

Paper 13- Corporate Laws and Compliance

Paper-13: Corporate Laws and Compliance

Full Marks: 100

Time allowed:3 hours

Section A

1. Answer all questions mentioned below. Mark the correct answer (only indicate A or B or C or D) and give justification. [2 × 10 = 20]

Multiple choice question

- (i) During any financial year corporate Social Responsibility Committees of the board shall be constituted by every Company having
- (A) Turnover of Rs 5,000 crores or more.
 - (B) A Net Profit of Rs 2 crores or more.
 - (C) Net Worth of Rs 5 crores or more
 - (D) Authorized capital of Rs 500 Crores or more.
- (ii) A company has 9 Directors, on 01-01-2018. The office of 2 Directors have fallen vacant on 02-01-2018. The quorum required for conducting a Board meeting is
- (A) 4
 - (B) 3
 - (C) 2
 - (D) 5
- (iii) Companies Act, 2013 Contemplated Penalties which are of
- (A) 10 types
 - (B) 5 types
 - (C) 7 types
 - (D) 3 types
- (iv) A memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board by making regulation in this behalf is known as
- (A) Red Herring Prospectus
 - (B) Abridged Prospectus
 - (C) Shelf Prospectus
 - (D) Deemed Prospectus
- (v) Sec 233 of the Companies Act, 2013 prescribed simplified procedures for merger or amalgamation of two or more small company & small company means a company whose paid up capital does not exceed
- (A) Rs 10,00,000
 - (B) Rs 25,00,000
 - (C) Rs 50,00,000
 - (D) Rs 100,00,000

Answer_MTP_Final_Syl2016_June, 2019_Paper13_Set 1

- (vi) The Apples producers of Simla have formed an association to control the production of apples. This association is called as
- (A) Pool
 - (B) Cartel
 - (C) Merger
 - (D) Combination
- (vii) The Insolvency and Bankruptcy Code, 2016, does not cover
- (A) Financial Institutions,
 - (B) Insurance Company,
 - (C) Mutual Fund & Pension Fund
 - (D) All of the above
- (viii) According to the Insolvency and Bankruptcy Code, 2016 corporate insolvency resolution process shall be completed within a period of ,
- (A) 365 days from the date of admission of the application to initiate such process,
 - (B) 270 days from the date of admission of the application to initiate such process,
 - (C) 180 days from the date of admission of the application to initiate such process,
 - (D) 90 days from the date of admission of the application to initiate such process.
- (ix) Minimum paid up equity capital for any Health Insurance company to register in India is :
- (A) Rs 100 Crore
 - (B) Rs 200 Crore
 - (C) Rs 300 Crore
 - (D) Rs 500 Crore
- (x) Cost Records are to be maintained as per companies Act, 2013
- (A) U/s 146 (1)
 - (B) U/s 147(1)
 - (C) U/s 148 (1)
 - (D) None of the above

Answer:1

(i)	A	According to Section 135(1) of the Companies Act 2013, every Company having net worth of rupees five hundred crores or more, or turnover of ` One thousand crores or more or a net profit of rupees five crores or more during any financial year shall constitute a corporate social Responsibility Committee of the Board. In view of the above, Option (A) Turnover of ` 5000 crores or more which is more than of rupees one thousand crores or more as per required provision stated above should be considered.
(ii)	B	The total strength shall be $9 - 2 = 7$ directors. Quorum shall be higher of 2 or $\frac{1}{3}$ rd of 7. $\frac{1}{3}$ rd of 7 comes to 2.33. As per Clause (i) of Explanation to section 174(4), any fraction of a number shall be rounded off as 1. Accordingly, the quorum shall be 3 directors (being higher of 2 or 3).
(iii)	B	5 Types i.e. (1) Fine (2) Imprisonment or fine (3) Imprisonment or fine or with both (4) imprisonment and fine and (5) imprisonment only
(iv)	B	Abridged Prospectus is a shorter version of the prospectus that includes all the most key elements of the typical prospectus.

