Scanner Appendix

CS Professional Programme Group - I
(2022 Syllabus)
(Solution of June - 2024)

Paper - 1 : Environmental, Social and Governance (ESG)- Principles and Practice

Chapter - 3 : Board Effectiveness/Building Better Boards

2024 - June [1] (c)

(i) Provision: Section 177 (4) states that Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, *inter alia,* include,-

(i) The recommendation for appointment, remuneration and terms of appointment of auditors of the company;

(ii) Review and monitor the auditor's independence and performance, and effectiveness of audit process;

(iii) Examination of the financial statement and the auditors' report thereon;

(iv) Approval or any subsequent modification of transactions of the company with related party;

Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed;

Provided further that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:

Provided also that in case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit

Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it:

Provided also that the provisions of this clause shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.

(v) Scrutiny of inter-corporate loans and investments;

(vi) Valuation of undertakings or assets of the company, wherever it is necessary;

(vii) Evaluation of internal financial controls and risk management systems;

(viii) Monitoring the end use of funds raised through public offers and related matters

Conclusion: In the light of the given provision the transaction wherein Blue Star Ltd has borrowed a sum of 50,00,000 from one of its directors falls under the purview of loans from directors and not under related party transaction hence an omnibus approval for the said was not required.

(ii) As per Section 177 (4) clause (iv) approval or any subsequent modification of transactions of the company with related party;

Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed;

Provided further that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:

Provided also that in case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the

option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it

Thus post transaction approval for a related party transaction can be taken from the audit committee within 3 months of entering such transaction, otherwise the transaction will be voidable at the option of the Audit committee and the concerned director shall indemnify the company.

2024 - June [1] (d)

Section 149 (6) lays down the criteria for appointment of an Independent Director. It is clearly mentioned in the Act that an executive director of the company cannot be appointed as an Independent Director , but the act no where puts a restriction on an retired independent director to be reappointed in the company as an executive director . hence appointment of Mr. Manoj is Valid if accepted by him.

2024 - June [3] (b)

The role of Directors for prevention of Insider Trading under SEBI (LODR) Regulations can be summarized as follows:

Code of Fair Disclosure -Regulation 8:

(1) The board of directors of every company, whose securities are listed on a stock exchange, shall formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information that it would follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.

(2) Every such code of practices and procedures for fair disclosure of unpublished price sensitive information and every amendment thereto shall be promptly intimated to the stock exchanges where the securities are listed.

Institutional Mechanism for Prevention of Insider trading-Regulation 9A

(1) The Chief Executive Officer, Managing Director or such other analogous person of a listed company intermediary or fiduciary shall put in place adequate and effective system of internal controls to ensure compliance with the requirements given in these regulations to prevent insider trading.

(2) The internal controls shall include the following:
   (a) All employees who have access to unpublished price sensitive information are identified as designated person;
   (b) All the unpublished price sensitive information shall be identified and its confidentiality shall be maintained as per the requirements of these regulations;
   (c) Adequate restrictions shall be placed on communication or procurement of unpublished price sensitive information as required by these regulations;
   (d) Lists of all employees and other persons with whom unpublished price sensitive information is shared shall be maintained and confidentiality agreements shall be signed or notice shall be served to all such employees and persons;
   (e) All other relevant requirements specified under these regulations shall be complied with;
   (f) Periodic process review to evaluate effectiveness of such internal controls.

(3) The board of directors of every listed company and the board of directors or head(s) of the organization of intermediaries and fiduciaries shall ensure that the Chief Executive Officer or the Managing Director or such other analogous person ensures compliance with regulation 9 and sub-regulations (1) and (2) of this regulation.

(4) The Audit Committee of a listed company or other analogous body for intermediary or fiduciary shall review compliance with the provisions of these regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.

(5) Every listed company shall formulate written policies and procedures for inquiry in case of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information, which shall be approved by board of directors of the company and accordingly initiate appropriate inquiries on becoming aware of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information and inform the Board promptly of such leaks, inquiries and results of such inquiries.

(6) The listed company shall have a whistle-blower policy and make employees aware of such policy to enable employees to report instances of leak of unpublished price sensitive information.
(7) If an inquiry has been initiated by a listed company in case of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information, the relevant intermediaries and fiduciaries shall co-operate with the listed company in connection with such inquiry conducted by listed company.

Chapter - 4 : Board Processes Through Secretarial Standards

2024 - June [3] (a)

Section 118(10) in The Companies Act, 2013 Every company shall observe secretarial standards with respect to general and Board meetings specified by the Institute of Company Secretaries of India constituted under section 3 of the Company Secretaries Act, 1980 (56 of 1980), and approved as such by the Central Government.

