



Confederation of Indian Industry

NFCG *National Foundation for
Corporate Governance*

***Corporate Governance
&
National Foundation for Corporate
Governance***



Confederation of Indian Industry

The Background

- **Unlike South-East and East Asia, corporate governance initiative in India was not triggered by any serious nationwide financial, banking and economic collapse**
- **Also, unlike most OECD countries, the initiative in India was initially driven by an industry association - the Confederation of Indian Industry (CII)**



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Corporate Governance Initiatives in India

The CII Code [1998]

- In December 1995, CII set up a task force to design a voluntary Code of Corporate Governance
- The final draft of this Code was widely circulated in 1997
- In April 1998, the Code was released. It was called Desirable Corporate Governance: A Code
- The code was voluntary, contained detailed provisions, and focused on listed companies.



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Corporate Governance Initiatives in India

Kumar Mangalam Birla Committee Report [2000]

- Following CII's initiative, SEBI set up a committee under Kumar Mangalam Birla to design a mandatory-cum-recommendatory code for listed companies.
- The Birla Committee Report was approved by SEBI in December 2000.



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Corporate Governance Initiatives in India

Department of Company Affairs (DCA)[2001-02]

- Following CII and SEBI, DCA modified the Companies Act, 1956 to incorporate specific Corporate Governance provisions regarding Independent Directors and Audit Committees



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Corporate Governance Initiatives in India

Naresh Chandra Committee Report [2002]

- In August 2002, DCA appointed Naresh Chandra Committee to examine various corporate governance issues.
- The Committee was entrusted *to analyse and recommend changes*, to the issues related to the statutory auditor-company relationship, certification of accounts and financial statements by the management and directors; and role of independent directors.



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Corporate Governance Initiatives in India

Narayana Murthy Committee Report [2003]

- **SEBI Committee on Corporate Governance was constituted under the Chairmanship of N. R. Narayana Murthy, *to look into:***

governance issues / review Clause 49,

suggest measures to improve corporate governance standards.



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Corporate Governance Initiatives in India

Revised Clause 49 [2004]

- In October 2004, SEBI amended Clause 49 of the listing agreement in alignment with the Narayana Murthy Committee recommendations. These changes primarily strengthened the requirements in the following areas:
 - ❑ Board composition and procedure
 - ❑ Audit committee responsibilities
 - ❑ Subsidiary companies
 - ❑ Risk management
 - ❑ CEO/CFO certification of financials and internal controls
 - ❑ Legal compliance
 - ❑ Other disclosures
- The revised Clause 49 was effective 1 January 2006.



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Corporate Governance Initiatives in India

Expert Committee on Company Law Constituted under the Chairmanship of Dr J J Irani [2005]

- **The Ministry of Company Affairs, Government of India, under the Chairmanship of Dr. Jamshed J. Irani had constituted the Expert Committee on Company Law, to advise the Government on the new Company Law. The Expert Committee released the report in May 2005.**



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Corporate Governance Initiatives in India

CII National Council on Corporate Governance

- The CII National Council on Corporate Governance and Regulatory Framework - is an assemblage of:
 - ❑ Industry / Financial institutions
 - ❑ Stock exchanges [BSE, NSE]
 - ❑ Credit rating agencies [CRISIL, ICRA]
 - ❑ Legal, Accounting, Financial Consultancy Firms
- The Council deliberates on pertinent issues on governance and company law.
- Mr. Adi Godrej, Chairman, The Godrej Group is chairing the Council for the year 2006-07.

National Foundation for Corporate Governance

To promote better corporate governance practices in India, the Ministry of Company Affairs, Government of India, set-up the National Foundation for Corporate Governance (NFCG) in partnership with:

- ❑ Confederation of Indian Industry (CII)
- ❑ Institute of Company Secretaries of India (ICSI)
- ❑ Institute of Chartered Accountants of India (ICAI)

National Foundation for Corporate Governance

Vision of NFCG

- Be a catalyst in making India the best in Corporate Governance Practices

Mission of NFCG

- To foster a culture for promoting good governance, voluntary compliance and facilitate effective participation of different stakeholders;
- To create a framework of best practices, structure, processes and ethics;
- To make significant difference to Indian Corporate Sector by raising the standard of corporate governance in India towards achieving stability and growth.