Answer_MTP_Final_Syl2016_June, 2019_Paper13_Set 1

(v)	C	Rs.50,00,000; Ref. Sec. 2 (85) of Companies Act, 2013.
(vi)	B	The term "cartel" has an inclusive meaning. Thus an association formed to control the production of apples is within the aforesaid definition of a cartel. Hence the association of apple producers of Shimla will be considered as a cartel under the provisions of the Act.
(vii)	D	The Insolvency and Bankruptcy Code, 2016 does not cover Financial Institutions, Insurance Company, Mutual Funds, Pension Funds etc.
(viii)	C	According to the Insolvency and Bankruptcy Code, 2016 corporate insolvency resolution process shall be completed within a period of 180 days from the date of admission of the application to initiate such process
(ix)	A	The Insurance Act, 1938, has specified u/s 6 that no insurer [other than an insurer defined u/s 2(9)(d)] shall be registered for Health Insurance after the commencement of IRDA, 1999, unless he has minimum paid up capital of Rs100 Crore
(x)	C	Central Govt. has specified maintenance of Cost Records u/s 148(1) of Companies Act, 2013.

Section B

Answer any Five Question [16 X 5 =80]

2. (a) Discuss punishment for failure to distribute dividends [9]
(b) Appointment of Alternative director and Nominee Director [4+3]

Answer:2(a) Punishment for failure to distribute dividends (Section 127)

Section 127 of the Companies Act, 2013 came into force on 12th September, 2013 which provides for punishment for failure to distribute dividend on time. According to this section:

(a) Where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years.

(b) He shall also be liable for a fine which shall not be less than 1,000 rupees for every day during which such default continues.

(c) The company shall also be liable to pay simple interest at the rate of 18% p.a. during the period for which such default continues.

(d) However, the following are the exceptions under which no offence shall be deemed to have been committed:

(1) where the dividend could not be paid by reason of the operation of any law.

(2) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with and the same has been communicated to him.

(3) where there is a dispute regarding the right to receive the dividend.

Answer_MTP_Final_Syl2016_June, 2019_Paper13_Set 1

(4) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder, or

(5) Where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company.

This section shall apply to the Nidhis company, subject to that where the dividend payable to a member is one hundred rupees or less, it shall be sufficient compliance of the provisions of the section, if the declaration of the dividend is announced in the local language in one local newspaper of wide circulation and announcement of the said declaration is also displayed on the notice board of the Nidhis for at least three months [Vide Notification no. 465(E) dated 5th June 2015].

2(b) Alternate Director [Section 161 (2)]

Section 161(2) of the Companies Act, 2013 provides for appointment of Alternate director. According to this section:

i) The Board of Directors of a company may, if so authorised by its articles or by a resolution passed by the company in general meeting, appoint a person to act as an alternate director in place of another director (original director) during his absence for a period of not less than 3 months from India.

ii) A person who is holding any alternate directorship for any other director in the company cannot be considered for appointment as above.

iii) No person shall be appointed as an alternate director for an independent director unless he is qualified to be appointed as an independent director under the provisions of this Act.

iv) An alternate director shall not hold office for a period longer than that permissible to the original director in whose place he has been appointed and shall vacate the office if and when the original director returns to India.

v) If the term of office of the original director is determined before he so returns to India, any provision for the automatic re-appointment of retiring directors in default of another appointment shall apply to the original, and not to the alternate director

Nominee Director [Section 161 (3)]

Section 161(3) of the Companies Act, 2013 provides for appointment of Nominee director.

According to this section: Subject to the articles of a company, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government company.

3(a) (i) Discuss the applicability of Insolvency and Bankruptcy Code, 2016 [5]

(ii) Draw the structure of Regulatory Mechanism and Regulatory Bodies as per Insolvency and Bankruptcy Code, 2016 [3]

(b) Examine the following aspect related to convening of board meeting with reference to the provisions of the Companies Act, 2013:

(i) The Chairman of Greenhouse Limited convened a board meeting and two weeks' notice was served on all directors of the company. Two of the independent directors on the board objected on the grounds that no proper agenda for the meeting was circulated.