In a recent adjudication order issued by the Registrar of Companies, Maharashtra, Pune, the Ministry of Corporate Affairs (MCA) has taken a stringent stance against non-compliance with secretarial standards as mandated under Section 118(10) of the Companies Act, 2013. This decision underscores the importance of adhering to the specified standards and procedures for conducting general and board meetings within the corporate governance framework. Background and Legal Framework the Companies Act, 2013, through Section 118(10), requires every company to observe secretarial standards specified by the Institute of Company Secretaries of India (ICSI) and approved by the Central Government. These standards, particularly Secretarial Standard-2 on General Meetings, outline the procedures and documentation practices that must be followed to ensure the legality and effectiveness of meetings. The case in question involved Gagan Narang Sports Promotion Foundation, which was found to be in violation of these requirements. Specifically, the company failed to consecutively number the pages of minutes of board and general meetings, a breach that was identified during an inquiry by the adjudication officer. Implications of the Order This adjudication order brings to light several critical points for companies operating under Indian corporate law.

2024 - June [3] (c)
The complete process for conducting of board meetings through video conferencing is prescribed under Section 173 read with Rule 3 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Secretarial Standard 1.

Process to be followed by Company Secretary when conducting the Board Meeting through Video Conference is as below:

The notice of the meeting shall inform the directors regarding the option available to them to participate through video conferencing mode. The notice shall also contain all the necessary information to enable the directors to participate through video conferencing mode, like contact number or email address of the chairman or any other person authorised by the board, to whom the director shall confirm in this regard.

The notice shall also seek advance confirmation from the directors as to whether they will participate through electronic mode in the meeting. Director who intends to participate through video conferencing shall give prior intimation to chairman of the company well in advance so that the company can make necessary arrangements in this behalf.

At the commencement of the meeting, a roll call shall be taken by the chairperson when every director participating through video conferencing or other audio visual means shall state, for the record, the following namely:

(a) Name
(b) The location from where he is participating,
(c) That he has received the agenda and all the relevant material for the meeting like draft resolution, notes to agenda etc, and
(d) That no one other than the concerned director is attending or having access to the proceedings of the meeting at the location.

After the roll call, the chairperson shall confirm that the required quorum is complete.

Every participant shall identify himself for the record before speaking on any item of business on the agenda. If statement of a director in the meeting through video conferencing or other audio-visual means is interrupted or garbled, the chairperson shall request for a repeat or reiteration by the director.

The minutes of the meeting shall disclose the particulars of the directors who attended the meeting through video conferencing or other audio-visual means and the location from where and the agenda items in which he participated.

Chapter - 5 : Board Committees

2024 - June [1] (a)

(i) **Provision:** Section 177(1) read with Rule 6 of the Companies the Companies (Meetings of Board and its Powers) Rules, 2014 and Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that the Board of Directors of following class of companies shall constitute an Audit Committee:

(i) Every listed public company; and

(ii) Every unlisted public company, whose:

(a) Paid up share capital is ten crore rupees or more; or

(b) Turnover of one hundred crore rupees or more; or

(c) Aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees.

Conclusion: In the light of the provision given above the company need not have an audit committee as in the preceding FY the unlisted company's paid up share capital is less than ten crore rupees, its turnover is less than 100 crore rupees and its aggregate outstanding loans are less than 50 crore rupees. Thus the decision of the company to dissolve its Audit committee is justified.

(ii) As per Section 177 of the companies Act 2013 and SEBI(LODR) Regulations 2015, every listed company is compulsorily required to form a audit committee, however the Act and regulations are silent wrt the applicability of the same provison on a subsidiary of a listed company. Hence if Air Voice Ltd is a subsidiary of Fast voice Ltd. (listed entity), still it doesnot require to constitute a Audit Committee.

2024 - June [1] (e)

(i) As per Regulation 21(2) of SEBI (LODR) Regulations:The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at

least one independent director and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise independent directors.

(ii) Yes, senior executives of a listed company can be members of Risk Management Committee provided conditions of Regulation 21(2) of SEBI (LODR) Regulation are fulfilled.

(iii) As per Regulation 21(3C) of SEBI (LODR) Regulations 2015:The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

Chapter - 6 : Concept of Governance in professional managed company & promoters drives company

2024 - June [4A] (Or) (ii)

Family businesses are the major form of enterprise in India and across the world, viz. Corporation houses like Aditya Birla Group, Bajaj Auto, Eicher Motors, Emami, GMR Infrastructure, Godrej Group, GVK Power & Infrastructure, HCL Technologies, Hero Moto Corp., Marico, Reliance Industries, Tata Group, are some of the family owned companies in India. Arcelor Mittal, Berskire Hathway, BMW, Cargill, Comcast, Continental, Ford Motor, Hyundai, Koch Industries, LG, Maersk, News Corporations, Peugeot, Roche, Samsung, Volkswagen,Walmart, are companies owned / controlled by family. Several studies indicate that family business carry the weight of economic wealth creation in all economies.

