

Legal Implication on the corporate Governance and Compliances of Tata Ltd Examining the framework of ethical compliances under the companies act 2013 and SEBI (listing obligation and disclosure requirements) and regulations, 2015

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ABSTRACT

Where in today's era the compliance framework had become a pillar which has been the base of foundation laid in functioning as a system which contributes towards the governance practices. These foundation helps in building in and maintaining adequate practices towards achieving accountability and transparency which works as an ethical principles to function as an integrity where the system proceed to take as a social responsibility and rules which processed in taking as a moral practices in governing as a body which function as a corporate governance.

Compliances standards have taken significant responsibilities in undertaking various regulations administered under the companies act 2013 and Sebi (listing obligation and disclosure requirement), 2013. In these various governing rules and regulations are governed where major policies have been undertaken to control the laws and various applicable standards governing the code of practices and conduct that constitute an adherences to internal and external policies.¹

So during the era of this period due to globalization nowadays businesses, industries, corporate institutions have been impacted to govern internally as governance and compliances. As internally its mandatory that the firm should be compliant and govern and should meet the expectation of stakeholder. As this been enacted in companies 2013 and sebi regulation act and these two bodies govern the ethical practices been managed by companies if there is any non compliances the sebi will charge penalty on the companies. so by these adequate control over corporate bodies leads to practices been governed which had been transformed the companies into more ethical and compliances in nature It also examines and ensures the role of statutory which enulcate and establish the principles of code of practices with adequate in ensuring and preventing risk over corporate frauds and preventing and fostering into ethical compliant framework.²

This paper examines the challenges and implication leading to the Tata group inculcating values over corporate governance and compliance framework.

¹ Companies act 2013, Ministry of corporate affairs, government of India.

² Principles of corporate governance (OCED) (2015)

1) INTRODUCTION

So as per the norms been created which take effect on the proposal and becomes as a source functioning into on the todays economics where the corporation is been functioning where it has been adopted and transformed as a significant impact in todays corporate culture. Where the businesses corresponding the India's oldest form of ethical principles which had transitioned as an a strong ethical and governance compliances which had transformed and into the aspect which had created legal obligation into accepting and transforming traditional principles into creating and impacting into modern yet statutory compliant framework aspect. where company secretary assures by auditing that company has been compliant and also company follows all rules and practices governed under companies act 2013 and sebi act 1992.

Where we talk about tata ltd the group of tata emphasized and focused more on te commitments which they adequately pursue in form of ethical governance and practices. As they not only worship towards accomplishing as a profit motive institutions but its adopts certain accuracy and transparency where they follow certain level of code of conduct and the principles of integrity for conducting activities which is more socially impacted and develop towards welfare activities which they have been rooted by their principles. So by these tata group is been more focused on assuring the ethical practices all over the entites where the tata group is been located they ensure that all over the world tata group forms an adequate accuracy of been function as a major control in governance and practices.³

As also where in each and every location where the tata group has been formed the tata group has to undertake that the composition and the powers of the companies directors and the managing authorities where the risk management commitees the auditors function according to the principles as been incorporated under companies act 2013. It need to be more focused on ensuring that the companys current financial position are accurate and company is maintaining proper audit and accounts in previous and current financial return and also to see that after maintaining proper books of accounts the company have accurate funds as to be more reluctant on means of social welfare in the form of csr.

Where tata ltd more focused on the activities which relates to csr as to assure the ethical practices and proper due diligence been followed as tata group focus on the social welfare it also focus on the rights of the shareholders which are minority in nature as to protect them and been controlled by majority shareholder so tata group had made their laws impactful and strict so that no rights of any employees durectors or shareholders are been infringed. Tata group focuss on more society well being and to create overall trust and sustanability and core ehical responsibility among tata group people.

2) Regulatory shift from Goodwill to legal Duty as a corporate governance and compliances of tata group

Corporate governance had made huge significance and impact which had been transformed on global level to have ethical and discipline on each level of obligatories and that to is been achived by company. As tata ltd is founded by jamshedji tata which had created a global and legal impact on the base which set an good example on global level where all the transaction globlluy is been incorporated in ethical and transparent mnner. Where not only it had created and evolving morality around but also had created goodwill and legal responsibilities under the companies act 2013 and sebi regulations 1992 where these regulatory bodies thus focus on the company good governance qand compliances which is an overall mandatory for tat ltd to follow each and every ethical and transparency in their duties which they have admitted.

