Their Rights.

3) **Transparency:** Transparency Refers To Clarity I.E. Everything Going In The Organization Should Be Crystal Clear, Nothing To Hide. Organization Should Provide Timely Accurate Disclosure Of Information About All Activities In The Organization Such As Financial Situation, Social And Environmental Factors, Performance Etc. Transparency Is A Critical Component Of Corporate Governance Because It Ensures That All Of Entity’s Actions Can Be Checked At Any Given Time By An Outside Observer. This Makes Its Processes And Transactions Verifiable, So If A Question Does Come Up About A Step, The Company Can Provide A Clear Answer

4) **Independence:** Independence Means The Right Of Taking Decision Without Any Influence. Good Corporate Governance Requires Independence On The Part Of The Top Management Of The Corporation I.E. The Board Of Directors Must Be Strong Non-Partisan Body,So That It Can Take All Decisions Based On Business Prudence. In Progressing Transparency It Is Important For Non-Direct Actors To Obtain Confidence That That Executive Actors Are Leading The Entity Towards Per-Defined Intent And Not Using It For Self And Obtain Expert Advisory On How Applied Approached Can Be Improved.

Combining All Four Pillars Of Corporate Governance Can Be Beneficial For The Company. Though Combining Those Pillars Is Not An Easy Task To Do But Companies’ Now-A-Days Use Governance Software To Makes Things Easy. It Also Makes The Process More Transparent By Keeping Clear And Complete Documentation At All Times. Having A Clear Understanding Of The Principles And Practices Of Good Governance Will Enhance The Performance Of Both The Individual And The Organization.

BENEFITS OF CORPORATE GOVERNANCE

There Are Many Benefits Of Corporate Governance. Overall, It Helps Companies To Achieve Their Goals Transparently And Responsibly. This Includes Prioritising Commercial Goals While Contributing Positively To Society And Maintaining A Positive Brand And Image. Significant Benefits Of Maintaining An Effective Framework Of Corporate Governance That Clearly Defines The Roles Of Stakeholders, Managers And Other Key People;

1) Mitigates Risk

Risk Mitigation Is Identifying And Reducing Risk. Corporate Governance Helps To Mitigate Risk By Implementing Policies And Procedures That Ensure That Key People Within The Organisation Identify And Evaluate Risks As Soon As They Arise. This Also Provides Shareholders And Other Interested Parties With The Assurance That The Organisation Is Protecting Their Interests By Minimising Risk. Strong Corporate Governance Frameworks Include Risk Mitigation And Exit Strategies That Provide Potential Investors With Viable Options, Even If Stock Values Deplete. There Are Many Types Of Risks That It's Possible To Mitigate Through Corporate Governance, For Example:

- ➢ Financial Performance
- ➢ Operational Efficiency
- ➢ Financial Health

2) Improves capital flow

Strong Corporate Governance Also Impacts Capital Flow. This Is Because Increasing Confidence In The Company From Investors, Banks And Other Lenders Makes It Easy To Access Capital When The Organisation Needs It. Alongside Increasing Access To Funding, Good Corporate Governance Usually Minimises The Cost Of Capital And The Cost Of Equity, Both Of Which Result In Optimal Capital Flow. Strong Corporate Governance Is Extremely Important For Organisations That Rely On External Funding Or Assistance Because It Demonstrates The Quality And Reliability Of An Organisation To Third Parties And Makes An Organisation A Lower Risk Proposition For Lenders.

3) Encourages Positive Behaviour

Clearly Defined Policies And Corporate Governance Support Positive Behaviour Both In The Boardroom And Office. It Ensures That All Board Members And Executive-Level Staff Participate In Developing A Positive Company Culture That Clearly Outlines Who Handles Each Department, Project Or Task. Strong Corporate Governance Encourages All Team Players To Consider Their Responsibility Carefully Both To The Company And To The Public And Ensures That Open Communication Channels Make It Possible For All Board Members To Respond Quickly To Any Signs That Other Staff Members Aren't Fulfilling Their Roles Within The Corporate Governance Framework.

