

Indicative Model Question Paper

Professional Programme

New Syllabus 2022

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)- PRINCIPLES &
PRACTICE**

Maximum Marks: 100

Time Allowed: 3 Hours

Answer all the questions.

PART-I

Question No. 1

Board independence is crucial for unbiased and smooth functioning of the company, especially when it comes to deciding on strategic matters like mergers and acquisitions, setting up of a new business entity within the country or in foreign lands, corporate finance, keeping a vigil on financial transactions of mammoth size to ensure that there are no irregularities or scams, ensure safeguarding of the interests of all the stakeholders especially minority shareholders etc.

Thus, board independence is the essence of corporate governance. In ensuring board's independence and its free and fair approach, role of independent directors is noteworthy. Excel Limited, a publicly listed company engaged in the business of oil exploration, appointed Mr. Ramesh as its independent director, who is a person of integrity and have relevant expertise and experience in oil sector. Previously he has worked with renowned oil companies. In due course it came to light that Mr. Ramesh is step brother of the promoter of the subsidiary company of Excel Limited, i.e., Zenith Limited and Mr. Ramesh is the Chairman of the Audit Committee and ESG Committee of Excel Limited.

With reference to the board composition of Excel Limited, the Chairman of the company is not an Independent Director and the board has total 8 Directors out of which 4 are Independent Directors including Mr. Ramesh. The meeting of Audit Committee of Excel Limited was held on May 4, 2022, which considered the audited financial statements. Mr. Ramesh was the only Independent Director attended the meeting.

It was also found that Mr. Ramesh is also on the Board of Swan Limited which is an unlisted material subsidiary having registered office at Mumbai.

Examining the case in the light of relevant provisions covered under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, answer the following questions:

a) In light of the above, as a Company Secretary what steps are required to be taken with respect of Board Composition and Board Committees?

(5 Marks)

b) Comment on the validity of Audit Committee Meeting.

(5 Marks)

c) In light of the above case, elucidate the liabilities of the Independent Directors

(5 Marks)

d) In the above context, explain the provisions of LODR relating to directors *inter se* relationship.

(5 Marks)

(Total= 5+5+5+5= 20 Marks)

Question No. 2

Super Communications Limited is a telecom company and a family business wherein promoters holding is 55%. Some of the vital aspects pertaining to corporate governance of the company are as under:

i) There is a separation of role of Chairman and Managing Director / CEO.

ii) The company has a robust succession planning framework in place for the Board and top critical positions including its senior management. The Board of Directors, HR & Nomination Committee and Apex Talent Council are entrusted with overseeing and monitoring talent management and succession planning initiatives at the company.

iii) The company has a Business Continuity Plan and Disaster Management Plan in place. It has proactively implemented business continuity plan and effectively enabled work from home facility for all the employees by providing necessary IT infrastructure and network security.

iv) In order to drive its long-term sustainability vision, the company has ESG Committee which provides strategic guidance and decision making on ESG and is responsible for review and approval of ESG strategy, goals and targets.

v) With reference to composition of board of directors, 50% of directors are independent directors.

vi) Company's stakeholder engagement framework outlines an approach to engage and work with its stakeholders and is applicable to all its operating entities and functions across the corporate and regional levels.

vii) The company has in place stringent procedures and safeguards to avoid any conflicts of interest involving members of the Board and other employees. The company's guidelines related to Conflict of Interest focus on avoiding any conflict of interest, both actual and apparent, and the mechanism to report any such situations that may give rise to a potential conflict.

ix) Super Communication's policy on Related Party Transactions intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the company and related parties. Further the policy, disallows the concerned or interested director participate in any discussion or approve contracts or arrangements with related parties, to avoid potential conflicts of interest.

In light of the above mentioned facts, answer the following questions

a) In your view, how does the separation in the role of the Chairman and Managing Director / CEO and substantial strength of Independent Directors may contribute towards achieving efficiency in business operations of Super Communications Limited?

(3 Marks)

b) How succession planning is facilitated in Super Communications Limited and what initiatives the management of the company may take to further strengthen the succession planning?