³ Tata sons pvt ltd, tata code of conduct <http://www.tata.com>

2.1) foundation of tata group

As where jamsetji tata founded and believed he acknowledges and keep their employees like a family he had worked throughout serving people and help needy he had served as a social philanthropist who had kept social welfare over the profit motives. His purpose was to just help those who are in need. He had always emphasized over good culture behavior where he use to be very centric in his decision making and to run over long run. Jamsetji tata real motive was to give good values where he had focused on envisaging focused vision on the development related to his social and moral responsibility. He had always served where his principles was to just develop and build societal justice and to build good relations he was very focused in building vision and good ethical behavior through his journey evolving his social responsibility. he had always worked on trust where he guaranteed trusteeship, And therefore today's also his good deeds continue even today in this modernization world where jamsetji tata god governance had influenced many people not in india but world wide.⁴

2.2) corporate social responsibility been part of social welfare

So to run a company is not easy but to uplift company to being committed with profit maximization to being socially responsible in terms of activity which tata group had always first taken care of they have always prioritize more on societal and social welfare norms where they are more concerned about the needy people. They had always contributed to health care and medical support where half of their profit surplus goes on to their health and education. Secondly they have also benefitted to the development of the rural areas and supplying necessary supplies to needy people. They have always worked towards the development of community which they have always prioritize. Where the money is kept in trust so that they could involve in such activities to showcase their efficiency in maintaining their goodwill.⁵

2.3) Ethical practices where ethical practices comes forward to meet legal requirement

Tata group had not only focused on developing and helped as a good csr activity but also have looked upon that their employees are happy and not working in a pressurized or demotivated tata group take cares of everything that with profit motive the companys employees should not feel that they are working in a company. Tata have always treated employees like a family. Where the norms of working was strictly on support of employees wellbeing such as working hours, no late night shifts, no overtime working and also for women proper rest been given for men as well as women he had always made equality. And also maintain for the benefit of the employees their employee provident fund and also for women where he had made stricter norms for the women who is on leave for maternity. He had always been focused on providing employee welfare. Where he also take care of the employees who had been injured during their office hours so he provides adequate compensation. This reflects the responsibilities which are been offered by tata group as their social moral and ethical practices.

3) Practical Implication on Tata Ltd Governance Framework

So as per the norms which implemented with the efficiency in the standards and their accountability in towards providing a effective mechanism on which the legality and the principles are been adopted to function as their daily activities and to structure proper standards with principles approach guidelines where it showcase that how governance and ethical behaviour works in real life and in today's world. It showcase that not only value which is been provided by tata group but also to adhere to the ethical principles and standards with transparency in their functioning which needs to be showcase and follow under the companies act 2013 and sebi regulations.

⁴ Tata sons pvt ltd – outlining tata code of conduct on their principles of transparency and ethical practices on their website

⁵ Companies act 2013 bare act showcasing csr activities

3.1) Boards and its powers related to its composition

So tata companies have a structure of directors which are executive and non executive where the 1/3 of directors need to be appointed as an independent directors so there are certain criteria before appointment that's need to be fulfilled such as there should be 1 women director and also the chairperson appointed if he is nonexecutive then independent directors need to be 1/3 if chairperson is executive then independent directors appointed need to be 1/2 these are certain provisions mandated under companies act 2013 for every company to ensure stronger governance this practices need to be laid. Tata company have always abide by the provisions mentioned under companies act 2013 and also ensure ethical principles and good governance.⁶

3.2) Board committees functioning as to corporate compliance framework

So there are mostly many committees formed as to ensure good and proper governance as to showcase that company abides by the compliances practices.