(ii) Purple Florence Limited proposes to hold its board meeting at a shorter notice through video conferencing [7]

Answer:3(a)(i) Applicability of Insolvency and Bankruptcy Code, 2016

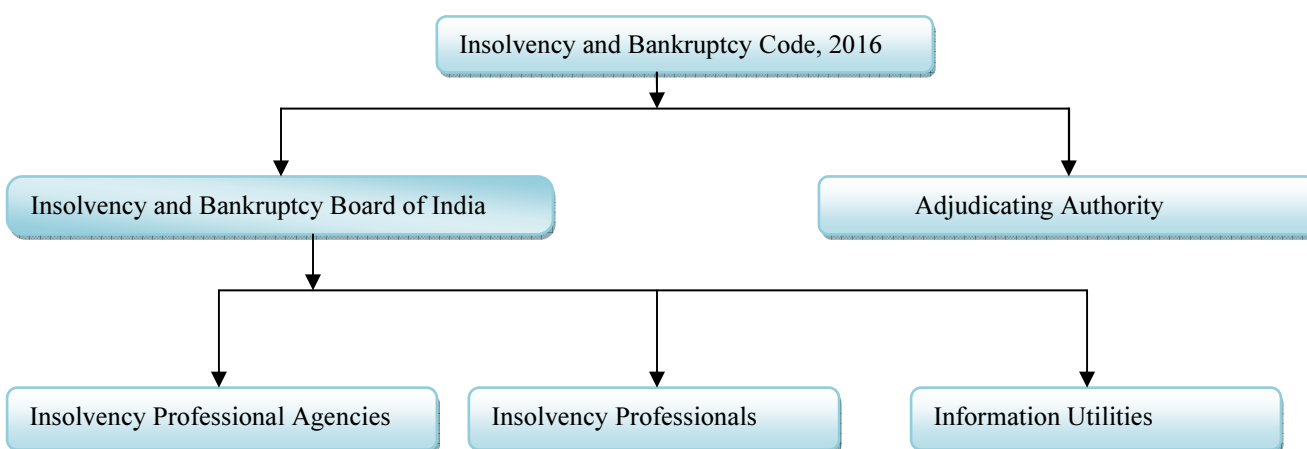
The provisions of Insolvency and Bankruptcy Code, 2016 applies to the following, in relation to their insolvency, liquidation, voluntary liquidation or bankruptcy, as the case may be (Section 2 of Insolvency and Bankruptcy Code, 2016).

- (a) Companies incorporated under Companies Act
- (b) Companies governed under special Act (so far as of Insolvency and Bankruptcy Code, 2016 is consistent with those special Acts i.e. provisions of Special Act will prevail over of Insolvency and Bankruptcy Code, 2016)
- (c) Limited Liability Partnership (LLP)
- (d) Other body corporates as may be notified by Central Government
- (e) Partnership firms and individuals.
- (f) Personal guarantors to corporate debtors:
- (g) Partnership firms and proprietorship firms; and
- (h) Individuals, other than persons referred to in clause (e).

3(a) (ii) The Regulatory Mechanism and Regulatory Bodies

The regulatory mechanism as per The Insolvency and Bankruptcy Code, 2016 would be based on the following five pillars:

- Insolvency and Bankruptcy Board of India
- Adjudicating Authority
- Insolvency Professional Agencies
- Insolvency Professionals
- Information Utilities



3(b) (i) According to section 173 (3) of the Companies Act, 2013, a meeting of the Board shall be called by giving not less than 7 days' notice in writing to every director at his address registered with the company and such notice shall be sent by hand delivery or by post or by electronic means.

Answer_MTP_Final_Syl2016_June, 2019_Paper13_Set 1

According to the question, two of the independent directors on the Board has objected on the grounds that no proper agenda for the meeting was circulated.

The Companies Act, 2013 does not specifically provide for sending agenda along with the notice of the meeting. However, generally as a good secretarial practice, the notice is accompanied with the agenda of the meeting. Thus, the contention of the independent directors objecting on the grounds that no agenda for the meeting was circulated, does not hold good.

