



Board Committees

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ABSTRACT

The objective of this research paper is to understand the need and advantages of management through board committees and the constitution and scope of various Committees. In this research paper, it would be able to understand effective company management through the delegation of power and responsibilities to various board committees. This study briefs about the Committees to be constituted mandatorily - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and CSR Committee and non mandatory committees like Corporate Governance Committee, Science Technology and Sustainability Committee, Risk Management Committee, Regulatory, Compliance and Government Affairs Committee. The further details of this topic are outlined and examined in this research paper.

Key words: **CORPORATE GOVERNANCE, BOARD COMMITTEES**

INTRODUCTION:

With the globalization and the blurring of the borders, the demands on the board have increased tremendously. The regulatory requirements are complex and the onus on the Board is immense. In this scenario, the need to delegate oversight of certain areas to a specialist board committee has become imperative. However, it is to be remembered that even though the board delegates some of the responsibilities to a committee, the ultimate responsibility lies with the board.

Board committees with formally established terms of reference, criteria for appointment, life span, role and function constitute an important element of the governance process and should be established with clearly agreed reporting procedures and a written scope of authority. Committees enable better management of the board's time and allow in-depth scrutiny and focused attention. Since the Board of Directors is ultimately responsible for the acts of the committees, the role and structure of the board committees should be defined with due care.

Board committees are pillars of corporate governance. In this background, the board constitutes various committees, statutory as well as non-statutory, as a means of improving board effectiveness and efficiency where more focused, specialized and technically oriented discussions are required. Committees prepare the ground work for decision making and report at the subsequent board meetings. Further, committees enable better management of the board's time and allow in-depth scrutiny and focused attention. The board must identify the requirements of the committee to support its work and responsibilities. As such, it lays down the terms of reference for each committee so created. The terms of reference comprise a clear statement which describes the purpose of the committee, its membership composition, authority, major

areas of responsibility and reporting mechanism to the board. So after considering all we can definitely said that-

“Committees have become so important nowadays that subcommittees have to be appointed to do the work.”

-Laurence J. Peter

MEANING OF COMMITTEE:

In a simple manner committee defines as: “A group of people appointed for a specific function by a larger group and typically consisting of members that group.”

Mandatory committees under Companies Act 2013 are Audit Committee, Nomination and Remuneration Committee, stakeholders Relationship committee, CSR Committee.

AUDIT COMMITTEE:

Section 177 of the Companies Act, 2013: The Act has enlarged the responsibilities of auditors to include monitoring of auditors’ independence, valuation of their performance, approval of modification of related-party transactions, scrutiny of loans and investments, valuation of assets and evaluation of internal controls and risk management. They have to establish a vigil mechanism and protection for any whistle-blower. The members must be able to understand financial statements and have a majority of Independent Directors. Large companies must mandatorily have professional internal auditors.

NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee helps the Board of Directors in the preparation relating to the election of members of the Board of Directors, and in handling matters within its scope of responsibility that relate to the conditions of employment and remuneration of senior management, and to management’s and personnel’s remuneration and incentive schemes. In terms of the amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, companies are required to constitute Nomination and Remuneration Committee.

STAKEHOLDERS RELATIONSHIP COMMITTEE:

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates that a committee under the Chairmanship of a non-executive director and such other members as may be decided by the Board of the company shall be formed to specifically look into the redresses of grievances of shareholders, debenture holders and other security holders. This Committee shall be designated as ‘Stakeholders Relationship Committee’ and shall consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

Companies Act 2013 provides for constitution of CSR Committee of the Board to formulate and monitor the CSR Policy of a company for certain specified companies.

CORPORATE GOVERNANCE COMMITTEE:

A company may constitute this committee to develop and recommend the board a set of corporate governance guidelines applicable to the company, implement policies

and processes relating to corporate governance principles, to review, periodically, the corporate governance guidelines of the company.

CORPORATE COMPLIANCE COMMITTEE:

The primary objective of the Compliance Committee is to review, oversee, and monitor the Company's compliance with applicable legal and regulatory requirements, its policies, programs, and procedures to ensure compliance with relevant laws, its Code of Conduct, and other relevant standards.

RISK MANAGEMENT COMMITTEE:

A business is exposed to various kind of risk such as strategic risk, data security risk, fiduciary risk, credit risk, liquidity risk, reputational risk, environmental risk, competition risk, fraud risk, technological risk etc. A risk management Committee's role is to assist the Board in establishing risk management policy, overseeing and monitoring its implementation.

REVIEW OF LITERATURE:

Reviews of literature of the study are stated below:

ICSI.EDU:

Board committees focus on specific areas allowing the Board to concentrate on broader issues and directions. The work of the committees should be directed by the Board. Board committees should have their own charter setting out their roles and responsibilities, for example, in the area of membership (including succession planning), meeting frequency and core agenda, committee authority, reporting obligations etc. committees should be appropriately constituted, taking into account any relevant legislation and the objectives of the company. Day by day, the role of independent director is gaining importance in the effect functioning of the Board committees. Board committees with formally established terms of reference, criteria for appointment, life span, role and function constitute an important element of the governance process and should be established with clearly agreed reporting procedures and a written scope of authority. Board committees should be free to take independent outside professional advice when necessary, at the cost of the company, subject to a proper process being followed.

ANNUAL REPORT (2016-17): KALPATARU POWER TRANSMISSION LIMITED

Pursuant to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own, the Non Independent and Independent Directors individually as well as the evaluation of the working of various Committees at their Meetings in the manner prescribed in the Performance Evaluation Policy.

ANNUAL REPORT (2016-17): IDFC BANK LIMITED

The Board has constituted various Committees to delegate particular matters that require greater and more focused attention. These Committees take informed decisions in the best interest of the Bank. Also, these Committees monitor the activities falling within their terms of reference and recommend their views to the Board. During FY17, on the recommendation of the Nomination and Remuneration Committee, the Board constituted the Ethics and Culture Committee.