Certain provisions of Corporate Governance in a Family Owned Companies have been incorporated in the Companies Act, 2013 such as:

(i) **Independent Directors and Women Directors:** To build up the transparency and accountability of the Board of Directors, the Act now requires at least 1/3rd of the total directors of a listed company to be Independent Directors and have no material or pecuniary relationship with the company or related persons. Unlisted Public companies with paid up share capital of Rs. 10 Crores or more; turnover of Rs. 100 crore or more; aggregate outstanding loans, debentures, and deposits, of Rs. 50 crore or more are statutorily required to have at least 2 directors as Independent Directors. To ensure diversity on the board, all listed companies and non-listed public companies having paid up

share capital more than Rs.100 Crores or more and turn over exceeding Rs.300 Crores or more are required to have atleast one woman director on the board.

(ii) **Corporate Social Responsibility:** Every company having net worth of Rs. 500 Crores or more, turnover exceeding Rs. 1000 Crores or net profit of more than Rs. 5 Crore is required to constitute a Corporate Social Responsibility Committee under Section 135 of the Companies Act, 2013 constituting 3 or more directors with at least 1 Independent Director to formulate policies and recommend activities that the company may undertake for promotion of education, gender equality, health, poverty eradication, environment, employment etc. Again, this measure puts responsibility on the company for the social wellbeing not just of its workforce, but also makes it publicly accountable.

(iii) **Audit Committee:** The Act provides for the setting up of an Audit Committee comprising of at least 3 directors by all listed companies, majority of which have to be independent directors. The members of such a committee have to be persons who can read and understand financial statements and the task entrusted to such a committee is recommending remuneration and appointments of auditors and reviewing their independence.

(iv) **Nomination and Remuneration Committee:** The Nomination and Remuneration committee shall comprise of 3 or more non-executive directors out of which at least half shall be Independent Directors. Such committee shall identify persons qualified to become directors of the company and make recommendations to the board of directors regarding their appointment and approval.

(v) **Serious Fraud Investigation Office:** Section 211 of the Act provides for the establishment of a Serious Fraud Investigation Office to look into the affairs of the company and investigate incidences of fraud upon receipt of report of the Registrar or inspector or generally in the public interest or request from any Department of Central or State Government.

Chapter - 8 : Data Governance

2024 - June [2] (c)

The data governance principles espoused globally are as under:

1. **Maintaining the Integrity of the Data:** A principle of the highest importance is integrity. It depends on the entity using your data whether or not it is being used in the appropriate manner. Data integrity is maintained if their means and goals are ethical. In all decisions about the data, the participants must be honest and forthcoming. This can include decisions about actions, impacts, constraints, etc.
2. **Transparency:** In every case where data is used, proper transparency must always be maintained. To use data, as well as whose data is being used, all parties must understand how it is being utilized. Whenever there is a decision about usage or control, it must be communicated effectively to all parties involved. This will prevent any potential conflict in the future.
3. **Accountability and Ownership of the Data:** The ownership of the data must be defined. Appropriate procedures should be followed for defining access rights. Data governance applies to any data that is used across functions. As a result, data governance defines all decisions, processes, and controls related to data, i.e., its accountability.
4. **Data Audit:** Audits are permitted on every piece of data used. Any decision, control, and process about data that relates to data governance can be audited. Therefore, they must contain documentation proving compliance.
5. **Standardization of Data:** A company's data is used by many teams. In this case, the data in one format might not be compatible with another. It is imperative that specific guidelines and rules be defined in order to standardize data. In addition to these, there are rules for data definition, accessibility, security, and privacy.
6. **Change Management:** There may be some discrepancies in the data that require a change. As a result, there is always a risk of tainting the data. Therefore, data governance ensures proper change management activities, whether proactive or reactive. The data will include reference values, metadata, master data, and its use and structure.

7. **Stewardship:** The principle of stewardship should be adhered to. Accountability goes hand in hand with responsibility. It is essential to appoint a data steward in any organization. All rules and regulations must be followed by the data steward. This holds true for groups of stewards as well. It is their responsibility to ensure that the data is stored and used appropriately. It is their responsibility to always follow the best practices when managing data.

Chapter - 9 : Stakeholders Rights

2024 - June [1] (b)

(i) **Regulation 22 of SEBI (LODR) Regulation 2015 states that:**

(1) The listed entity shall formulate a vigil mechanism /whistle blower policy for directors and employees to report genuine concerns.

(2) The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases. Thus Mrs. Bhawani can use the vigil mechanism for the reporting of Mrs. Gowri.

(ii) **Regulation 22 of SEBI (LODR) Regulation 2015 states that:**

(1) The listed entity shall formulate a vigil mechanism /whistle blower policy for directors and employees to report genuine concerns.

(2) The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases. Thus the reporting authority for Vigil Mechanism is the Audit Committee and in exceptional cases it can be the chairman of the audit committee.

(iii) The vigil mechanism of the company shall be established so that directors and employees of the company can use the same to report genuine grievances as may be prescribed by the government against the company. Sub-section (10) of section 177 further states that the vigil mechanism shall have sufficient procedure for safeguarding the informant against victimization and in exceptional cases the informant

may also directly approach the chairperson of the audit committee. The vigil mechanism of the company has to be published on the website of the company and also on the board report of the company.