Further, the Chairman of Greenhouse Limited has convened the Board meeting by serving a two weeks' notice (i.e. more than 7 days). Hence, the meeting shall be valid.

(ii) According to section 173 of the Companies Act, 2013,

(a) The directors can participate in a meeting of the Board either in person or through video conferencing or other audio visual means, as may be prescribed, which are capable of recording and recognising the participation of the directors and of recording and storing the proceedings of such meetings along with date and time. Further, Central Government may provide for matters which cannot be dealt in a meeting through video conferencing or other audio visual means.

(b) A meeting of the Board shall be called by giving not less than 7 days' notice in writing to every director at his address registered with the company.

Provided that a meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting. Further, in case the independent directors are not present at such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director, if any.

Hence, Purple Florence Limited can hold a board meeting at a shorter notice through video conferencing, for transacting urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting. Further, if the independent directors are absent from the meeting of the Board, decision taken at such a meeting shall be circulated to all the directors and shall be final, only on ratification thereof by at least one independent director, if any.

4(a) Discuss the powers of Central Government to provide for amalgamation in the public interest.

[9]

(b)Removable of members under Section 417 of Companies Act,2013

[7]

Answer:4(a) Powers of Central Government to provide for amalgamation in the public interest

Section 237 (1) states that when the Central Government is satisfied that it is essential in the public interest that two or more companies should amalgamate, the Central Government may, by order notified in the Official Gazette, provide for the amalgamation of those companies into a single company with such constitution, with such property, powers, rights, interests, authorities and privileges, and with such liabilities, duties and obligations, as may be specified in the order.

Continuation of legal proceedings Section 237 (2) states that the order under Sub-Section (1) may also provide for the continuation by or against the transferee company of any legal

proceedings pending by or against any transferor company and such consequential, incidental and supplemental provisions as may, in the opinion of the Central Government, be necessary to give effect to the amalgamation.

Appeal to tribunal

As per Section 237 (4) any person aggrieved by any assessment of compensation made by the prescribed authority under Sub-Section (3) may, within a period of thirty days from the date of publication of such assessment in the Official Gazette, prefer an appeal to the Tribunal and thereupon the assessment of the compensation shall be made by the Tribunal.

Conditions for order under Section 237

As per Section 237 (5) No order shall be made under this Section unless:

- (a) a copy of the proposed order has been sent in draft to each of the companies concerned;
- (b) the time for preferring an appeal under Sub-Section (4) has expired, or where any such appeal has been preferred, the appeal has been finally disposed off; and
- (c) the Central Government has considered, and made such modifications, if any, in the draft order as it may deem fit in the light of suggestions and objections which may be received by it from any such company within such period as the Central Government may fix in that behalf, not being less than two months from the date on which the copy aforesaid is received by that company, or from any class of shareholders therein, or from any creditors or any class of creditors thereof.

Copies of order to be laid before each house of parliament

As per Section 237 (6) the copies of every order made under this Section shall, as soon as may be after it has been made, be laid before each House of Parliament.

Removable of members under Section 417 of Companies Act, 2013

Section 417 of the Act contains the provisions as to Removal of Members. According to this Section:

The Central Government may, after consultation with the Chief Justice of India, remove from office the President, Chairperson or any Member, who:

- (a) has been adjudged an insolvent, or
- (b) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude, or
- (c) has become physically or mentally incapable of acting as such President, the Chairperson, or Member, or
- (d) has acquired such financial or other interest as is likely to affect prejudicially his functions as such President, the Chairperson or Member, or
- (e) has so abused his position as to render his continuance in office prejudicial to the public interest. Provided that the President, the Chairperson or the Member shall not be removed on any of the grounds specified in clauses (b) to (e) without giving him a reasonable opportunity of being heard.