a) Audit committee

As audit committee plays a huge role in ensuring an maintaining adequate yet significance in corporate governance as it take measures to report whether the company financial position is accurate so here audit committee maintain high standard of integrity and compliant in showcasing that whether company had properly filed its financial statements or company had established and regulate various internal controls so here audit committee should bound by the duties as mentioned under section 177 of the act so tata group needs to follow and abide the audit committee provision which is mentioned under sec 177 of the companies act and should also comply with sebi (lord) regulation. The members of audit committee should have a strong background on the finance, accounting, law and should widely monitor and be compliant measuring with the accounting standards. so in majors tata consultancy had adopted audit committee ensuring practices which relates to efficient governance practices.⁷

b) Nomination and remuneration committee

So in each and every part where it contributes to effective governance it company should be compliant of nominating and anticipating a nomination and remuneration committee. So in tata group companies where nrc plays an important and effective role in assuring transparency credibility and accountability in companys functioning this remuneration committee is guided and abided under sec 178 of the companies act 2013. As tata companies functions while adapting to the leadership ethical based roles and they strengthen and function according to the goals established within their organization preview. For tata group nrc committee strengthen and build companys accountability and function as a core governance structure.

c) Risk Management committee

Risk management of tata ltd thus enhance and responsible for identifying and assessing of various risk and for mitigating those risk company needs to adopt to avoid any major risk to adapt stability in internal control of company needs to obtain and mitigate those risk , by mitigating those risk company ensure its reputation and 3even investor also trust, in tata group it plays a major role in contributing and sustainaing long term growth. Every kind of risk is been controlled as to strengthen companys effective governance in strong and efficient manner.

⁶ Companies act 2013 – sec 149 composition of board of directors

⁷ Companies act 2013, section 177 & section 178

3.3) Compliance mechanism of tata ltd

Where tata group make sure that they have followed and even reported to the management they had make sure that their company had followed compliances of all applicable laws and regulations they had ensure that all the activities which is been prescribed under the companies act 2013 they have followed they make sure that all time to time filings of roc need to be done so that no unnecessary noncompliant should take any measure. And also tata ltd needs to even take care of sebi regulations which some rules need to be adhered rules such as timely filing of financial statements or reporting of companys governance to sebi and roc. The tata also issues tata code of conduct where in code of conduct it assures that the company is been compliant and follow all rules such as ethical practices is been shown, helping and teaching and giving them better learning and responsibilities and ensuring in their code of conduct that they have an uniformity in their governance practices. As tata company also obtain certain procedures which is termed as standard operating which basically adheres to certain standars which the company had maintained from past years such as regularity in their work, as all compliances is been followed and reported advertely. It had also issued some of compliance manuals companys which showcase certain polices such as insider trading, any data protection laws and it give a clear picture on the anti corrupted laws. These laws are ll been showcased as their part of the manual.

4) Critically analyzing and addressing key issues on assurance gap and addressing those barriers

So during the compliance reporting or monitoring despite of mentioning all the aspects and nature of their name into their code of conduct manuals company sometimes however could still lack in some or other form of gaps. Gaps arrises due to as there is a mean that a company cannot make happy to everybody i.e shareholders or employees or the bodies which are established under governance structure they cannot meet everybody expectationso there is a gap which arises due to which fails to deliver the professional and legal standards.

Due to this gap there are several number of failures which are being temed as bankruptcy and the company also goes into liquidation due to this gaps where even the outlook of financial statements somehow are misstated so even due to this the public funds which are invested into those company somehow delivers that fraud should be detected and there should be complete accuracy in further reporting and that the oubic funds should not be misstated. So here for tata ltd they function in an accurate way such that they operate risk on the basis of sampling.⁸

Inspite of being reviewing but this gap continues as because of the obstacles and real world challenges and also cause of the business challenges which outrage. Many businesses have falled cause of facing lot of difficulty impracticality where tata group had widely been influenced and adopted ethical governance and complince practices. Where tata group is governed by and under various commitees as mentioned and also there is a proper team for analyzing and initating proper code of conduct so that no implications or cause of action arise and if it does tata ltd would handle it deliberately, nut due to multiple operations been comducted all overall so its impossible to find out complexities and its difficult to achieve absolute certainty.⁹

Addressing this issues leads to wide range of approach which involves reforms that need to be undertaken such as technology which adopts wide range on every part of industry, and also certain reforms such as education and practical training of employees.

⁸ Porter Brenda – study on the performance gap (1993)

⁹ Tata sons pvt ltd – official site to reduce assurance gap

Beyond this company must move forward to bridge this gap and take proactive measures to overcome this. So here we can say tata group had been providing a valuable insights on the practical approach towards building legal aspect by providing ethical and good compliant value to assure and bridge this unnecessary gap.

Further any issue which should be take care by regulating an awareness in addressing those issues by controlling and addressing internal controls and auditing practices and also getting it improved in various digital which will strengthen and minimize those gaps.