Under the enabling provision of section 177 i.e., as may be prescribed, the central government has enacted Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 which states that the audit committee shall oversee the vigilance mechanism in the company and in case an employee or director has repeated filled frivolous complaints then the audit committee may take appropriate action against such director or employee including reprimanding them. The afore-said rule further provides that the members of the audit committee should disclose if they have any conflict of interest in any case and should hereafter recuse form hearing the said case. Rule 7 also provides similar provision regarding protection of whistle-blower from any kind of victimization from the company

Regulation 46 states that every listed company has to disseminate vigil mechanism and its whistle-blower policy on a separate section on its website. Further, as per regulation 34 and 53 the company under the heading corporate governance in its annual report also has to state the details of the vigil mechanism and its whistle-blower policy and also further mention that no personnel have been denied access to the audit committee.

Chapter - 10 : Business Ethics, Code of Conduct and Anti-bribery
2024 - June [2] (b)
The features of business ethics are as under:

(i) **Code of Conduct:** Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.

(ii) **Based on Moral and Social Values:** Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.

(iii) **Protection to Social Groups:** Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.

(iv) **Offers a Basic Framework:** Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.

(v) **Voluntary:** Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.

(vi) **Requires Education & Guidance:** Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.

(vii) **Relative Term:** Business ethics is a relative term. It changes from one business to another and from one country to another.

(viii) **New Concept:** Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

2024 - June [4] (b)

"Business should conduct and govern themselves with integrity and in Ethical, Transparent and Accountable manner" The statement is absolutely correct and it draws attention towards the importance of running businesses keeping corporate governance at heart , which can be summarized as follows:

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. There is a positive impact on the share price.
4. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
5. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
6. It helps in brand formation and development.

7. It ensures organization is managed in a manner that fits the best interests of all.
8. It reduces cost and aids in long term sustenance and growth of the Company.

Chapter - 11 : Boards's Accountability on ESG
2024 - June [4] (a)

As ESG becomes a topic of much discussion and debate, various stakeholders such as investors, employees, customers, governments, and regulatory agencies are all emphasizing the importance of sustainable management. The integration of sustainable practices into corporate strategy is now increasingly considered as a prominent way to meet shareholder expectations and requirements of a company's environmental, social, and governance (ESG) criteria globally.

International standards such as the United Nations Principles of Responsible Investment (UNPRI), Task Force on Climate-Related Financial Disclosures (TCFD), and the Global Reporting Initiative (GRI) have recently advocated different suggestions to improve ESG reporting procedures around the world.

The regulatory landscape is moving in tandem, especially concerning ESG disclosures and transparency obligations, which the ever-expanding pool of sustainable investors rely on to determine how well financial services and products meet their predefined ESG investment criteria. According to a study conducted in Australia, reporting regulations distinctly influence the intentions of ESG disclosures of companies in the metal and mining sector. However, these monumental changes to the regulatory landscape are more than just a compliance requirement. They are also an opportunity for businesses to make a fundamental choice by approaching the emerging ESG disclosure regulations to comply or recognize this as a long-term change in their business strategy. Here are some examples of ESG regulations that are mandatory and currently being implemented.

Country/Region	Regulation	Institution	Description
United States	US SEC Climate Guidance	Securities and Exchange Commission	The guidance requires public companies to disclose material business risks to investors, transparently through regular filings with the SEC, including climate change risks that may develop on their business.
United States	United States NYSE Section 303A Corporate Governance Rule	NYSE	The regulation requires listed companies to "adopt and disclose a code of business conduct and ethics."
Canada	Consultation report	Ontario Capital Markets Modernization Taskforce	The Consultation contains policy proposals to modernize Ontario's capital markets for enhancing ESG disclosure including

			forward-looking information, for Toronto Stock Exchange (TSX) issuers.
European Union	EU Sustainable Finance Disclosure Regulation (SFDR)	European Commission	SFDR is designed to obligate financial market participants (FMPs) and financial advisers to be transparent with their sustainable investment products and to prevent green washing.

Chapter - 12 : Environment

2024 - June [2] (a)

Environmental impacts are changes in the natural or built environment, resulting directly from an activity that can have adverse effects on the air, land, water, fish, and wildlife or the inhabitants of the ecosystem. In other words, environmental impacts are those concerned with the built and natural environment, including air, water and biodiversity. Events cause impacts resulting from activities such as construction, energy use and transport of spectators and participants, which in turn impact on major environmental issues such as climate change and the reduction in natural resources.

(i) Pollution, contamination, or destruction that occurs as a consequence of an action that can have short-term or long-term ramifications is considered an environmental impact. Most adverse environmental impacts also have a direct link to public health and quality of life

issues. Several successful reductions in pollution levels have been attributed to stricter regulations, including levels of carbon monoxide and more recent reduction in fine particulate matter.

(ii) Mass transit, as a result of the operations and maintenance of infrastructure, facilities, and vehicles, has numerous potential environmental impacts to manage, including air pollution and greenhouse gas from energy use, noise, and vibrations, water discharges, waste removal of passenger trash, harmful materials such as lead- based paint, mercury, PCBs, asbestos, contaminated soil, and groundwater.

