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Corporate Reporting Practices and Corporate Governance: A Case Study of Tata Consultancy Services Limited

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ABSTRACT

Corporate governance is a systematic process by which companies are directed and controlled to ensure that they are managed in the manner that meets stakeholder aspirations. Corporate governance mechanism revolves around seven pillars namely Reporting framework, Board of directors - Responsibilities, Composition of Board of directors, Audit committee, Performance of other statutory officers (Remuneration committee, other committees), Board meetings, Investors' level of satisfaction, and Whistle blowing mechanism. As the reporting framework is an important component in corporate governance, the study tries to analyze compliance and disclosure of corporate governance requirements as prescribed by various laws and regulations relating to corporate governance by Tata Consultancy Services Ltd. Reports and disclosures made by the company are collected from publicly available sources such as Annual Reports and the website of the company. The purpose of this paper is to examine the extent of corporate governance reporting framework as complied by Tata Consultancy Services Limited. The paper studies and analyzes the annual reports of six years (period 2010-2016) and also the website of the company that not only advocates the voluntary publication of corporate governance information but also stresses its underlying ethos of public accountability and transparency. A customized corporate governance disclosure index is constructed in order to find out a corporate disclosure score that is applicable to the company. Overall, the extent of governance disclosure is found to be similar across the periods under study. The annual reports or website do not mention anything about employee participation. The highest disclosures are those dealing with management structure and transparency, which are also found to be similar across the periods under study.

Keywords: corporate governance, reports and disclosures, corporate governance compliance.

INTRODUCTION:

Corporate form of business is different from other forms of business because of separation of ownership and management. In this context corporate governance can be understood to be a systematic process by which companies are directed and controlled to ensure that they are managed in the manner that meets stakeholder aspirations. This leads to corporate governance philosophies of fairness, transparency, accountability, integrity, fiduciary relationship, reliability, corporate citizenship, and responsiveness.

Good corporate governance leads to maximize the value of the shareholders legally, ethically and on a sustainable basis while ensuring equity and transparency to every stakeholder: the company's customers, employees, investors, vendor-partners, the government of the land and the community (Murthy, 2006).

Corporate governance stands on seven pillars namely Reporting framework, Board of directors responsibilities, Composition of the board of directors, Audit committee, Performance of other statutory officers, Board meetings, Investor level of satisfaction, and whistle blowing mechanism. "The strength of all pillars can make the corporate edifice safe and sound, provided these pillars function in tandem and provide strength to each other. Collectively the strength of seven pillars of corporate governance should be greater than the sum total of the strength of individual pillars" (Bajpai,2017). The current study is confined to the reporting framework of a listed company ie,TCS Limited. Reporting framework is an importat medium through which the affairs of the company are communicated with its stakeholders.

This paper is divided into four parts. Part I of the paper briefly describes the different components of corporate governance. Part II deals with the significance of reporting framework for a listed company, and a profile of TCS Limited is also given. Part III comprises of objectives, methodology and analysis and discussions of the disclosures made by the company and suggests a corporate governance disclosure score applicable to the company. Final part gives findings of the study and concludes the paper.

Components of Corporate Governance:

Each component of corporate governance is briefly described below.

Reporting Framework:

Corporate governance aims at balancing the interests and aspirations of a large number of stakeholders (Kapoor & Dhamija, 2015). The performance of a company is assessed by its stakeholders on the basis of financial results published periodically. The financial statements reveal income and expenditure and their application to various purposes. Appropriate and consistent application of accounting standards ensures true and fair view in presenting the state of affairs of the company (Bajpai, 2017).