5(a) Discuss types of Listing of Securities & benefit of listing

[9]

(b) What Constitutes Competition Law and Policy? Objectives of the Competition Act, 2002

[7]

Answer:5.(a) Types of Listing

Listing of securities falls under 5 groups:

(1)Initial listing: If the shares or securities are to be listed for the first time by a company on a stock exchange is called initial listing.

(2)Listing for Public Issue: When a company whose shares are listed on a stock exchange comes out with a public issue of securities, it has to list such issue with the stock exchange.

(3)Listing for Rights Issue: When companies whose securities are listed on the stock exchange issue further securities to existing share holders on rights basis, it has to list such rights issues on the concerned stock exchange.

(4)Listing of Bonus Shares: Companies issuing shares as a result of capitalization of profits through bonus issue shall list such issues also on the concerned stock exchange.

(5)Listing for merger or amalgamation: When new shares are issued by an amalgamated company to the share holders of the amalgamating company, such shares are also required to be listed on the concerned stock exchange.

Benefits of Listing

The following benefits are available when securities are listed by a company in the stock exchange:

(a) Public image of the company is enhanced.

(b) The liquidity of the security is ensured making it easy to buy and sell the securities in the stock exchange.

(c) Tax concessions are made available both to the investors and the companies.

(d) Listing procedure compels company management to disclose important information to the investors enabling them to make crucial decisions with regard to holding or disposing of such Securities.

(e)Shares of listed companies command better credibility as they could be offered as security for loans from Banks and FIs.

5(b) Competition law and policy is defined as those Government measures that affect the behavior of enterprises and structure of the industry with a view to promote efficiency and maximize welfare

The two elements of such Government measures are:

Competition Policy: Set of policies, such as liberalized trade policy, relaxed FDI policy, de-regulation, etc., that enhances competition in the markets.

Competition Law: To prevent anti-competitive practices with minimal intervention.

Objectives of the Competition Act, 2002

Keeping in view of the economic development of the country, the Competition Act, 2002 was laid down to provide for an establishment of a Commission seeks to achieve the following objectives:

(a)to prevent practices having adverse effect on competition.

(b)to promote and sustain competition in markets.

(c)to protect the interests of consumers.

Answer_MTP_Final_Syl2016_June, 2019_Paper13_Set 1

(d) to ensure freedom of trade carried on by other participants in markets in India and for matters connected therewith or incidental thereto.

The objectives of the Act are sought to be achieved through the instrumentality of the Competition Commission of India (CCI) which has been established by the Central Government with effect from 14th October, 2003.

6(a) Modes of Payment allowed for receiving Foreign Direct Investment in an Indian company

[8]

(b) How does Money Laundering actually take place?

[8]

Answer:

6(a) Modes of payment allowed for receiving Foreign Direct Investment in an Indian company

An Indian company issuing shares / convertible debentures under FDI Scheme to a person resident outside India shall receive the amount of consideration required to be paid for such shares / convertible debentures by:

(a) inward remittance through normal banking channels.

(b) debit to NRE / FCNR account of a person concerned maintained with an AD Category-I bank.

(c) conversion of royalty/lump sum/technical know-how fee due for payment or conversion of ECB, shall be treated as consideration for issue of shares.

(d) conversion of import payables / pre incorporation expenses / share swap can be treated as consideration for issue of shares with the approval of FIPB.

(e) debit to non-interest bearing Escrow account in Indian Rupees in India which is opened with the approval from AD Category-I bank and is maintained with the AD Category-I bank on behalf of residents and non-residents towards payment of share purchase consideration.

If the shares or convertible debentures are not issued within 180 days from the date of receipt of the inward remittance or date of debit to NRE / FCNR (B)/Escrow account, the amount shall be refunded. Further, Reserve Bank may on an application made to it and for sufficient reasons permit an Indian Company to refund / allot shares for the amount of consideration received towards issue of security if such amount is outstanding beyond the period of 180 days from the date of receipt

6(b) The process of Money Laundering generally involves the following three stages:

(a) Placement: The Money Launderer, who is holding the money generated from criminal activities, introduces the illegal funds into the financial systems. This might be done by breaking up large amount of cash into less conspicuous smaller sums which are deposited directly into a Bank Account or by purchasing a series of instruments such as Cheques, Bank Drafts etc., which are then collected and deposited into one or more accounts at another location.