(iii) The environmental impacts of fossil fuels often result in real costs to society, in terms of human health (i.e., loss of work days, health care costs), infrastructure decay (i.e., from acid rain), declines in forests and fisheries, and perhaps ultimately, the costs associated with climate change. Dollar costs of environmental externalities are difficult to evaluate and depend on assumptions that can be subject to wide interpretation and discretion. Although environmental impacts and associated dollar costs are often included in economic comparisons between renewable and conventional energy, investors rarely include such environmental costs in the bottom line used to make decisions.

(iv) Environmental impacts on health have long been a major concern of social reformers, forward-looking health professionals, and social movements. The state of a society's environmental health is very related to its social and economic organization. The huge upsurge of synthetic chemicals since World War II has altered the environment in dramatic ways, leading to increased cancers of various types and to other diseases. Actual and potential environmental hazards and catastrophes have become a significant component of the cultural milieu of many societies.

(v) Environmental impacts from shipping have been the focus of increasing attention over the past decades, primarily focused on waterborne discharges and spills of oil, chemical, and sewage pollution. A number of international treaties and national laws have been adopted, along with industry best practices, to prevent these pollution releases through accident or substandard operation.

Chapter - 14 : Green Initiatives

2024 - June [4A] (Or) (i)

Resource efficiency means using the Earth's limited resources in a sustainable manner while minimising impacts on the environment. It allows us to create more with less and to deliver greater value with less input. Resource efficiency stands for the relationship between natural raw materials or technical-economic materials and the benefits gained from their use, whether in production or consumption. The aim is to maximize the benefits of products or services while minimizing consumption and waste. The less energy and material required to produce a product the better.

The ways and means to improve resource efficiency in a business organization are as follows:

(i) **Application of waste hierarchy:** The Waste Hierarchy ranks waste management options according to what is best for the environment, with prevention being the most desirable option and disposal being the least. To put this in place, one should identify what type of waste the business creates, if any of this waste can be re-purposed, if recycling more waste materials is possible, and if any organic waste (e.g. food/garden waste) can be used to create renewable energy or composted.

(ii) **Waste assessment:** Assessing waste will not only help the organisation to apply waste hierarchy, but also to identify problem areas and develop a plan of action. The management might discover that a particular process is causing more waste than realised, or that a different material can be used in place of a less efficient one.

(iii) **Controlling of waste:** By enhancing accuracy, improving communication, and providing the appropriate tools and training, the management can assist its team in reducing wastages, thereby saving cost and also contribute substantially towards preserving the environment.

(iv) **Implementation of Environmental Management System:** Environmental management systems, such as ISO 14001, are becoming increasingly popular for businesses looking to reduce their environmental impact. These management systems can help an organisation to improve its environmental performance, reduce environmental liability, and decrease costs.

(v) **Reduce Energy Consumption:** By reducing the consumption of energy, an organisation can save both energy as well as costs. Some of the ways to reduce energy consumption include turning off lights and equipment when not in use, use cold water rather than hot water where possible, and utilising power saving functions in usage of various machines and other electrical gadgets.

(vi) **Increase Energy Efficiency:** Not only the business organisation can take steps to reduce energy consumption in the workplace, but can also make changes in order to improve energy efficiency. For example, the business enterprise could change its lights to LEDs which use up to 90% less energy than traditional incandescent bulbs.

(vii) **Communication with staff:** It is essential that management communicate the organisation's goals clearly to its human capital for enhancing efficiency and reduce waste in the workplace. Further, clarity in communication assist in creating an awareness among the team members as to what is expected from them by the management. Participative management style needs to be embraced wherein the human capital employed at various levels of the hierarchy are consulted in order to obtain their views / suggestions on improving efficiency in production and reducing wastages.

(viii) **Using Re-use and Refill Approach:** According to the United Nations Environment Programme, only about 9 percent of the 9.9 billion tons of plastic generated globally since the 1950s has been recycled. And almost half of the plastic waste poisoning marine life, contaminating food, and clogging waterways and sewers comes from consumer packaging. As citizens and governments wake up to this plastic pollution problem, they're turning to business to solve it. In response, companies are trying to craft new approaches to plastic, whether reducing over packaging or rolling out biodegradable materials made of seaweed and corn-starch. But one solution - the reuse and refill business model - stands out for its potential to shift consumer behaviours while unlocking new revenue streams and cost savings for companies.

Chapter - 15 : Governance Influencers

2024 - June [4] (c)

Any entity that collects funds from a number of sources to buy and sell securities is an institutional investor. By that understanding, there are five types of institutional investors in the market. These are:

(1) Mutual Funds

It's the most popular among this category. Mutual funds are vehicles facilitating investment in a variety of securities with capital commitment from several investors, both individual and otherwise. In other words, numerous entities invest their capital, which is pooled and in turn, invested in a bag of securities called mutual funds. Qualified fund managers handle each MF. Thus, individuals with a limited understanding of stock market dynamics can rely on this instrument to mobilize their disposable income. Nearly every mutual fund includes an array of liquid securities. Therefore, members can retract their investment anytime. Moreover, the securities invested via MFs usually span across several industries or types. It's designed to minimize the risk of capital loss, wherein the gains from one dilute loss in another security kind.