(4 Marks)

c) The company has in place 'Business Continuity Plan', 'ESG Committee', 'Management of Conflict of Interest' and 'Policy on Related Party Transactions', thereby ensuring a holistic approach towards corporate governance. In view of this, briefly state the advantages the company may derive from the aforesaid measures.

(8 Marks)

(Total 3+4+8= 15 Marks)

Question No. 3

Wealth Bank a publicly listed bank recognising socio-environmental dimension as one of the strategic element of business have embraced the Environmental and Social Management System (ESMS). An Environmental and Social Management System (ESMS) helps an organisation to integrate plans and standards into its core operations in order to anticipate environmental and social risks posed by its business activities and to avoid, minimize, and compensate for such impact. Lenders being channels of credit flow play a crucial role in promoting environmentally and socially sustainable projects.

However, on perusing the ESMS report of the bank the following facts came to light.

- i) The position of “E&S Officer” (*a senior officer of Bank to be responsible for administration and oversight of the E&S Management System*), have been lying vacant for past 3 years.
- ii) As cost saving initiative the bank has not engaged any external agency as “E&S Consultant”(*external agencies engaged by bank to undertake E&S categorisation and for undertaking due diligence of high risk business activities financed by the bank*).
- iii) The bank has advanced loans to casino, arms and ammunition enterprises.
- iv) The bank has given loan to Elite Limited, Advanced loans to tobacco producers.
- v) The bank does not have any External Communications Mechanism (ECM) is in place for public to submit their queries or concerns pertaining to Bank’s Environmental & Social Policy and/ or projects financed by Bank.
- vi) A loan of Rs.20 crore was advanced to Pinnacle Limited, a real estate company which provided in its loan application to the bank that the proceeds of the loan will be utilised for construction of green building thereby facilitating energy efficiency, but on investigation it was observed that the company has partially utilised the amount for construction of green building.

In light of the above mentioned case, answer the following questions:

- a) How the concept of Environmental and Social Management System (ESMS) facilitate the focus on ESG matters by the Boards of the Companies?

(8 Marks)

- b) Wealth Bank despite having ESMS in place, failed to comply with the requirements specified under it. As a Company Secretary, explain the infringements made by the management of the bank under various elements of ESMS and as an advisor to the Board of Directors, what measures you would suggest to strengthen ESMS compliance and uphold the tenets of best corporate governance practices.

(7 Marks)

(Total 8+7 = 15 Marks)

Attempt either Q.No.4 or Q.No.4A

Question No. 4

As William Clay Ford Jr. said that “*Creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success*”, in light of this, explain how CSR Impact Assessment is going to change the CSR landscape in India.

(15 Marks)

OR (Alternate Question to Q.No.4)

Question No. 4A

Data governance has become an indispensable element for data protection and its appropriate usage by its concerned stakeholders, in view of this, elucidate the principles of data governance.

(15 Marks)

PART-II

Attempt either Q.No.5 or Q.No.5A

Question No.5

Best Bank was once the country’s fifth-largest private lender by market capitalization. Best Bank had been founded by Anand Kapoor and Amandeep Kapoor in 2015. The bank was ranked number 1 bank in the Business Today-KPMG Best Banks Annual Survey 2019. Best Bank was the first institution globally to receive funding through IFC’s Managed Co-Lending Portfolio Programme and the first Indian bank to raise loan under IFC’s A/B loan facility.

The bank’s loan book on March 31, 2020, was Rs 55,633 crore, and its deposits were Rs 74,192 crore. Since then, the loan book has grown to nearly four times as much, at

Rs 2.25 trillion as on September 30, 2023. While deposit growth failed to keep pace and increased at less than three times to Rs 2.10 trillion. The bank's asset quality also worsened and it came under regulator RBI's scanner. Best bank was lending aggressively disregarding the risk limits and also under-reporting the bad loans. They were lending to corporates that were already in very risk businesses and facing some challenges in their business like the Amar Ambani led Pinnacle group, DHFL and IL&FS.

