

Corporate Governance through the eyes of Secretarial Standards

By Pavan Kumar Vijay
Past President, ICSI
Chairman-Secretarial Standards Board







ICSI DEFINITION OF CORPORATE GOVERNANCE



“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 the sustainable development of all stakeholders.”






VITAL ASPECTS OF CORPORATE GOVERNANCE

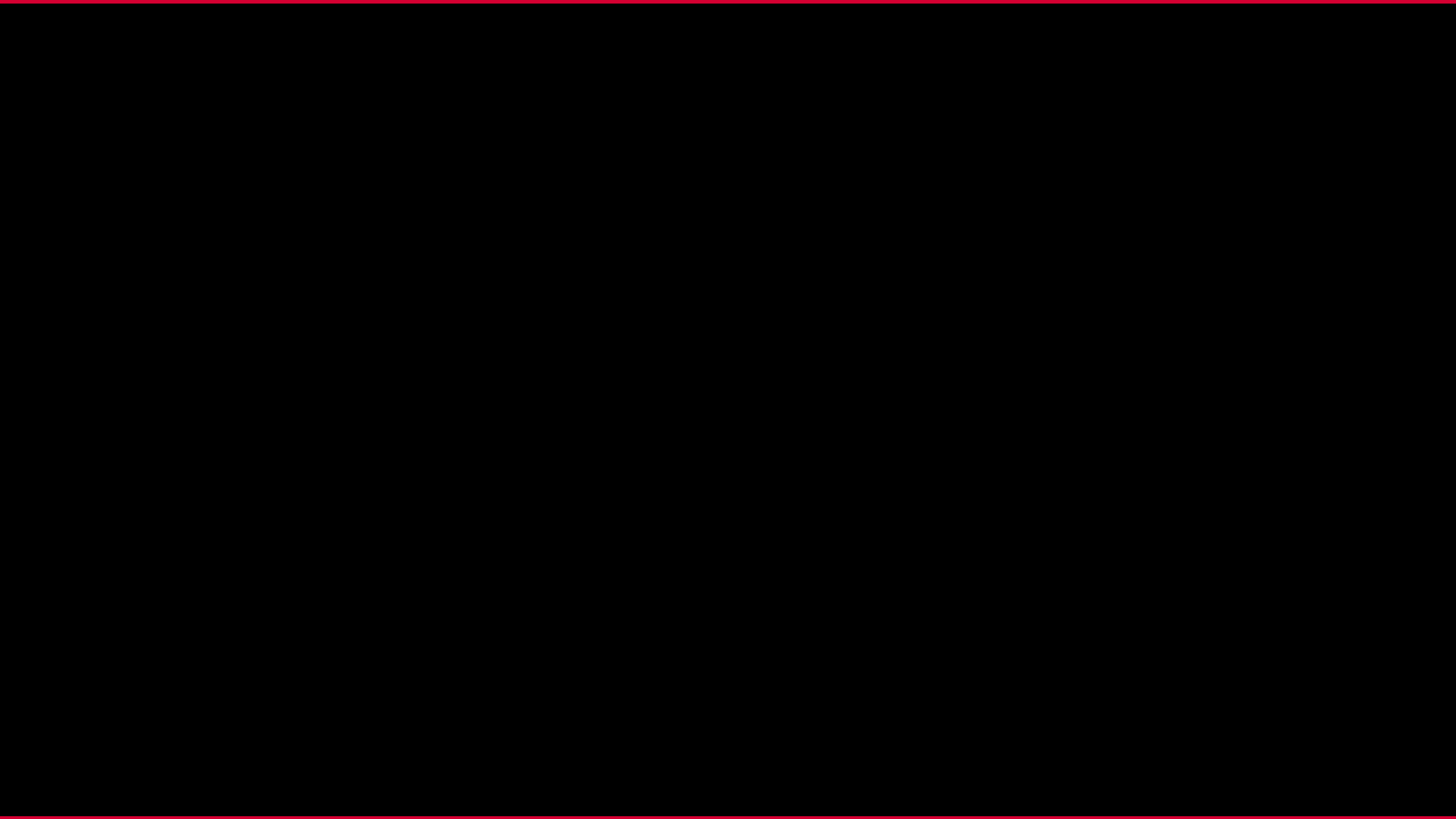
-  Best management practices
-  Compliance of law in true letter and spirit
-  Ethical standards for effective management
-  Sustainable development of all stakeholders