(2) Hedge Funds

Another popular instrument in line with institutional investor meaning is a hedge fund. It can be best described as an investment partnership where the money collected from members is pooled to invest in securities. Here, there's a fund manager, who's called the general partner, and a bevy of investors called limited partners. Its characteristics are somewhat consistent with mutual funds', in that they are designed to reduce risk and enhance returns via a diverse portfolio. However, hedge funds distinguish themselves with more aggressive investment policies and are also more exclusive compared to MFs. Therefore, they are also perceived as riskier. Naturally, returns are even more substantial here.

(3) Insurance Companies

Insurance companies are heavyweight institutional investors. These institutions employ the premium they receive from policyholders into

securities. Since the aggregate of premiums is considerable, their investments are also sizable. The returns insurance companies receive from trading are deployed to pay for claims.

(4) Endowment Funds

Endowment funds are set up by foundations, where the administrative/executive entity utilizes the funds for its cause. Typically, schools, universities, hospitals, charitable organizations, etc. establish these funds. Here, the investment usually acts as a deductible for the investor. These funds are so designed that the principal remains intact, and the controlling organization uses the investment income to finance its activities.

(5) Pension Funds

Pension funds are also a popular form of institutional investors. Both an employer and an employee can invest in pension funds. The accumulated capital goes toward the purchase of different kinds of securities. There are two kinds of pension funds -

- Where the pensioner receives a fixed sum irrespective of how the fund fares.
- Where the pensioner receives returns based on the performance of the fund.

Chapter - 17 : Risk Management

2024 - June [5]

(a) The 2020s have brought even more challenges to the world of cyber security, including state-sponsored attacks, quantum computing, and the rise of 5G networks. In response, governments and companies are investing heavily in innovative technologies such as blockchain and artificial intelligence to help protect their systems from malicious actors. As cyber security continues to evolve, we expect to see further advances in the technology used to protect our data and networks. Cyber security is an ever-changing field, but with the right information and resources, we can all stay safe online.

Cyber security measures

As defined by the International Telecommunication Union Cyber security measures are classified as: legal, technical, organizational, capacity building, and cooperation aspects.

1. Legal measures aim to provide legislations and an implementable regulatory framework to protect the cyber space.
2. Technical measures consider the technological tools (software and hardware) to prevent, detect, mitigate, and respond to cyber-attacks.
3. Organizational measures are important for the proper implementation of any type of national initiative or policy.
4. Capacity building measures aim to enhance knowledge and know-how in order to promote cyber security.
5. Cooperation measures aim to establish partnership between different stakeholders to increase cyber resilience of the organizations against cyber threats.

(b) National Cyber Security Policy is a policy framework by Department of Electronics and Information Technology (DeitY) It aims at protecting the public and private infrastructure from cyber attacks. The policy also intends to safeguard "information, such as personal information (of web users), financial and banking information and sovereign data". Ministry of Communications and Information Technology (India) defines Cyberspace as a complex environment consisting of interactions between people, software services supported by worldwide distribution of information and communication technology.

Need for a cyber-security policy

1. Before 2013, India did not have a cyber-security policy. The need for it was felt during the NSA spying issue that surfaced in 2013.
2. Information empowers people and there is a need to create a distinction between information that can run freely between systems and those that need to be secured. This could be personal information, banking and financial details, security information which when passed onto the wrong hands can put the country's safety in jeopardy.
3. This Policy has been drafted in consultation with all the stakeholders.

4. In order to digitise the economy and promote more digital transactions, the government must be able to generate trust in people in the Information and Communications Technology systems that govern financial transactions.
5. A strong integrated and coherent policy on cyber security is also needed to curb the menace of cyber terrorism.

(c) AI expenditure in India is expected to reach $11.78 billion by 2025 and add $1 trillion to India's economy by 2035, as per a World Economic Forum report. The AI in Healthcare Market is projected to grow from $14.6 Billion in 2023 to $102.7 Billion by 2028

Agri-tech is one of the key investment areas for Indian investors focusing on AI since agriculture contributes more than 18% to the Indian economy. One of the most innovative solutions in this space has been Pramaan Exchange, a horticultural trading solution powered by Intello Labs, which uses computer vision to analyse one of the largest database of images (over 300 Mn) for quality mapping of horticultural products. Pramaan has already achieved an annualized trade value of over $ 600 Mn.