(b) Layering: The second stage of Money Laundering is layering. In this stage, the Money Launderer typically engages in a series of continuous conversions or movements of funds,

within the financial or banking system by way of numerous accounts, so as to hide their true origin and to distance them from their criminal source. The Money Launderer may use various channels for movement of funds, like a series of Bank Accounts, sometimes spread across the globe, especially in those jurisdictions which do not co-operate in anti Money Laundering investigations.

(c) Integration: Having successfully processed his criminal profits through the first two stages of Money Laundering, the Launderer then moves to this third stage in which the funds reach the legitimate economy, after getting inseparably mixed with the legitimate money earned through legal sources of income. The Money Launderer might then choose to invest the funds into real estate, business ventures & luxury assets, etc. so that he can enjoy the laundered money, without any fear of law enforcement agencies. The above three steps may not always follow each other. At times, illegal money may be mixed with legitimate money, even prior to placement in the financial system. In certain cash rich businesses, like Casinos (Gambling) and Real Estate, the proceeds of crime may be invested without entering the mainstream financial system at all.

7(a) The Financial Reporting Council (FRC) is responsible for high standards of Corporate Governance. Explain this statement along with the aims of FRC [8]

(b) 'Corporate Social Responsibility is not Charity' Discuss. [8]

Answer:

7(a)

Financial Reporting Council

The Financial Reporting Council (FRC) has six operating bodies: the Accounting Standards Board (ASB), the Auditing Practices Board (APB) the Board for Actuarial Standards (BAS), the Professional oversight Board, the Financial Reporting Review Panel (FRRP) and the Accountancy and Actuarial Discipline Board (AADB). The importance placed on corporate governance is evidenced by the fact that, in March 2004, the FRC set up a new committee to lead its work on corporate governance. Overall, the FRC is responsible for promoting high standards of corporate governance. It aims to do so by:

- maintaining an effective Combined Code on Corporate Governance and promoting its widespread application;
 - ensuring that related guidance, such as that on internal control, is current and relevant;
 - influencing EU and Global Corporate Governance Developments;
 - helping to promote boardroom professionalism and diversity;
 - encouraging constructive interaction between company boards and institutional shareholders.
- The FRC has carried out several consultative reviews of the Combined Code which led to the amended Combined Code in 2006, and subsequently in 2008. The latest review took place in 2008. The frequency of the reviews are both an indicator of the FRC's responsibility for corporate governance of UK companies which involves leading public debate in the areas and its response to the global financial crisis which has, in turn, affected confidence in aspects of corporate governance

(b) There have been evidences that record a paradigm shift from charity to a long-term strategy, yet the concept still is believed to be strongly linked to philanthropy. There is a need to bring about an attitudinal change in people about the concept. By having more coherent and ethically driven discourses on CSR, it has to be understood that CSR is about how corporate place their business ethics and behaviors to balance business growth and commercial success with a positive change in the stakeholder community.

Answer_MTP_Final_Syl2016_June, 2019_Paper13_Set 1

Several corporates today have specific departments to operationalize CSR. There are either foundations or trusts or a separate department within an organization that looks into implementation of practices.

Being treated as a separate entity, there is always a flexibility and independence to carry out the tasks.

But often these entities work in isolation without creating a synergy with the other departments of the corporate. There is a need to understand that CSR is not only a pure management directive but it is something that is central to the company and has to be embedded in the core values and principles of the corporate.

Whatever corporates do within the purview of CSR has to be related to core business. It has to utilize things at which corporates are good; it has to be something that takes advantage of the core skills and competencies of the companies. It has to be a mandate of the entire organization and its scope does not simply begin and end with one department in the organization.