PRE-REQUISITES OF GOOD GOVERNANCE



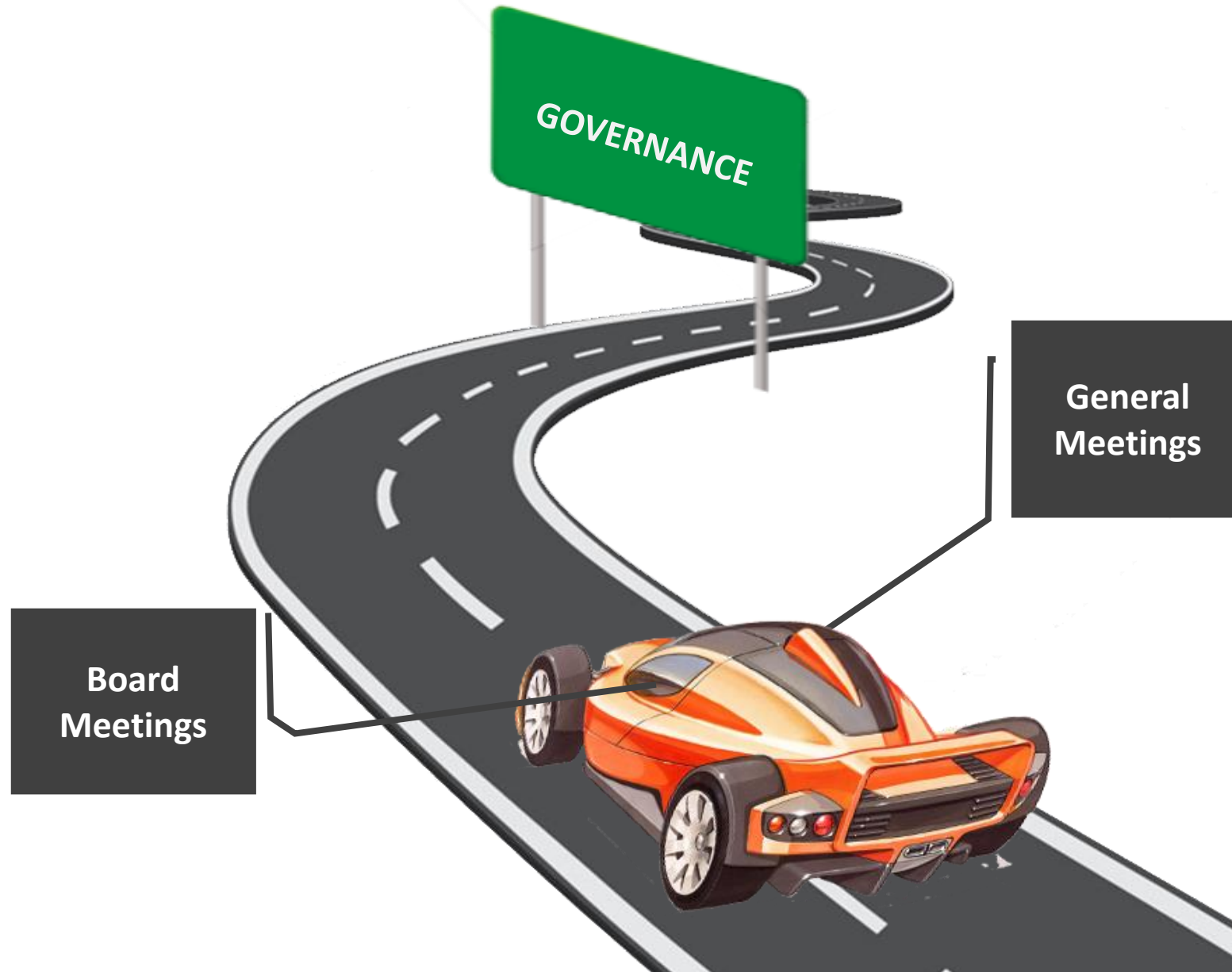
-  Integrity and Fairness
-  Accountability and Responsibility
-  Clear and unambiguous legislative and regulatory framework
-  Well laid out standardized business processes
-  Transparency and Disclosures







“ The financial crisis is a stark reminder that transparency and disclosure are essential in today's marketplace. ”

Jack Reed
United States Senator

TWO VITAL PILLARS OF GOVERNANCE





PRE-REQUISITES OF BOARD PROCESSES

-  **Board meetings with planned agendas**
-  **All relevant information to the directors sufficiently prior to Board meetings**
-  **Comprehensive and qualitative reporting to Board with regular, reliable, timely, correct and relevant information**
-  **Proper, unambiguous and robust processes for convening and conduct of meetings**

