



## Interactive Session on "Corporate Governance" on Monday, January 18, 2010

Bangalore Chamber of Industry and Commerce (BCIC) in association with Institute of Company Secretaries of India (ICSI), Bangalore Chapter organized an Interactive Session on "Corporate Governance" on Monday, January 18, 2010. The main objective of the Interactive Session was to provide the participants an insight into international and national practices and standards in Corporate Governance.

In his welcome address, Mr. H V Harish, Chairman, Economic & Corporate Affairs Expert Committee, BCIC thanked Dr. Neville Bain, Chairman, Institute of Directors and Non-Executive Director of Scottish and Newcastle plc. Biocon Ltd. from United Kingdom for accepting Chamber's invitation to participate and to make a presentation on "**Corporate Governance - the International Perspective and Practices**". He said that post Satyam fiasco, the Union Government has come out with several measures in streamlining Corporate Governance and culmination of which is the Corporate Affairs Guidelines which was released to Public on December 21, 2009. He said that the guidelines deliberated on appointment, remuneration and evaluation of Directors, Audit Companies and Auditors. He also highlighted on some of the following major recommendations spelt out under the above guidelines:-

- a) Setting up Nomination Committee (NC) to evaluate and recommend Independent Directors (ID), Executive Directors (ED) and Non-Executive Directors (NED);
- b) Limitation on the number of directorships by NEDs/IDs (proposed to reduce from 15 to 7);
- c) Defining the term of appointment for IDs - 6 years per term with a maximum of 3 terms with a cooling period of 3 years between each term;
- d) Segregation of Chairman's and CEO's office;
- e) Internal Audit from external agency; and
- f) Rotation of Audit firm and partners - Once in five years for firm and once in 3 year for partners with 3 years cooling period for each term.

With these few observations, he then requested Mr. Vivek Kulkarni, Chairman & CEO, Brickwork India Pvt. Ltd., to address the participants and make a presentation on "Indian Perspective on Corporate Governance and Practices".

Mr. Vivek Kulkarni in his presentation spoke on the relevance of Corporate Governance in India especially in view of the emerging market economy and globalization and also on the growing unethical business practices which are being practiced by certain corporate entity. He highlighted on the evolution of the Corporate Governance since 1995 till the report brought out by Mr. Naresh Chandra which was released in 2009. He said that off late, the industries have understood the importance of Corporate Governance and have taken the required measures as it has become the basic requirement for attracting FDI.

On the issue of Indian Directors, Mr. Vivek Kulkarni said that they have a major role to play to safeguard the interests of the shareholders and hence they need to discharge their duties as per the norms and regulations.

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Mr. Kulkarni advocated that Independent Directors are expected to exercise their control on the owners from taking unethical decisions and also added that in order to inculcate the intent and spirit of Corporate Governance it is necessary that people who are found guilty of violating norms and procedures should be punished and necessary enforcement rules to be adopted to have a strong deterrent to criminals. Concluding his presentation, Mr. Vivek Kulkarni requested BCIC to initiate necessary steps to bring out the guidelines on Corporate Governance for the State of Karnataka so that the industry Committee would be adequately educated.

Dr. Neville Bain made an exceptional presentation showcasing the International perspective on Corporate Governance and emphasized that Corporate Governance is not a box ticking exercise but it is about values and ethics being practiced by Corporate. He specifically focused on the role of Non Executive Director in Corporate Governance. According to him, the Non Executive Directors play a very important role and hence the organization should ensure that they have the required experience and skill and are adequately compensated. He also said that before attending the meeting, the Non Executive Directors should properly review the Agenda and come well prepared so that they can add value to the deliberations. He highlighted the importance of the auditors and risk committees as well as the effectiveness of the board meetings.

He particularly emphasized on the agenda for the meetings which should include a detail analysis of the performance of the Company, appraisal of the Chairmen and Non Executive Directors, reports and Action plans for improvement. He urged the emerging Corporate India to follow the model of Biocon Ltd which has set its standard with European firms. He concluded depicting that good Governance should be focused on the Controlled Environment, Risk Management, Management Development and Succession Planning and real value in broad Appraisal.

Mr. Rajat Bopaih, Senior Associate, ALMT Legal highlighted on the Legal framework which covers the issues of Governance and Compliances under different Legislations and highlighting importance of Clause 49 of the Listing Agreement. Under the issue of Composition of Board, he suggested that Independent Directors should be Non Executive Director and they should not be related to Promoters / Management so that they will be in a position to take impartial decisions, taking into cognizance the interests of the Shareholders.

He said that although Indian Corporate Regulators have been following best International practices, nevertheless they need to design and sustain a system that imbibes the spirit of the Corporate Governance and not merely the word 'Law'.

Mr. Nagendra D Rao, Chairman, Bangalore Chapter, ICSI proposed Vote of Thanks to the speakers and the participants for their support and cooperation in making this event a grand success. He said today's interactive session highlighted that Corporate Governance should be practiced through principles based on moderate regulations and shall achieve the following objectives:-

- ✓ Mitigating Risk, Protecting and enhancing Company's Goodwill and reputation
- ✓ Developing appropriate strategies that result in achievement of Stakeholder objectives
- ✓ Improving operational performance
- ✓ Value addition in the Board

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