National Foundation for Corporate Governance

National Centre for Corporate Governance

(Accredited Institutes)

- IIM Ahmedabad
- IIM Calcutta
- IIM Lucknow
- IIM Bangalore
- ASCI Hyderabad
- ISB Hyderabad
- NALSAR Hyderabad
- NLSUI Bangalore
- JBIMS Mumbai
- SPJIMR Mumbai
- SIMS, Pune
- LIBA, Chennai

National Foundation for Corporate Governance

Linkages with International Organisations

- ❑ **Following international organisations short listed for:**
 - **Exchange of technical documents on specific areas of corporate governance**
 - **Faculty support for programmes on mutual basis**
 - **Research programme support to each other**
- ❑ **Global Corporate Governance Institute (GCGF)**
- ❑ **European Corporate Governance Institute (ECGI) USA**
- ❑ **Institute of Directors (IoD) UK**
- ❑ **The Conference Board, USA**
- ❑ **The Business Roundtable, USA**
- ❑ **Institute of Directors, Thailand**
- ❑ **Institute of Directors, Singapore**

National Foundation for Corporate Governance

Financial Assistance to Institutes

Accredited to NFCG

- **NFCG decided to extend the financial assistance to accredited institutes for:**
 - ❑ **Directors orientation programme**
 - ❑ **Research work in the area of Corporate Governance**
 - ❑ **Organising seminars and conferences**

National Foundation for Corporate Governance

Core Group on Identified Themes

1. **Corporate Governance norms for Independent Directors**
2. **Corporate Governance norms for Institutional Investors**
3. **Corporate Governance Audit**
4. **Corporate Governance Norms for SMEs**
5. **Corporate Governance Norms for CSR**
6. **Core Group of Experts**

National Foundation for Corporate Governance

NFCG Initiatives

- A. Discussion paper on Corporate Governance in India: Theory and Practice**
- B. National Conference on Corporate Governance: Trends in India**
- C. Dissemination of ROSC - Corporate Governance Country Assessment - India**
- D. Creation of Independent Directors' Database**
- E. "Role of Institutional Investors in Corporate Governance of their Portfolio Companies"**
- F. Seminars on Good Corporate Governance Practices**
- G. Seminar on Emerging Corporate Governance Practices in India by ASCI**

National Foundation for Corporate Governance

NFCG Proposed Initiatives in March 2007

- A. National Roundtable on Corporate Governance Norms for Independent Directors**
- B. CII Corporate Governance Series with Mr. Y C Deveshwar, Chairman ITC**
- C. Corporate Governance through Audit Committee by ICAI**
- D. National Seminar on Corporate Compliance Management by ICSI**



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CII Corporate Governance Initiatives-2006 - 07

- ❑ **CII Corporate Governance Summit-September 2006**
- ❑ **CII Governance Series – August 06 -March 07**
- ❑ **Audit Committee Symposia**
- ❑ **Legal Compliance Management Workshops**

Promoting Good Corporate Governance

About NFCG



Our Partners



Discussion Forum



Library



About NFCG

With the goal of promoting better corporate governance practices in India, the Ministry of Company Affairs, Government of India in partnership with Confederation of Indian Industry (CII), Institute of Company Secretaries of India (ICSI) and Institute of Chartered Accountants of India (ICAI), has set-up the National Foundation for Corporate Governance (NFCG).

[More](#) ➔

Upcoming Events

- [Roundtable on the role of Institutional Investors in the Corporate Governance of their portfolio Companies](#)

- [Independent Directors Search](#)
- [Dr. J.J. Irani Report on New Company's ACT](#)
- [Role of Institutional Investors in the Corporate Governance of their Portfolio Companies](#)
- [Roundtable on Independent Directors](#)
- [NFCG Work Plan year 2005-2006](#)
- [Discussion Paper on Corporate Governance in India: NFCG \(2004\)](#)
- [ROSC Corporate Governance Assessment for India: World Bank \(2004\)](#)

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Partners :



Ministry of Company Affairs
Government of India



Confederation of
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The Institute of Company Secretaries of India



The Institute of Chartered Accountants of India