SCENARIO

There are:

-  Varied applicable laws
-  Varied business environments and cultures with varied practices/processes



SCENARIO

Also there are areas where:



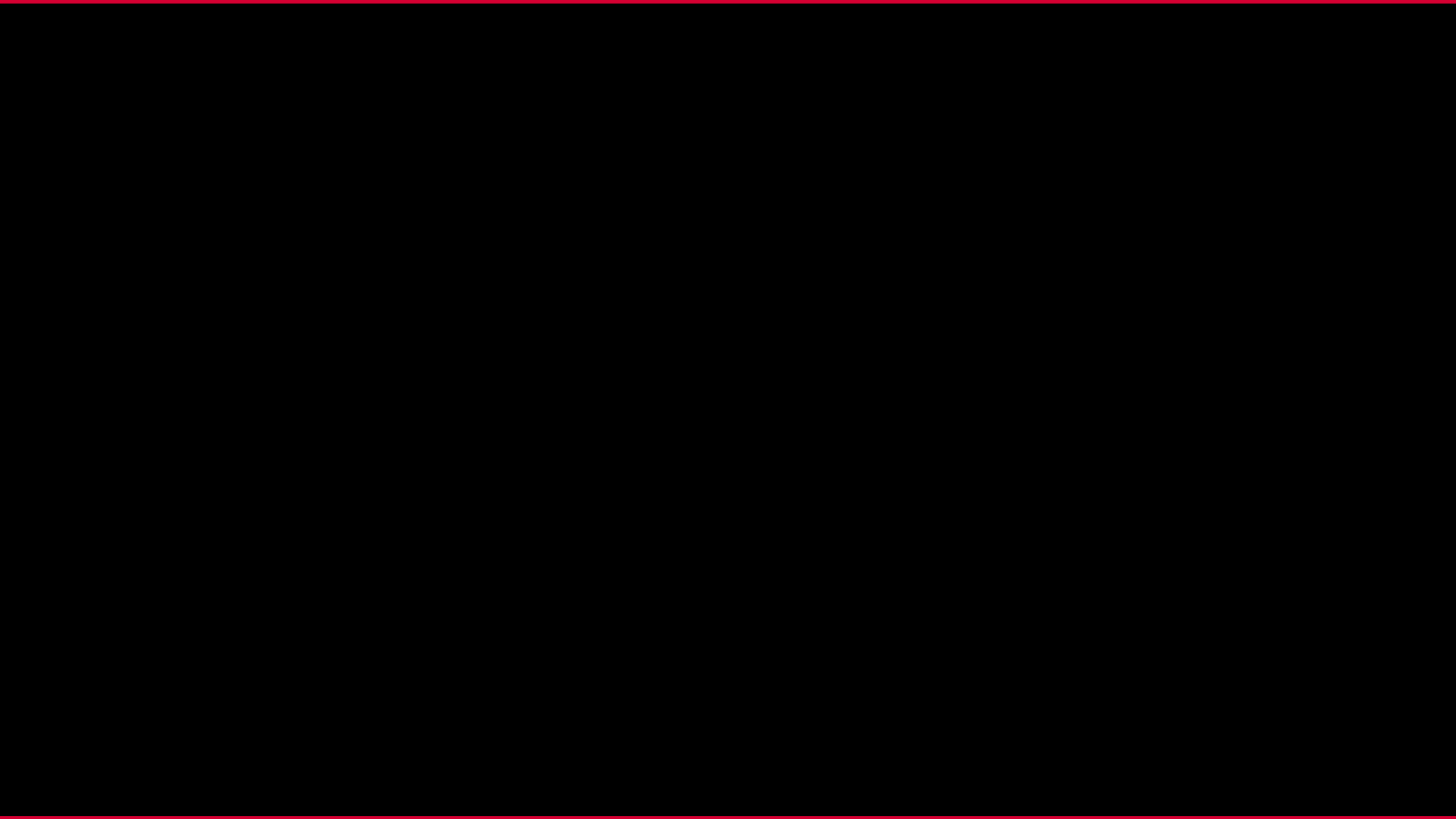
Law is silent







Law is ambiguous



Law is subject to multiple interpretations



ALL THESE LEAD TO:

-  *Confusions and differences*
-  *Disputes and litigation*
-  *Lack of uniformity*
-  *Quality time taken away in discussions on processes*