4) Boosts Corporate Reputation

Corporate Governance Also Affects The Reputation Of A Corporation. Improving An Organisation's Corporate Governance Also Improves Transparency In The Company's Internal Politics And Demonstrates That The Company Has Sufficient Control Mechanisms To Manage Quality, Risk And Performance Successfully, Even In Difficult Market Conditions. This Improves The Organisation's Reputation Within Your Industry And Increases Brand Value.

Boosting Corporate Reputation Is An Important Advantage Of Corporate Governance Because It Impacts Many Other Aspects Of An Organisation's Success. Alongside Making It Easier To Secure Funding And Attract New Talent, A Good Professional Reputation Also Means That Partner Companies Are More Interested In Working With The

Organisation And That End-Users Or Customers Are More Likely To View The Company Positively.

5) Improves Decision-Making

Good Corporate Governance Improves The Decision-Making Process By Defining Clear Responsibilities And Roles. Organisations With Clear Corporate Governance Empower Executives And Managers To Make Smart Decisions And Ensure That Decision-Making Is Efficient And Responsive. Good Governance Improves Access To Information And Enables Clear Communication Between Stakeholders At All Levels Of An Organisation. This Means That When A Corporation Requires A Fast And Decisive Judgement, The Correct Person Has The Power And Knowledge To Make A Decision Quickly And Affect Change While It's Useful.

6) Attracts Talented Directors

Improving Governance Within An Organisation Makes It Easier To Attract Talented Directors With Useful Skill Sets That Improve The Performance And Reputation Of The Organisation. Talented Non-Executive Directors Are More Likely To Want To Work For Organisations With An Outstanding Track Record Of Strong Corporate Governance. Offering Talented Directors A Positive And Respectable Working Environment Brings New Skills And Knowledge Into An Organisation That Improves Sustainability And Enables Organisations To Compete In Changing Markets.

7) Improves Reporting

Good Corporate Governance Is Crucial For Accurate And Timely Reporting. Improving An Organisation's Corporate Governance Often Improves Financial Reporting And Performance Reporting, Which Enables Managers And Owners To Make Smarter Decisions. This Has A Positive Impact On Operational Performance, Maximising Sales, Reducing Overheads And Allowing Managers To Identify Areas To Improve Efficiency.

8) Assures Internal Controls

Implementing Effective Corporate Governance Policies Makes It Easier To Control The Corporate Environment Effectively. The Framework That Good Corporate Governance Offers Also Means That It's Easier To Feed Information Back To The Board When Key

People Aren't Complying With The Internal Controls That The Corporation Sets In Place. This Effectively Maximises The Amount Of Control That The Board, And Other Stakeholders, Have Over The Governance Of An Organisation.

9) Enables Better Strategic Planning

Strong Corporate Governance Enables Organisations To Carry Out Effective Strategic Planning. Strong Corporate Governance Means Fast Access To Information, Clearly Defined Roles And Responsibilities And Good Communication Between Team Members. These Strengths Contribute To Strategic Planning And Assist Board Members In Understanding The Environment They're Working In And Taking Advantage Of The Wide Range Of Knowledge And Skills At Their Disposal Throughout The Organisation.

10) Increases Staff Retention

Increasing Staff Retention Reduces Overheads And Improves Staff Satisfaction. Organisations With Strong Corporate Governance Retain Staff Easily Because They Offer A Positive And Stable Environment To Work In. Motivating Staff, Especially Senior Staff, Is Easier When A Company Has Clearly Defined Objectives And Goals. This Is Especially Important For Organisations That Hire A Lot Of Younger Staff Members And Millennials, Who Report That They Care More About Their Employer's Commitment To Responsible Business Practices Compared To Other Demographic Groups.

11) Boosts Compliance

Strong Corporate Governance Requires Companies To Comply With Relevant Laws And Regulations, Which Positively Affects The Company's Risk Management Profile. A Reliable Framework Of Corporate Governance Also Has Control Mechanisms In Place That Enables Organisations To Meet Their Objectives And Operate Efficiently, All While Meeting Local Regulations. Demonstrating Compliance With Third Parties Also Improves Credibility And Access To Investment.