All this happened in Anand Kapoor's (Founder of Best Bank) tenure. The exposure of loans to such bad performing companies was huge in Best Bank's case, and to add up they were hiding the NPAs (Non-performing assets) or misreporting the same. After the above fiasco, Ravinder Gill took charge of Best Bank but struggled to revive as deposits kept depleting and he wasn't able to raise enough capital given the loss of confidence in the market. The tipping point came when one of the bank's independent directors Mohan Agarwal, resigned from the board in January 2024 citing governance issues.

In light of the above case, answer the following questions:

a) Elucidate the possible reasons for debacle of Best Bank.

(12 Marks)

b) What steps the management of Best Bank may take to avert such fiascos in future?

(8 Marks)

(Total 12+8 = 20 Marks)

OR (Alternate Question to Q.No.5)

Question No. 5A

Matrix Limited had a requirement to build a strong platform with the best-of-breed agile services which can support their digital transformation journey. They were facing increased complexity due to heterogeneous IT security stack and high AMC due to multiple vendors. The company went for digital transformation to become Cloud Native with NextGen Security Solutions that comprised of-

i) Built a security framework

ii) Implemented network, data and endpoint security along with IAM (Identify and Access Management)

iii) Installed NexGen firewalls with hyperscale capabilities to reduce complexity, management efforts and operational cost.

The outcome of the aforesaid cyber security initiatives were-

1. Reduced 99% of P1 outages. A priority 1 or P1 outage is caused by many factors. Some examples include a thunderstorm cuts out the power, a server experiences a hardware failure, or a third party's infrastructure experiences an issue.

2. Enhanced the security posture and reduced overall network risk.

3. Reduced the risk from cyber threats.

4. Improved scalability and reduced redundancy.

5. Optimized operation efforts by implementing public cloud solution.

1. Based on the above contents, carry out a SWOT Analysis of digital transformation embraced by Matrix Limited.

(10 Marks)

2. Explain the cybersecurity security risk management process.

(10 Marks)

(Total= 10 + 10 = 20 Marks)

PART-III

Question No. 6

Giant Power Limited formed in 2005 is a publicly listed company and is engaged in the business of power generation from both coal and water, i.e., thermal and hydel respectively. In order to decipher whether the company is adhering to the Principles of Business Responsibility and Sustainable Reporting (BRSR) or not, the Business Responsibility and Sustainability Report of Giant Power Limited for the FY2021-22 was explored and following observations were made:

1. The company is guided by the principles of GCoC (Giant Code of Conduct) and GBEM(Giant Business Excellence Model) and so it mandates training of its workforce to make them conversant with Giant Power's Code of Conduct so that their conduct is in

accordance with the same. In view of this, regular training sessions was required but on perusing the training programmes conducted by the company during the mentioned financial year, the following facts were observed:

Segment	Total number of training and awareness programmes held	Topics / principles covered under the training and its impact	% age of persons in respective category covered by the awareness programmes
Board of Directors	2	Business Ethics and Values	100
Key Managerial Personnel (KMP)	5	ESG related matters	50
Employees other than Board of Directors and KMPs	25	Safety related measures in the operational areas of the organisation	45
Workers	Nil	Nil	Nil

2. It was observed that during the aforesaid financial year workers working in plants met with some accidents, as new workers were not aware of various fire and safety measures, first aid and other related precautions that needs to be taken into consideration while working in the plants.

3. Two cases were pending against the company for unfair trade practices, irresponsible advertising and/or anti-competitive behaviour. Additionally cases of corruption were pending against 2 Key Managerial Personnel.

4. On going through the details of percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively is as under:

Expenditure Heads	FY 2021-22 (%)	FY 2020-21 (%)	Details of improvements in environmental and social impacts
R&D	40	70	Expenditure incurred on promoting green initiatives in generation of power by reducing pollution of thermal power plants was reduced.
Capex	25	45	Capex represents expenditure on clean and green business

5. During the year company made negligible spending on well-being of employees.

i) In light of the mentioned facts of the case, identify which principles covered under Business Responsibility and Sustainability Reporting (principle wise performance disclosure) have been infringed by Giant Power Limited?

(10 Marks)

ii) What measures management of a company may take to make its business more sustainable and BRSR compliant?

(5 Marks)

(Total = 10+5 =15 Marks)