E-Ticket

MakeMyTrip Booking ID -NF2292077111462
Booking Date -Mon, 20 Jun 2016




Itinerary and Reservation Details

	Departure Delhi (DEL) Terminal 1D Tue, 21 Jun 2016 08:05 hrs	Arrival Mumbai (BOM) Terminal 1A Tue, 21 Jun 2016 10:15 hrs	Non-Stop Flight Duration: 2hr 10m
Passenger Name	Type	Airline PNR	E-Ticket Number
Pavan Kumar Vijay	Adult	X3DP6F	X3DP6F

	Departure Mumbai (BOM) Terminal 2 Wed, 22 Jun 2016 19:45 hrs	Arrival Delhi (DEL) Terminal 3 Wed, 22 Jun 2016 22:05 hrs	Non-Stop Flight Duration: 2hr 20m Cabin: Economy
Passenger Name	Type	Airline PNR	E-Ticket Number
Pavan Kumar Vijay	Adult	J0NNV1	098 2258095303

VIJAY/PAVANKUMARMR

Date	Dep Time	From	To	Flight No.	Terminal	Airline
08DEC	1705	Delhi Indira Gandhi Intl (DEL), Delhi	Rajiv Gandhi Intl Arpt (HYD), Hyderabad	UK879	3	 Vistara Airline

E-Ticket Numbers

Date of Issue: 05 Dec 2016

E-TICKET NUMBER: 2282218445511

BOOKING REFERENCE: Galileo: KP7PP8, AIRLINE: UK/X22FZU;

Detailed Itinerary

DELHI INDIRA GANDHI INTL (DEL) TO RAJIV GANDHI INTL ARPT (HYD)										FARE BASIS: WOW
FLT NO	CLASS	DEP TIME	ARR TIME	ARR TER	STATUS	DUR	SEAT	MEAL	A/C TYPE	BAGGAGE
UK879	W	1705	1915		CONFIRMED	2:10		Meal	Airbus A320	15K

Check in Baggage Allowance

BAG 1- CHGS MAY APPLY IF BAGS EXCEED TTL WT ALLOWANCE

BAG 2- CHGS MAY APPLY IF BAGS EXCEED TTL WT ALLOWANCE

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Certain seats may be charged.

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1. Mr Pavan kumar Vijay

IndiGo Flight(s)

Date	Departs	Check-in/Bag drop closes	From	To	Via	Flight	Dep Terminal	Arrives
09Dec16	18:30	17:45	Hyderabad	Delhi		6E 684		20:45

Boarding gate closes 25/45 minutes prior to the scheduled time of departure for domestic/international sectors.

Booking Reference	Numeric Booking ID	Status	Date of Booking *	Payment Status
A6K1RV	013021203508	CONFIRMED	05Dec16 09:24:19 (UTC)	Approved

* Booking Date reflects in UTC(Coordinated Universal Time), all other timings mentioned are as per Local Time.

Price Summary

Airfare Charges	INR	5,400.00
Airport User Development Fee (AUDA)	INR	477.00
Government Service Tax	INR	300.00
Passenger Service Fee (PSF)	INR	230.00
User Development Fee (UDF)	INR	495.00
Passport Renewal Costs (PPCT)	INR	11.00
Vat Meal & Non-Alc Drink (VSMAL)	INR	280.00
Total Fare	INR	7,183.00

Contact Information

Address: Indigo Travels
Phone: +919810032558
Alt Phone: +9175218516
Email: kavita@indigo.in

UNDERDEVELOPED/DEVELOPING/ DEVELOPED ECONOMIES

Key differentiators:



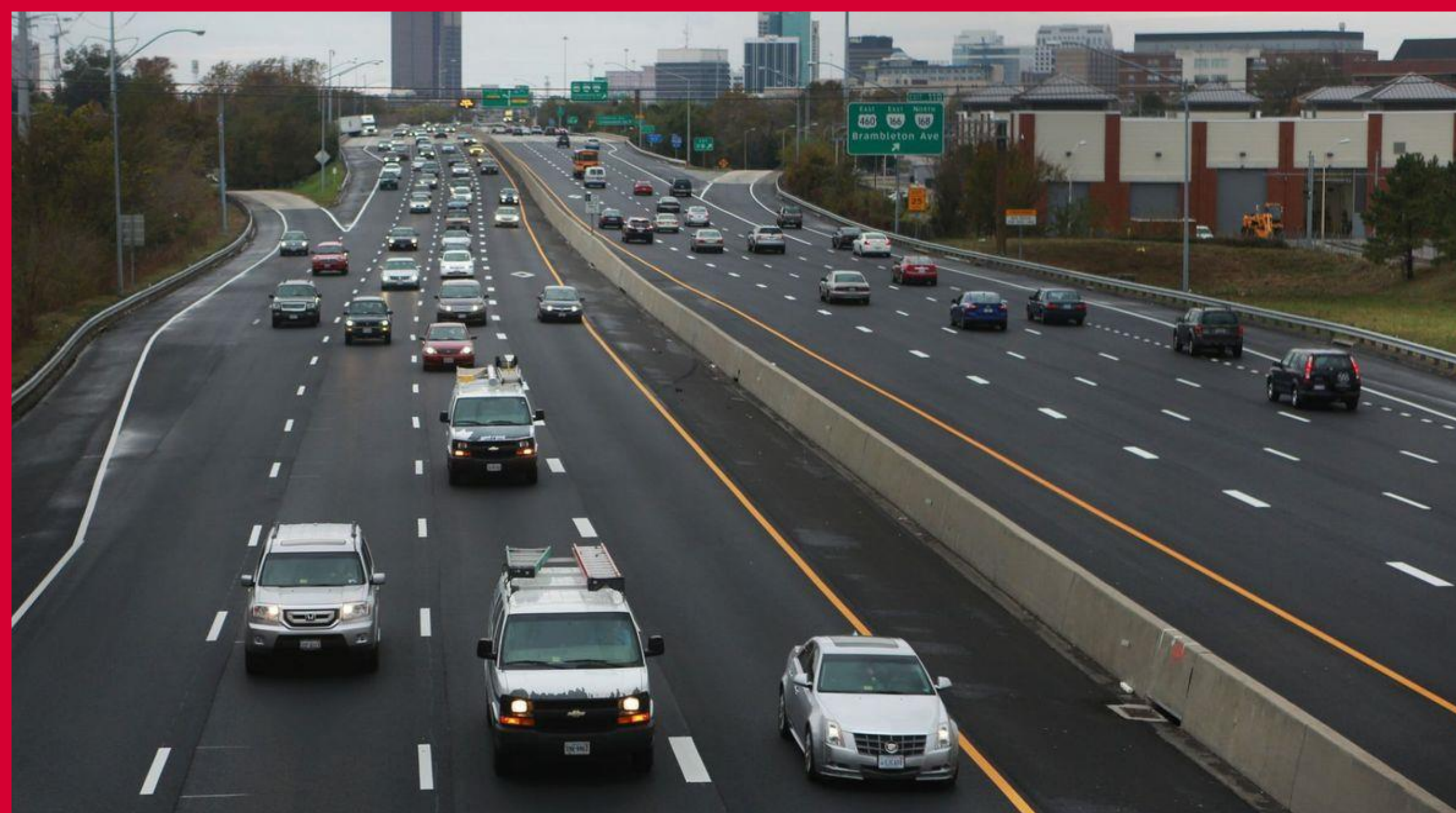
Structures-whether well laid out



Processes- whether well integrated and harmonized



Systems- whether simple, uninterrupted and consistent







CASE STUDY



On an average approximate **40-50%** time of senior company functionaries spent on Board, Committees and General Meeting processes;



The rest on decision making, implementation and other business development issues.

80-20 THEORY

POOR GOVERNANCE

80 % time on processes and interpretations

20 % on actual business decision making and implementation

GOOD GOVERNANCE

20 % time on processes and interpretations

80 % on actual business decision making and implementation

BASIC POSTULATE



Anything repetitive must be structured as a standard operating system.



One should not be wasting time in ascertaining the repetitive requirements every time one undertakes that activity.



TIME FOR
CHANGE

**“ The problems we have today,
cannot be solved by thinking the
way we thought when we created
them. ”**

Albert Einstein

**“ We should all be concerned
about the future because we will
have to spend the rest of our
lives there. ”**

Charles F Kettering

SHIFTING GOVERNANCE LANDSCAPE



From end justifies the means to long term sustainable growth



From inform others on a need to know basis to transparency



From family owned businesses to institution owned businesses



From domestic to global investors



From closely held Boards to professionally managed Boards



From less active regulatory mechanism to more active regulatory mechanism

IDEA



SECRETARIAL STANDARDS PROMOTE GOOD CORPORATE GOVERNANCE

HOW??



Hello!