ANNUAL REPORT (2016-17): ASHAPURA INTIMATES FASHION LIMITED

The Board of Directors has constituted Board Committees to deal with specific areas and activities which concern the company and requires a closer review. The Board Committees are formed with approval of the Board and function under their respective charters. These Committees play an important role in overall management of day-to-day affairs and governance of the company. The board committees meet at regular intervals and take necessary steps to perform its duties entrusted by the Board. During the year, the board conducted a formal annual evaluation mechanism for evaluating mechanism for evaluating its performance as well as that of its committee and individual Directors, including the chairman of the Board. The performance of the committee was evaluated by the board seeking inputs from the committee members.

ANNUAL REPORT (2016-17): MAHASAGAR TRAVELS LIMITED

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc. The Board and the Remuneration & Nomination Committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the Board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the Chairman was also evaluated on the key aspects of his role.

ANNUAL REPORT (2016-17): DYNAMIC INDUSTRIES LIMITED

As per the requirement of the Companies Act, 2013 read with Rules and Regulations of SEBI (LODR) Regulations, 2015, various Board committees have been formed for better governance and accountability viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee.

Based on the criteria laid down in the Policy for evaluation of Board and Independent Directors, the Board carried out the annual performance evaluation of Board Committees and the Independent Directors.

TITLE OF THE STUDY:

After going through existing literature in the library, researchers has selected topic as under:

“BOARD COMMITTEES”

OBJECTIVES OF THE STUDY:

The main objectives of the study are stated below:

1. To indicate the role of Board committees in an effective way.
2. To understand the need and advantages of management through board committees and the constitution and scope of various Committees.
3. To understand effective company management through the delegation of power and responsibilities to various board committees.
4. To indicates commitment to values and a high degree of transparency.

GAP ANALYSIS:

On the basis of evaluation of literature and objectives, researcher found the gap in this area. After considering a few research have been taken for the study, researcher is found following gap:

1. The roles of Board committees have been significantly changed and yet it was not studied.
2. Moral values and ethics differ between company and its employees.

RESEARCH METHODOLOGY:

Researcher analyzed all the data based on secondary data and based on that data analysis and evaluation can be done in an effective manner. So main source of this research paper is annual report of different segment wise 5 Indian corporate in the year of 2016-17 and after considering this authenticated annual report researcher done all the analysis of board committees. There are many board committees but for the purpose of this research paper we consider 3 committees:

- ⇒ AUDIT COMMITTEE
- ⇒ NOMINATION AND REMUNERATION COMMITTEE
- ⇒ STAKEHOLDERS RELATIONSHIP COMMITTEE

DATA ANALYSIS:

COMMITTEE MEETINGS OF SELECTED COMPANIES:(2016-17)

COMAPNY	AUDIT COMMITTEE	NOMINATION AND REMUNERATION COMMITTEE	STAKEHOLDERS RELATIONSHIP COMMITTEE
Kalpataru Power Transmission Limited	6	2	4
Idfc Bank Limited	5	5	4
Ashapura Intimates Fashion Limited	6	2	4
Mahasagar Travels Limited	4	4	1
Dynamic Industries Limited	4	1	1

Here on the above table contained list of 3 committees meeting held in the year of 2016-17, Kalpataru Power Transmission Limited , Idfc Bank Limited, Ashapura Intimates Fashion Limited, Mahasagar Travels Limited, Dynamic Industries Limited held every year irrespective meetings at the interval of specific period in need of requirement. These analyses can be done by collecting information from annual report of the companies. After considering all the data we can say that each company had organized meeting at the interval in effective manners. So, board committees are playing an important role in corporate governance.

FINDINGS OF THE STUDY:

The following findings are:

Board Committees-

- To oversee the Company’s compliance efforts with respect to relevant Company policies, the Company’s Code of Conduct, and other relevant laws and regulations and monitor the Company’s efforts to implement legal obligations arising from agreements and other similar documents;
- To review the Company’s overall compliance programmed to ensure that it is well communicated, supports lawful and ethical business

conduct by employees, and reduces risk to the Company for non compliance with laws and regulations related to the Company's business;

- To review complaints received from internal and external sources, regarding matters other than the financial matters which are within the purview of the Audit Committee;
- To periodically present to the Board for adoption appropriate changes to the policies, and oversee implementation of and compliance with these policies;
- To review regularly the company's compliance risk assessment plan;
- To investigate or cause to be investigated any significant instances of non-compliance, or potential compliance violations that are reported to the committee;
- To coordinate with other committees regarding matters brought to the committees attention that relate to issues of compliance with applicable laws and regulations;
- Regularly report to the Board on the Committee's activities, recommendations and conclusions;
- To discuss any significant compliance issues with the Chief Executive officer;
- To periodically report to the Board and CEO on the adequacy and effectiveness of the company's compliance programmed;
- To retain at the company's expense, independent advisors to assist the committee with carrying out its responsibilities from time to time;

LIMITATIONS OF THE STUDY:

The following limitations are:

- 1) Limitation of secondary data will remain with the study of board committees.
- 2) The study was limited to reflect the role of board committees.
- 3) Perception and understanding of directors and employees regarding board committees may be different.

CONCLUSION:

Board Committees are the pillars of Corporate Governance. As the responsibilities of directors have become more demanding, Boards have increasingly formed committees to deal with some of their more detailed work. As the needs of the Board change, the need for committees may also change. Hence, it is essential that committees and their role be subject to periodic review. Board members should be aware that Board responsibilities remain, when serving on a Board committee, and may be enhanced. To be more effective, Board committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

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