12) Limits Conflicts Of Interest

Conflicts Of Interest Arise When Stakeholders In The Business Have Conflicting Interests In Multiple Ventures Or Enterprises. Strong Corporate Governance Limits Conflicts Of Interest Because It Establishes Clear Rules That Reduce The Risk Of Potential Fraud And Malpractice Within The Corporate Environment. In Organisations With Good Corporate Governance, Minority Shareholders Still Have Power On The Board And Have Representation Via Independent Directors. This Reduces The Risk Of Conflicts Of Interest Arising Because Minority Shareholders Have Personal Interests That Differ From Those Of The Board.

Sone More Points ;

- Good Corporate Governance Ensures Corporate Success And Economic Growth.
- Strong Corporate Governance Maintains Investors Confidence As A Result Of Which, Company Can Raise Capital Efficiently And Effectively.
- It Lowers The Capital Cost.
- There Is A Positive Impact On The Share Price.

- It Provides Proper Inducement To The Owners As Well As Managers To Achieve Objectives That Are In Interests Of The Shareholders And The Organization.
- Good Corporate Governance Also Minimizes Wastages, Corruption, Risks And Mismanagement.
- It Helps In Brand Formation And Development.
- It Ensures Organization In Managed In A Manner That Fits The Best Interests Of All.

Need for Corporate Governance

Importance and need of corporate governance were felt after the Scams such as Satyam and Sahara. It was recognized that good corporate governance not only improves transparency and efficiency in a company but also increases the investor trust in the company. Corporate governance focuses not only on shareholders but on all the stakeholders of the company.

The need for corporate governance was felt because of the increasing non-compliance of the standards related to the financial reporting and accountability by

the board of directors and management which in turn was the reason of the huge losses to the investors of the company.

Not only in India, but companies around the world were not complying with the standards of the financial reporting and the fallout of companies like Enron in US and Satyam in India lead to the emergence and need of corporate governance in India for an enterprise. As it was said that these companies fall out because of having bad corporate governance policies or framework and because of the corrupt practices followed by the board of directors and the management of the said companies and their financial consulting firms.

The fall out of big companies like them was enough to bring about the importance and need of the corporate governance which is supposed to draw a distinction between the powers of the management and the board of directors which will set a direction for company to work in a good governance structure which is the main objective of corporate governance. The need for corporate governance was also felt to have appropriate and adequate governance processes and procedures. These processes and procedures of the good governance structure lay down that management should be free to manage the affairs of the company and board of directors should be free to monitor and give directions.

The need of corporate governance is also felt as it provides for the better financial strength of a company by maintaining a competitive environment which further provides for the financial growth of a company and increased improvement in the accountability system which results in risk mitigation substantially. Corporate governance policy laid great emphasis on the transparency and disclosure in the company and provide that if there is transparency in an organization and if an adequate framework of corporate governance is adopted by the company then it will minimize the risk of the happening of scams which have been witnessed by the corporates in the past.

Corporate governance provides for preparing a code of conduct for an organization which will help the company in showcasing the commitment of the company to work ethically on the ethical stance and to maintains a good image in market both domestic and global market.

The need for corporate governance is highlighted by the following factors:

(i) Wide Spread of Shareholders

Today a company has a very large number of shareholders spread all over the nation and even the world; and a majority of shareholders being unorganized and having an indifferent attitude towards corporate affairs. The idea of shareholders' democracy remains confined only to the law and the Articles of Association; which requires a practical implementation through a code of conduct of corporate governance.

(ii) Changing Ownership Structure

The pattern of corporate ownership has changed considerably, in the present-day-times; with institutional investors (foreign as well Indian) and mutual funds becoming largest shareholders in large corporate private sector. These investors have become the greatest challenge to corporate managements, forcing the latter to abide by some established code of corporate governance to build up its image in society.

(iii) Corporate Scams or Scandals

public confidence in corporate management. The event of Harshad Mehta scandal, which is perhaps, one biggest scandal, is in the heart and mind of all, connected with corporate shareholding or otherwise being educated and socially conscious.

The need for corporate governance is, then, imperative for reviving investors' confidence in the corporate sector towards the economic development of society.