SECRETARIAL STANDARDS

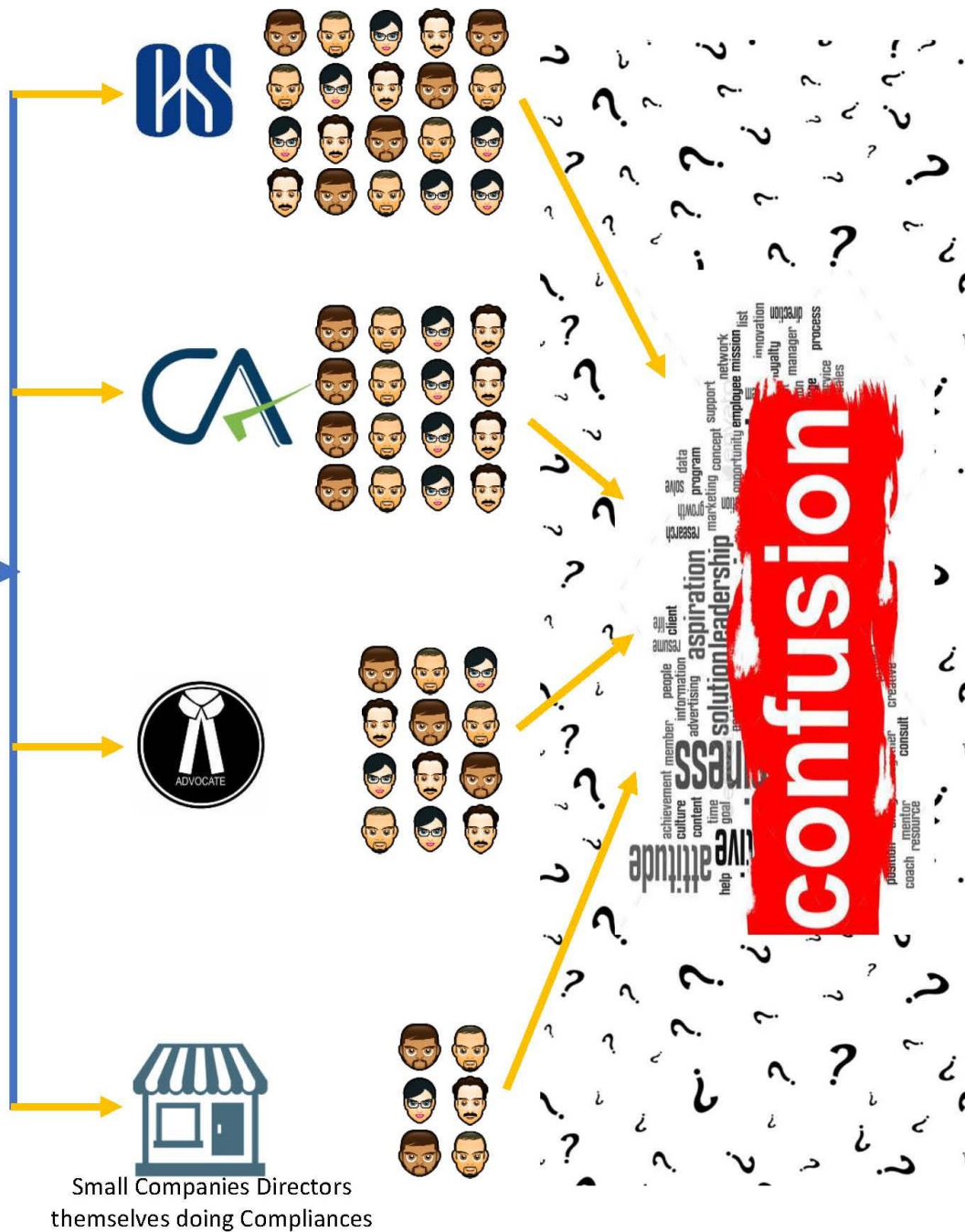


- Provide clarity where law is silent or not clear
- Harmonize multiple practices/diverse interpretations
- Standardise processes
- Complement legal provisions with best practices
- Act as helpline and guide to corporates and the professionals
- Help harmonizing and aligning domestic governance practices to the global best