If we move onto FinTech, a household name in this space is the AI-supported decision making startup, Razorpay. It is one of India's leading payment gateways which allows acceptance, processing and disbursal of payments for companies and individuals. Razorpay uses the AI software Third Watch which minimizes losses due to fraud. It has become an everyday part of the modern consumer's life-every time they book a cab, order food, groceries or conduct any online transaction, they see the Razorpay logo. To date, Razorpay has raised $ 816 mn of funding from their initial seed funding to being a mature startup today. Razorpay's journey shows that India can foster and integrate disruptive AI-driven startups into mature and regulated sectors.

Another great example of AI application disrupting a traditional sector for the better is Sigtuple, a health-tech startup based out of Bengaluru. They provide custom products to automate analysis of biological samples for in-vitro diagnostic use. This drastically reduces the cost and time needed for healthcare professionals to diagnose the patients and their treatment can be started much earlier

(d) **Risk Management Committee:** As per the Provisions of the SEBI (LODR) Regulations, 2015

1. **Constitution of Risk Management Committee - Regulation 21(1):** The board of directors shall constitute a Risk Management Committee.
2. **Number of Members - Regulation 21(2):** The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Risk Management Committee shall comprise independent directors.
3. **Chairperson of Risk Management Committee - Regulation 21(3):** The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
4. **Number of Meetings - Regulation 21(3A):** The risk management committee shall meet at least twice in a year.
5. **Quorum - Regulation 21(3B):** The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.
6. **Gap between two meetings - Regulation 21(3C):** The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.
7. **Board to decide the Role and Responsibility - Regulation 21(4):** The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security Provided that the role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II.

2024 - June [5A] Or (i)

(a) The SWOT analysis of Newgen Technologies Ltd is as follows:

Strengths:

(a) over 2 decades of time tested experience
(b) global presence
(c) better time utilization
(d) The IT professionals employed

Weakness:

(a) company is mainly dependent on traditional method of outsourcing which is dying as clients are shifting their focus to new areas such as digital and cloud.
(b) three fourth of revenue of the company arises from traditional services

Oppurtunities:

(a) it can capture data through sensors on boilers
(b) reduction of time taken to design an AC from 9 days to 2 hours.

Threats:

(a) appreciation of rupee against any major currency
(b) difference in exchange rate on date of sale versus date of invoice
(c) A draft legislation in USA that is about to make restrictions towards availability of work visas, which affect work mobility of people

(b) The types of risk that are to be encountered by the company are:

1. **Business Risk:** Traditional outsourcing business of company is dying as clients are shifting towards digital and cloud
2. **Political Risk:** Change in visa regulations by USA government
3. **Operational risk:** Manpower shortage may arise due to change in visa regulations

(c) The efficacy of Internal Control System of Newgen Technologies is pretty effective as:

1. It has well defined delegation of power
2. It ensures compliance with corporate policies
3. It safeguards the assets of the company

(d) The political risk to be encountered by the company is change in visa regulations by the USA government which will result in shortage of manpower supply.

2024 - June [5A] (Or) (ii)

Fraud Risk Management Process is as follows:

1. **Identifying Risks:** For a corporation to effectively manage its fraud risk, it is absolutely essential to identify risks. It is important to determine which workers and departments are most likely to perpetrate fraud and what strategies they might take. Risk identification calls for employee brainstorming. Prioritizing the risks comes next after risk identification. Prioritizing risks is crucial when there isn't enough time or money to mitigate the effects of current risks. As a result, businesses tackle hazards that require prompt attention and stop losses.
2. **Assessing Risks:** Based on several examples, organisations should recognise problems and develop appropriate solutions in order to resolve them. Although this is a good and legitimate technique to handle problems, businesses need to go above and above. They should start by attempting to identify the causes of the hazards. The root causes of the risk should be addressed. They should also consider how those risks might impact the company.
3. **Responding to Risks:** After recognising and evaluating the risks, companies should take the best action they can. They must develop risk-mitigation plans and choose who will be in charge of carrying them out. Additionally, they should take the appropriate steps to stop the risks from happening again. Additionally, businesses should consider what to do in the event that same risks recur in the future.
4. **Monitoring and reviewing risks:** The process of managing fraud risk is ongoing. Risk assessment is therefore never carried out. To be able to adjust simply and swiftly to changing situations and environments, businesses need to continuously monitor and analyse their fraud risk management. Additionally, new dangers could materialise at any time, so businesses should be ready for them as soon as possible.
5. **Reporting risks:** Companies can reduce the risk of losing important information and receiving questionable findings by adopting an effective fraud risk management strategy. When reporting concerns, one should act objectively, take concrete steps, and offer advise on how to reduce the likelihood of fraud.

2024 - June [5A] Or (iii)
(1) (a)
(2) (d)
(3) (c)

Chapter - 18 : Sustainability Audit; ESG Rating; Emerging Mandates from Government and Regulators

2024 - June [6] (b)

(i) **Competitive Advantage:** Having an ESG program in place helps boost brand recognition and even promotes brand loyalty. Today's consumers and clients are increasingly aware of ethical spending and care more about what a company does to support sustainability. Small to mid-sized companies that have taken steps to meet sustainability concerns (having an ESG program) have been known to attract more customers and clients who seek to do business with companies addressing these issues.

