

Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: Corporate Governance (Hons. 2)
Programme: BB.A, LL.B. (Hons.), Corporate Laws

Semester: VIth
CC:LLBL451

Time: 03 hrs.

Max. Marks: 100

Instructions: Separate instructions are given for all the sections in the Question Paper. Please attempt accordingly

SECTION A (10 Marks)

S. No.		Marks	CO
	Write a crisp note on the following (<i>minimum 4 sentences</i>):		
1	Comparing SCORES and IEPF	2	1
2	NFRA	2	1
3	Corporate Governance in State Owned Enterprises (SOEs)	2	1
4	Integrated Reporting (IR)	2	1
5	Interlocking Directorate	2	1

SECTION B (20 Marks)

6	Explain the role of the CSR Committee and its role in Corporate Governance Framework. How this results into the promotion of SDGs?	5	3
7	<p>The Board of ABC Ltd. wishes to establish a vigil mechanism in the company. As a Company Secretary, guide the company on the legal framework under the Companies Act, 2013 and SEBI LODR.</p> <p>OR</p> <p>In order to ensure good governance, Companies (Meetings of Board and its Powers) Rules, 2014 specifies certain matters not to be dealt with in a meeting through Video Conferencing or other Audio Visual Means. Enumerating these matters explain the reasoning behind the provision?</p>	5	3

8	<p>Discuss the ‘Agency Problem’ in detail and elaborate whether corporate governance provides a solution for tackling this problem.</p> <p>In the light of the following statement: “<i>The institutional investors should use their powers and influence to ensure the implementation of the best practices set out in the Combined Code (2008)</i>”, discuss the principles of good corporate governance for the Institutional Shareholders in Indian scenario.</p>	10	1, 2
SECTION-C (20 Marks)			
9	<p>“<i>Stakeholder engagement provides opportunities to further align business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value</i>”. In the context of this, discuss key principles of stakeholder engagement and role of class action suits in India.</p>	10	3
10	<p>“<i>The OECD Principles on Corporate Governance are intended to help policymakers evaluate and improve the legal, regulatory, and institutional framework for corporate governance, with a view to support economic efficiency, sustainable growth and financial stability</i>”.</p> <p>(a) Critically analyze how India has adopted the OECD Principles into its Corporate Governance Framework.</p> <p>(b) Also enumerate any four major reforms recommended by the Kotak Mahindra Committee on Corporate Governance.</p>	10	4
SECTION-D (50 Marks)			
11	<p>Ram and Girija Diwan have earned the moniker of the “serial startup couple”. Being technology aficionados, over the last 20 years they have set up several businesses in the field that they have subsequently either taken public or sold to suitors such as acquirers or private equity investors. With a robust track record of success in their ventures, they have been a popular draw with potential investors who have all been keen to invest in their ventures.</p> <p>Sometime in 2011, the Diwans were introduced at a social event to Jack D’Souza, a Mumbai-based banker, who had just then stepped down from his position as the India head of a prominent multinational bank. Jack was looking to establish a new venture in the FinTech space, which is entirely understandable given his extensive experience in the banking and finance sector. A casual conversation led to more extensive discussions, and the Diwans and Jack came up with a business proposal to establish a venture that will provide technological solutions to the banking industry, including establishing and servicing e-payment systems, which had been witnessing a lot of demand in India. After weeks of brainstorming, they shook hands on a deal that then needed to be put in place as soon as possible. The idea was to develop a solution called “Z-Cube”, which would operate as a back-end platform for e-payment systems being used by banks.</p>		2,3,4

	<p>To give this venture a proper legal structure of relationships, Ram, Girija and Jack D'Souza incorporated a company under the Companies Act, 1956. The Board of Directors comprised of Ram as Chairman and CEO, Girija as CFO. Mr. D'Souza chose to be the non-executive director. The venture proved very successful and in order to draw more capital for expansion, Ram and Girija decided to go public in the year 2014. Mr. D'Souza advised Ram and Girija that they need to focus on a robust corporate governance framework for a better managed listed public company not only for the legal compliance point of view but also from the perspective of their ethical outlook of the business. Ram and Girija hired the services of a consultant to advise them on a corporate governance framework for their company. As the hired Consultant, please address the following specific queries of Ram and Girija:</p>		
11.A	What is the utility of separating the position of Chairman of the Board and CEO? Is there any harm in Ram continuing with the position of the Chairman as well as CEO of the Board?	(7)	
11.B	Can Mr. D'Souza perform the role of an independent director and whether his existing liabilities would change? What is the role of an independent director in the Board?	(7)	
11.C	Will it be a good idea to constitute an executive committee, especially with an objective to expand their business overseas?	(6)	
11.D	<i>“Corporate governance extends beyond corporate law. Its fundamental objective is not mere fulfilment of the requirements of law, but in ensuring commitment of the Board of directors in managing the company in a transparent manner for maximizing stakeholders’ value.”</i> In the light of this statement, explain the various factors which would add greater value through corporate governance.	(5)	
12	In July 2016, Ricoh India, the Indian arm of Japanese firm Ricoh, admitted that the company’s accounts had been falsified and accounting principles violated, leading to a loss of INR 11.23 bn for the financial year 2016. The minority shareholders were agitating against the board of directors of Ricoh India and were also holding the parent company responsible for not safeguarding their interest. Over a period of 18 months, Ricoh India had been in the eye of a storm that involved delayed reporting of financials, auditor red flags regarding accounting irregularities, a forensic audit, suspension of top officials and a police complaint lodged by Ricoh India against its own officials. Newly appointed Chairman Noboru Akahane of Ricoh India needed to ensure continuity of Ricoh India’s business and also act quickly and decisively to manage the crisis and ensure that these incidents did not recur in the future.		2,3,4
(i)	In light of the aforesaid facts, discuss the key components of corporate governance structure and consequences of poor corporate governance.	10	
(ii)	Write a note on Risk Management Committee.	5	
(iii)	Explain the Composition and role of Audit Committee.	5	
(iv)	Why and How important it is for the parent company to keep an eye on the corporate governance of its subsidiaries?	5	

