

The SEBI Code

M.COM II SEM
UNIT- V LECTURE –13
DATE -22/04/20
DR.REKHA GARG

The SEBI Code

- The Committee on Corporate Governance was set up on May 7, 1999 by the Securities and Exchange Board of India (SEBI) under the Chairmanship of Shri Kumar Mangalam Birla to promote and raise the standards of corporate governance.

- In February 2000 the Securities and Exchange Board of India issued a letter to all the stock exchanges proposing that 'a new clause, namely clause 49, be incorporated in the listing agreement'. Clause 49, called 'Corporate Governance', contains eight sections dealing with the Board of Directors, Audit Committee, Remuneration of Directors, Board Procedure, Management, Shareholders, Report on Corporate Governance, and Compliance, respectively.

Recommendations

- The board of a company has an optimum combination of executive and non-executive directors with fifty percent of the board comprising the non,...executive directors.
- A non-executive Chairman should be entitled to maintain a chairman's office at the company's expense and also allowed reimbursement of expenses incurred in performance of his duties. This will enable him to discharge the responsibilities effectively.

- A qualified and independent audit committee should be set up by the board of a company.
- The board should set up a remuneration committee to determine on their behalf and on behalf of the shareholders.
- It is important for the shareholders to be informed of the remuneration of the directors of the company.

- Board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings.
- The companies should be required to give consolidated accounts in respect of all its subsidiaries in which they hold 51 o/o or more of the share capital.
- The board should clearly define the role of the management.

- Disclosures must be made by the management to the board relating to all material financial and commercial transactions.
- There should be a separate section on Corporate Governance in the annual reports of companies, with a detailed compliance report on Code of Corporate Governance.