Small to mid-size companies can create value by having an ESG program. In the past, it was harder to track and be consistent when it came to ESG data and took extra resources. Today ESG data management is simpler with software programs that allow for the ability to consolidate information such as tracking greenhouse gas emissions (GHG), energy data, utility data sync, waste management, etc.

(ii) **Cost Reduction:** By implementing an ESG program, small to mid-sized companies can track key metrics like energy consumption, water consumption, waste shipping/treatment costs, and raw material usage. This tracking ability is a prerequisite for companies to plan programs to improve efficiency, which leads to reduced costs associated with energy and water usage and waste transport. In addition to improving cost management, ESG programs also allow for operational efficiency, less exposure to fines/penalties, better risk management, and improved innovations.

(iii) **More Attractive to Lenders and Investors:** Attracting the attention of investors and lenders is one of the biggest advantages of having an ESG program. It seems no matter where you look for ESG benefits,

the top thing that comes up is that investors and lenders are gaining interest in companies with an ESG program in place over those without. Study(opens in a new tab) after study(opens in a new tab) has shown companies that made ESG a priority stand out to both investors and lenders because they tend to outperform their competition.

(iv) **Supply Chain Prospect:** Much like investors are paying more attention to ESG, many companies are looking for supply chain partners that embrace sustainability efforts. For example, many retail stores are making decisions not to stock products made by companies considered to have poor ESG performance. Companies' supply chains have an effect on the environment, people, and society, so companies that take their ESG goals seriously find it to be in their best interest to partner with suppliers who share the same vision. Multiple large companies have already made the move to implementing ESG, making it more beneficial for them to partner with suppliers that have an ESG program in place, as well as easier to attract partners who insist on better ESG performance as a condition for partnership. Arguably, these considerations carry even more weight for small to mid-sized companies. A larger company can potentially replace lost supply chain partners more easily than smaller competitors can, so those smaller companies need to be especially mindful of the ESG criteria that many companies are looking for in their choice of partnerships.

Chapter - 19 : Integrated Reporting Framework; Global Reporting Initiative Framework; Business Responsibility & Sustainability Reporting

2024 - June [6] (a)

1. The process of a sustainability audit typically begins with assessing the culture of the company, which includes things such as understanding how open employees are with regard to discussing their social responsibility practices or what sort of training they have received on these issues.

2. Once the culture is assessed, the auditors will explore the related issues minutely including looking at the social responsibility results. The auditor will typically look at the sustainability strategy, which is a formal document that sets out sustainability aims and objectives. The audit team may also consider other documentation, such as contracts with suppliers or regulatory filings to determine what emphasis the company places on sustainability activities.
3. After this review is conducted, the auditor will look at how well the company has executed these sustainability activities. The auditor will look at things such as what results have been achieved from efforts regarding sustainability, whether or not there have been any negative effects from CSR/ESG initiatives and if infractions have occurred in the area of social responsibility. The audit team may also evaluate whether a company's policies align with their stated sustainability initiatives. For example, reviews of supplier relationships may look at the human rights records of suppliers.
4. Once this review is complete, the auditors will provide a report on their findings to management team and the board of directors. The sustainability audit also provides recommendations for how companies can improve sustainable business practices.
5. The final product of the sustainability audit is a scorecard that provides an evaluation of how well the company is performing in relation to its social responsibility goals.

A sustainability audit may be conducted in the following manner:

1. **Defining the scope and objectives of the audit:** This involves determining what aspects of the organization's operations will be included in the audit and what sustainability goals the audit is intended to achieve.
2. **Gathering data:** This involves collecting data on the organization's environmental, social, and economic impacts, as well as reviewing policies, procedures, and practices related to sustainability. This may include analyzing data from existing sustainability reports, conducting surveys of employees and stakeholders, and reviewing internal documents and data.

3. **Conducting assessments and evaluations:** This involves evaluating the data collected and analyzing the organization's sustainability performance. This step typically includes benchmarking the organization's performance against industry standards and best practices, and identifying areas for improvement.
4. **Preparing a report:** This involves summarizing the findings of the audit and presenting recommendations for improvement. The report should be clear, concise, and actionable, and should be designed to engage and inform stakeholders.
5. **Implementing and monitoring actions:** This involves taking action on the recommendations made in the report, and monitoring progress over time to ensure that sustainability goals are met. This may involve developing and implementing new sustainability policies and procedures, investing in new technologies or processes, and engaging with stakeholders to drive sustainability improvements.
6. **Reporting and communicating:** Report on the findings of the sustainability audit, including the results of the performance assessment, areas for improvement, and the action plan. Communicate the results to stakeholders, including employees, customers, shareholders, and the wider community. The specific details of how to conduct a sustainability audit will depend on the size and complexity of the organization, as well as its specific sustainability goals. It may be necessary to engage external experts or consultants to assist with certain aspects of the audit, such as data collection and analysis, or to provide expert advice on sustainability best practices.

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