

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:507
ANSWERED ON:24.11.2006
PROTECTION OF INTERESTS OF INVESTORS
Verma Shri Ravi Prakash

Will the Minister of FINANCE be pleased to state:

- (a) whether there is any model code of conduct for Indian Inc. to protect Investors' interests;
- (b) if so, the details thereof;
- (c) whether the Confederation of Indian Industry (CII) is in favour of transparency and model code of conduct for India Inc. to protect investors' interests and retain their confidence in the business as reported in the Hindu dated the September 18, 2006;
- (d) if so, the details thereof; and
- (e) the reaction of the Union Government thereto?

Answer

MINISTER OF STATE IN THE MINISTER OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The Securities and Exchange Board of India (SEBI) introduced the revised Clause 49 of the Listing Agreement between Stock Exchanges and corporates desiring to list their equity there at, which relates to corporate governance, with effect from January 1, 2006. One of the provisions of Clause 49 relates to code of conduct and specifies that the Board of every listed company to which Clause 49 is applicable shall lay down a code of conduct for all Board members and senior management of the company and they shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by its CEO.

Besides, industry associations, such as the Confederation of Indian Industry (CII) have also published code for corporate governance. The CII has published "Desirable Code of Corporate Governance" in 1998 for adoption by Indian companies – Private Sector, Public Sector, Banks, and Financial Institutions alike. The CII Code recommends corporate entities to promote transparency within business and industry and move towards international standards in terms of disclosure of information and through this develop a high level of confidence in business and industry not only amongst the investing public but also other stakeholders at large. The Code is aimed to address public concerns regarding the protection of investors' interest, especially the small investor. The Code was voluntarily adopted by over 25 companies for implementation.

(c) & (d): CII has assisted the Indian Industry to understand and recommend implementation of desirable practices in the field of corporate governance. CII has played a proactive role in the process of developing the best practices by the Indian Industry. CII's Desirable Code of Corporate Governance was developed as a result of CII's commitment towards promotion of transparency within business and industry for the protection of investors' interest, especially the small investors.

(e): The Government is of the view that transparency and a model code of conduct for companies would benefit all shareholders including investors.