While there have been success stories of short term interventions, their impact has been limited and have faded over a long period of time. It is essential for corporates to adopt a long term approach rather than sticking to short term interventions, involving the companies and employees in the long-term process of positive social transition. A clearly defined mission and a vision statement combined with a sound implementation strategy and a plan of action firmly rooted in ground realities and developed in close collaboration with implementation partners, is what it takes for a successful execution of CSR.

An area that can be looked upon is the sharing of best practices by corporates. A plausible framework for this could be bench-marking. While benchmarking will help corporates evaluate their initiatives and rank them, it will also provide an impetus to others to develop similar kind of practices. Credibility Alliance, a consortium of voluntary organizations follows a mechanism of accreditation for voluntary sector. Efforts have to be directed towards building a similar kind of mechanism for CSR as well.

8. Write short notes any four of the following :

4X4=16

(a) Objectives of the MOU System

(b) List out the main features (any four) of a qualified and independent audit committee to be set up under SEBI (listing obligations and disclosure Requirements) Regulations, 2015.

(c) Foreign Currency Convertible Bond under FEMA, 1999

(d)) CSR can mean different things to different people. Explain

(e) Responsibilities of the Board of State Owned enterprises

Answer:

8(a) Objectives of MoU System

The specific objectives of the MoU system are to:

(a) Improve the performance of CPSEs through increased management autonomy.

(b) Remove the haziness in goals and objectives.

(c) Evaluate management performance through objective criteria; and

(d) Provide incentives for better future performance

8(b) The main features of a qualified and independent audit committee to be set up under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as follows:

1. The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors;

2. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise; Explanation (i): The term "financially literate" means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (ii): A member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

3. The Chairperson of the Audit Committee shall be an independent director;

4. The Chairperson of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries;

5. The Audit Committee at its discretion shall invite the finance director or the head of the finance function, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee; provided that occasionally, the Audit Committee may meet without the presence of any executives of the listed entity.;

6. The Company Secretary shall act as the secretary to the committee.

8(c) Foreign Currency Convertible Bond (FCCB) under FEMA, 1999

"Foreign Currency Convertible Bond" (FCCB) under Foreign Exchange Management Act, 1999 means a bond issued by an Indian company expressed in foreign currency, the principal and interest of which is payable in foreign currency. FCCBs are issued in accordance with the Foreign Currency Convertible Bonds and ordinary shares (through depository receipt mechanism) Scheme, 1993 and subscribed by a non-resident entity in foreign currency and convertible into ordinary shares of the issuing company in any manner, either in whole, or in part.

8(d) Corporate Social Responsibilities (CSR) is an integrated combination of policies programs, education, and practices which extend throughout a corporation operations and into the communities in which they operate, about how companies voluntarily manage the business processes to produce an overall positive impact on society CSR can mean different things to different people:

- For an employee it can mean fair wages, no discrimination, acceptable working conditions etc.
- For a shareholder it can mean making responsible and transparent decisions regarding the use of capital.
- For suppliers it can mean receiving payment on time.
- For customers it can mean delivery on time etc.

- For local communities and authorities it can mean taking measures to protect the environment from pollution.
- For non- governmental organization and pressure groups i t can mean disclosing business practices and performance on issues ranging from energy conservation and global warming to human rights and animal rights, from protection of the rainforests and endangered species to child and forced labour, etc.
- For a company, however, it can simply be seen as responding to the needs and concerns of people who can influence the success of the company and/or whom the company can impact through its business activities, processes and products.

8(e) Responsibilities of The Boards of State- Owned Enterprises

The boards of the state owned enterprises should have the necessary authority, competencies, and objectivity to carry out their function of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions the boards of SOEs should be assigned a clear mandate and ultimate responsibility for the company's performance.

- The board should be fully accountable to the owners, act in the best interest of the company, and treat all shareholders equally.
- SOE boards should carry out their functions of monitoring of management and strategic guidance, subject to the objectives set by the government and the ownership entity. They should have the power to appoint and remove the CEO.
- The boards of SOEs should be so composed that they can exercise objective and independent judgment. Good practice calls for the chair to be separate from the CEO.
- SOE boards should carry out an annual evaluation to appraise their performance.