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SECTION A

S. No.		Marks	CO
	Write a crisp note on the following (<i>minimum 4 sentences</i>):		
1	Stewardship Code	2	1
2	"Corporate Boards are also involved in women empowerment." Comment.	2	3
3	Triple Bottom-line	2	1
4	Integrated Reporting	2	1
5	MCA 21	2	1

SECTION B

6	Enumerate the rights of shareholder under SEBI Listing Obligations and Disclosure Requirement (LODR) Regulations, 2015	5	2
7	Elaborate any five OECD Principles of corporate governance.	5	4
8	"Board and executive leaders need to work together based on mutual respect, trust and commitment". In the light of this statement discuss in brief the relationship between the Board and Executive Management.	10	3

SECTION-C

9	<i>Post Enron scandal, Europe was hit by the Parmalat scandal. Parmalat failed as the auditors failed to notice the fraud. Forged documents, which were submitted showed cash holdings in a subsidiary, which did not exist. Further, same person held the charge of both Chairman and Chief Executive. An investigation revealed that many employees knew about this but no one came forward. Satyam episode in India was no way different. In this backdrop, identify the key focus areas of Corporate Governance which could have perhaps averted such financial failures and scandals.</i>	10	4
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10	You are Company Secretary of a listed company. You have been asked to prepare report on corporate governance to be included in the annual report of the company. Briefly explain the major contents of such report.	10	3
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SECTION-D

11	<p>Infowin Ltd. has been pioneer in corporate governance practices. The Board is comprised of appropriate mix of independent and executive directors to separate Board functions of governance and management. The Board comprises of fifteen members with seven executive directors and eight independent directors. Responsibilities of the Chairman, CEO (Chief Executive Officer) and COO (Chief Operating Officer) have been clearly defined and they have to make periodic presentations before the Board on their responsibilities, targets and performance. The Board is responsible for selection of new directors and it delegates the selection of the new Board members to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee recommends to the Board the induction of any new Board member. The Board also regularly works with the Chairman, CEO and the COO to determine the plans of internal succession of these posts in case of any emergency. The Board meets to review the quarterly results, discusses issues related to the company's financial performance and the shareholders' interests. The independent directors are always kept up to date with the information regarding the company by the Board through separate meetings arranged at regular intervals. The Board currently has five committees namely, Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee and Investment Committee. The COO and CEO deal with interaction of the Board with the clients, employees, institutional investors, the government and press. The risk management is dealt with by the Board with the help of the Audit Committee. In light of the above, you are required to answer the following questions:</p>		2,3,4
A	How do independent directors on the Board help Infowin Ltd. to formulate best business policies?	8	
B	What are the different committees formed as part of corporate governance of Infowin Ltd. and what role do these committees play?	7	
C	Do you think the company should have an executive committee and what would be its purpose? Is there any issue if the post of Chairman and CEO is held by the same person?	10	
12	<p>Tata Motors Ltd. is the leading automotive company in India having global operations. The company started its operations in 1945 and now it is world's fourth largest truck and bus manufacturer. It is the first Indian company from the engineering sector that was listed in the New York Stock Exchange in 2004. The company has always maintained high standards of professionalism, honesty, transparency, integrity and ethical behaviour and incorporated them while conducting business. The company has structured Corporate Social Responsibility programmes and set out Tata Business Excellence Model (TBEM) as a means to drive business excellence and also track progress on long-term strategic objectives. In the light of TBEM, write a brief note on each of the following:</p>		2,3,4

(i)	Corporate Social Responsibility, Business Responsibility Reports and sustainability reporting	10	
(ii)	Mr. Allen has recently joined Tata as the secretary and has been asked by the Board of Directors to draft the charter of the Nomination and Remuneration Committee for its approval in the BOD meeting. Provide a sample draft which Mr. Allen would be supplementing to the BOD meeting in the light of provisions of LODR and Companies Act, 2013.	10	
(iii)	Discuss the concept of “succession planning “of board elaborating how it is important for good governance.	5	