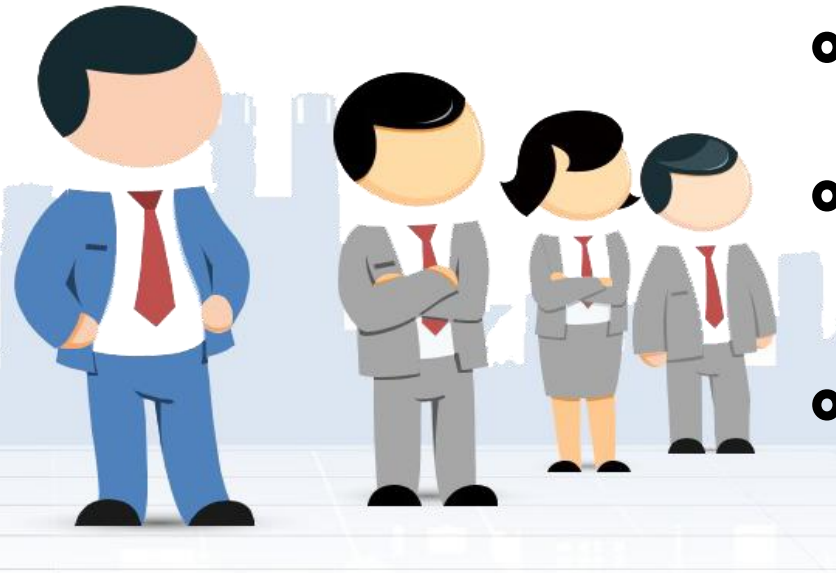


14 Lac Companies
(Approx.)

1 Lac
Professionals
(Approx.)



HOW SECRETARIAL STANDARDS HELP DIRECTORS



- Bring in **objectivity** and **integrity** to the Board processes thereby enhancing Board governance
- **Timely receipt of agenda** assists each director in understanding and fulfilling his fiduciary duties, to apply reasonably well his **business judgement on proposals** placed for approval
- Empower the Board with information, enable **engagement of the collective mind**, facilitate Boards in **constructive deliberations** and thus **enhance the overall performance** of the Board and organisation
- Circulation of signed minutes to Directors ensures that the **decisions** taken at the meeting are **not tweaked** later on.
- Bring in more **objectivity** and **definiteness** in **Board evaluation process**.