This study thus reinforces us to analyse and equipt within the tata governance framework which identify and help to explore those areas and contribute to build that gap and initiate necessary reforms that can help to reduce those gaps and would initiate a positive approach towards stakeholders and investors which can make a balancing effect and contribute in ethical governance by maintaining adequate sustainability and by ensuring legal compliant practices.

4.1) causes of assurance gap in tata ltd

Where firstly tata group operate in various location therefore it is difficult to have uniform compliance structure which and also it is very difficult to monitor all compliances in their holding as well as respective subsidiaries there are many no of industries instituted under tata ltd so to monitor those compliances in each and every part that cover under tata group such as automobile, steel, IT sector so do look and monitor in all industries make it difficult to have uniformity in compliance. Where in some parts where audits are been conducted on the basis of sampling method sometimes wrong selection of sampling can leads to poor results and can also lead to errors.

4.2) Measures to address Assurance Gap

It needs to make assure that proactive measures are been taken by ensuring that active amount of finance operation is been done and to boost the members of audit committee to be independent in nature and also to have continuous effect in auditing reviewing.

This helps in make sure that continuous tracking is been done as to avoid any further risk related auditing practices using ai and detectable practices which can detect fraud behaviours and it will be very easy to find out fraud by applying ai tools which will necessarate in generating risk proactive measures. Such compliance would help in generating automated filings of compliance which will save cost and time and even human error would also be less.¹⁰

5) Conclusion and recommendation & suggestive reform in building a better awareness in corporate governance of tata ltd

As tata ltd had encroached towards building a better future corporate governance with all measures to be applied with respect to ethical values and good governance. Tata had build and rooted towards maintaining and committing all the responsibilities that constitute and strengthen best practices all over the his work culture and institutions.

Despite of being secure and a foundation which he had laid also faces several negativities and disruptions such as assurance gaps, then pressure from shareholders and investors to meet at their expectation. So this challenges just need to face good approach such as regulatory monitoring and some technical changes that can evolve and reduce those gaps ensuring for proper implications of corporate governance.

¹⁰ Institute of chartered accountant of india (ICAI) SA 530 Audit sampling techniques

Proactive measures thus gives challenge to effective risk and also addresses those issues with proper implementing of committees.¹¹

5.1) Recommendations

To clearly enhance and report towards the functional aspect of financial, cost disclosures and also to adopt timely disclosures and also should have speaking skills where communication should be good as to improve better relations with all the stakeholders.

.all the committees should have expertise and knowledge in their respective fields. Also corporation should improve their analytical skills and should move forward in automations as it saves time and energy and even human error chances are also less . they should also work on cybersecurity as their data should not be harmed so tata ltd should adapt IT cells .so that their data are not being used by any outsider.

Tata ltd should also focus on the evaluating and measuring certain internal control system to ensuring that there is continuous monitoring. Tata ltd should take effective awareness and training programs which will develop and enhance their skills towards more compliance and boost their confidence. Tata ltd should streamline every information and it useful and important in public domain and which is not confidential or insiders trading so every information which is to be provided need to be accessible.

Tata ltd also strengthen and take proactive measures to establish whistleblowers which will help out to maintain certain information which needs to be confidential and what information should be disclosed in public domain. This brings out an ethical and corporate behavior in enhancing and developing the corporate culture that brings out and promote ethical standards¹².

5.2) Suggestive Reforms

Tata ltd should simplify the complexities and make necessary adjustments so that people are updated with all the governance laws which needs to be met as per the standards prescribed under governance structure.

There should be regular check on the performance of board and also every roles to be described. To bring workshops on certain governance principles which will create more awareness and build strong governance centers. This campaigns will thus create more public awareness and would achieve necessary targets on building better future for this corporation in this economic world .which will enthuse and participate in more reforms such as csr initiative which bring more awareness in helping and creating social welfare and sustainability. these analysis would ensure and proceed for a good leadership and continuous improvement which give effect and addresses globally.

So this research paper thus lies on the practices that are bound to be made for effective governance strategies that have been made by tata ltd to ensure good governance practices.

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¹¹ Ministry of corporate affairs (2019) promoting ethical governance and guidelines on business conduct

¹² Institute of Company Secretaries of India (SS-1) (SS-2)