Issues in Corporate Governance in India

There are top 10 issues in corporate governance in India that have been encountered till date which are-

- Getting the board right
- Performance evaluation of directors
- True Independence of Directors
- Removal of Independent Directors
- Accountability to Stakeholders
- Executive Compensation
- Founders' Control and Succession Planning
- Risk Management
- Privacy and Data Protection
- Board's Approach to Corporate Social Responsibility

Though these are the top 10 issues in corporate governance in India which have been recognized but out of these 10 issues in corporate governance in India there are 5 common issues in corporate governance in India which are as follows :

- Conflicts of interest
- Oversight issues
- Accountability issues
- Transparency
- lEthics violations

CHALLENGE OF CORPORATE GOVERNANCE IN INDIA

Corporate governance in India has been a major challenge for many years, with various issues that hinder the effective functioning of the corporate sector. Some of the main challenges of corporate governance in India are:

1. Lack of Transparency: One of the biggest challenges of corporate governance in India is the lack of transparency. Many Indian companies do not disclose their financial statements, executive compensation, and other important information to their shareholders and stakeholders.

2. Insider Trading: Another challenge of corporate governance in India is insider trading. Insider trading involves the buying or selling of securities by people who have access to non-public information about the company. This is a common practice in India and is a major problem for corporate governance.

3. Weak Regulatory Framework: The regulatory framework for corporate governance in India is weak and not well enforced. This results in many companies violating the rules and regulations set by the government and regulatory bodies.

4. Related Party Transactions: Related party transactions are also a major challenge of corporate governance in India. Many companies in India have a lot of related party transactions, which can lead to conflicts of interest and corporate fraud.

5. Independent Directors: Independent directors play a crucial role in corporate governance in India. However, many independent directors are not truly independent and may be aligned with the company's management, which can undermine their ability to act in the best interests of shareholders.
6. Shareholder Activism: Shareholder activism is not common in India, and shareholders are often not empowered to hold the company's management accountable for their actions.

7. Political Interference: Political interference is another challenge of corporate governance in India. Politicians and political parties often use their power to influence the decisions of companies, which can lead to conflicts of interest and unethical practices.

Addressing these challenges will require a concerted effort by regulators, companies, shareholders, and other stakeholders. Improved transparency, better enforcement of regulations, stronger independent directorship, and greater shareholder empowerment are some of the key steps that can be taken to improve corporate governance in India.

GOOD CORPORATE GOVERNANCE AND BAD CORPORATE GOVERNANCE

Governance is inadvertently a part of an organizational structure. The company can have either a bad corporate governance or a good corporate governance but there is going to be a governance in a company and no one deny or defy that.

Bad corporate governance creates a doubt on the company's reliability and integrity which can affect the financial health of an organization. Scandals or Scams whether 2G Scam, Satyam Scam or Sahara Scam etc all are the result of bad corporate governance and we all know what has happened to Raju brothers and their company after the scam. In Satyam Scam, Raju brothers proposed merging with a company called "MAYTAS' which is nothing but Satyam spelled backward while the minutes of the meeting showed that directors resented to this merger but eventually gave their nod for the merger and a lot of cash inflow was shown in the balance sheet. Thereafter, Raju brother declared themselves as bankrupt and insolvent. Later, Raju brothers got jailed and Satyam was purchased by Mahindra as it was found that the cash inflow was a hoax and PwC also got interrogated for the same.

This scam made the need of corporate governance felt very badly and the importance of good corporate governance was also felt and this is the reason that corporate governance became an integral part of the Companies Act, 2013.

Good corporate governance, on the other hand, provides for rules which are transparent and controls the balance of power between the Board of directors and management. Companies generally strive to achieve a high level of the corporate governance. For many shareholders, it is not enough for a company to merely be profitable; it also needs to demonstrate good corporate governance through environmental awareness, ethical behavior, and sound corporate governance practices.

CONCLUSION

- Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It involves balancing the interests of a company's stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community. Effective corporate governance ensures that a company is run in a responsible and sustainable way, with clear accountability, transparency, and integrity.

- In conclusion, corporate governance is essential for ensuring that a company operates in a responsible and sustainable manner. By following key principles such as transparency, accountability, fairness, responsibility, and ethics, a company can build trust and confidence among its stakeholders and maintain its reputation as a responsible and ethical organization. Good corporate governance is not just a legal requirement; it is also essential for building a successful and sustainable business.

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