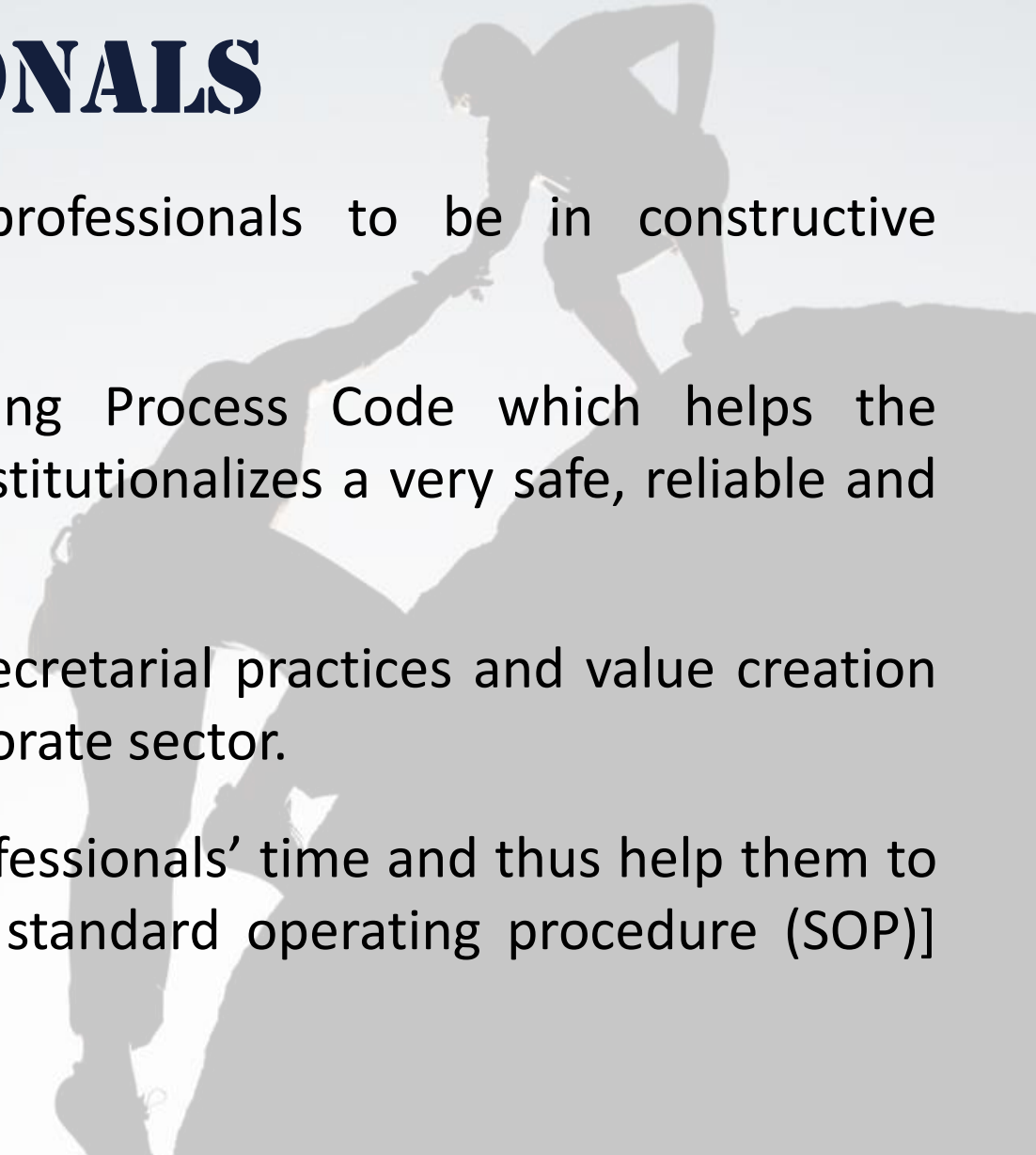
HOW SECRETARIAL STANDARDS HELP INDEPENDENT DIRECTORS



- Enable the independent directors in discharging their oversight responsibility and accountability to shareholders.
- IDs can leverage SS as an effective governance tool and prevent abuse of Board process by pushing important items under 'any other business'
- SS helps new IDs to familiarise themselves about the company through inspecting minutes of earlier meetings.

HOW SECRETARIAL STANDARDS HELP PROFESSIONALS

- Helps the management team specially professionals to be in constructive partnership with the Board
- SS operates as the Board/General Meeting Process Code which helps the professionals to ensure that the company institutionalizes a very safe, reliable and robust Board/General Meeting Process.
- SS ensures the implementation of healthy secretarial practices and value creation by the professionals associated with the corporate sector.
- Consistency and clarity in processes save professionals' time and thus help them to devote more time on business [it act as a standard operating procedure (SOP)] which bring consistency and clarity



RESULT

- Optimum utilisation of precious time of Board Members and professionals
- Reduction in Board/management disputes
- Boost in investor and other stakeholders' confidence
- Comfort to directors particularly independent directors
- Ethical business through best practices
- Risk mitigation
- Ease of doing business



**WHAT
NEXT?**



WHAT NEXT?

- Secretarial Standard on Dividend [Exposure draft]
- Secretarial Standard on Report of Board of Directors [Exposure draft]
- Secretarial Standard on Registers and Records
- Model code on Meetings of Gram Panchayats

SECOND LEVEL

- Structured Agenda and Minutes:
 - ✓ Need of today & tomorrow is to streamline the flow and format of information to the Board including Notice/Agenda/Notes on Agenda/ Minutes/ ATR covering the whole MIS system.
 - ✓ The uniform system will help in speedy and qualitative decision making by the Board/Committees.

SECOND LEVEL

Contents of Structured Agenda:

- **Items for Noting may be placed/listed first in the Agenda.**
- **Items for approval/decision of the Board may be placed with following components:**
 - Item Heading/Subject matter in alignment with the Index
 - Issue involved/proposal with background
 - Financial/Non-Financial implications on the Company
 - Rationale/Secretariat views on the proposal/issue.
 - Decision required
 - Responsibility Centre/HoD for implementation/execution and the time frame
 - Action Taken Report on earlier decisions

SECOND LEVEL

- Notice/ Minutes/ ATR / MIS systems and other components of Board meetings/processes will similarly be structured.

SECOND LEVEL

International Best Practices:

- ✓ Today we are aiming to be at par with the legal requirements/best practices in the global Context.
- ✓ We need to continue to align our practices with the global best practices.

WAY FORWARD....



- CSIA (Corporate Secretaries International Association) is considering to bring out International Best Practice Guide on Board Meetings.
- Assigned the task of preparation of International Best Practice Guide on Board Meetings to ICSI considering its experience and expertise.

**“ IT’S ALL ABOUT THE HIGH
STANDARDS WHICH WE ADOPT TO
BE AN INSPIRATION FOR OTHERS ”**



**Corporate
Professionals**



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