Proper disclosures bring about transparency in the governance of an enterprise. Sound disclosure practices lead to dissemination of price-sensitive information which is otherwise left with the people at the helm of affairs of the company and prevent insider trading. First formal corporate governance initiative in the world, Cadbury committee of UK, studied "The Financial Aspects of Corporate Governance" with the objective of raising the standards of corporate governance and level of confidence in financial reporting and auditing. The committee accentuates the need for integrity in financial reporting and remarks that the integrity of reports depends on the integrity of people who prepare and present them. The committee emphasised on the compliance in spirit rather than compliance in letters of reporting standards[1]. The combined code on corporate governance of UK comments that the board should present a balanced and understandable assessment of the company's position and prospects through financial reporting[2]. "Corporate governance reporting should also relate coherently to other parts of the annual report – particularly the Strategic Report and other complementary information – so that shareholders can effectively assess the quality of the company's governance arrangements", Combined Code of 2018 explains[3]. CalPERS comments that the integrity of financial reporting plays an integral role in the capital market and effective financial reporting depends on high-quality accounting standards as well as consistent application, rigorous independent audit and enforcement of those standards[4]. King IV highlights that "we live in an era of radical transparency which is promoting a rethink on corporate reporting". The committee's principle on reporting is that reports issued by the organization should enable stakeholders to make informed assessment of organization[5]. OECD principles on corporate governance describe the areas of disclosures in detail and call attention to the need for high-quality standards of accounting in financial and non-financial disclosures. It also recommends that Channels for disseminating information should provide for equal, timely and cost-efficient access to relevant information by users[6]. OECD principles have greatly influenced the setting up of Indian Corporate Governance codes. Hermes Principles of Corporate governance 2017 stresses the need for transparency and reporting in its report that "Boards must report openly and transparently on the performance of the company and their stewardship of it over the year, acknowledging the challenges, as well as the achievements, the state of the market and the competitive landscape. It is also fundamental that each

[1] Report of the Committee on the Financial Aspects of Corporate Governance, UK – 1992, Chairman Sir Adrian Cadbury URL: http://www.nfcg.in/pdf/cadbury.pdf

[2] Financial Reporting Council The Combined Code on Corporate Governance, UK- June 2008 ,
California Public Employees Retirement System- Global Corporate Governance Principles, US- March 2015, URL : http://www.nfcg.in/pdf/global-principles-corporate-governance.pdf
Review of the Role and Effectiveness of Non Executive Directors, Derek Higgs, UK – January 2003.

[3] Financial Reporting Council The Combined Code on Corporate Governance, UK-July 2018

[4] California Public Employees Retirement System- Global Corporate Governance Principles, US- March 2015, URL : http://www.nfcg.in/pdf/global-principles-corporate-governance.pdf

[5] Institute of Directors Southern Africa, King IV Report on Corporate Governance for Southern Africa, November 2016 URL:http://www.adamsadams.com/wp-content/uploads/2016/11/King-IV-Report.pdf

[6] Organization for Economic Co-operation and Development, OECD Principles of Corporate Governance 2004. URL: http://www.nfcg.in/UserFiles/31557724.pdf

company reports in a way that allows investors to understand the main risks that the board has identified for the business and how the company manages and mitigates them."[7]

In Indian context JJ Irani Committee felt the need for high quality financial reporting, independent audit and fearless expression of opinion by auditors. The committee suggested that active interest of shareholders association investor education for better understanding of financial statements and the presence of internal control systems would ensure effective financial reporting[8].CII code of desirable disclosures report that all other things being equal, greater the quality of disclosure, the more loyal are a company's shareholders[9]. Kumar Mangalam Birla committee on corporate governance better known as India's Cadbury committee observed that without financial reporting premised on sound, honest numbers, capital markets will collapse upon themselves. Adequate financial reporting and disclosure are the cornerstones of good corporate governance.

These demand the existence and implementation of proper accounting standards and disclosure requirements. Adoption of international standards on corporate governance is important from angle of corporate governance.[10] Most recent corporate governance initiative in India, Uday Kotak committee on Corporate Governance came up with a report which contains a full-fledged chapter on disclosure and transparency. The chapter elucidates that D&T underpins good governance and efficient functioning of the market. All material matters regarding the corporation, its financial situation, business performance, strategic shifts, ownership and governance should be disclosed accurately and on a timely basis with the help of a well drafted corporate governance framework. The committee narrates that the management have to view D&T as a means to build trust with stakeholders and to proactively disclose material information that may impact decision-making variables. Committee recommended harmonization of disclosures to be made to different stock exchanges and MCA. Another important recommendation regarding financial disclosures is, disclosures of significant changes in key financial indicators along with reasons thereof which would enable the investors to further comprehend the company's business and financial performance. The Committee recommended that companies shall maintain a separate section for investors on its website and provide all the information mandated under Regulation 46 of SEBI LODR Regulations in a separate section, to ensure ease of availability and access of pertinent information in one place to investors and regulators alike.[11] Narayana murthy committee on Coprorate Goverance observes financial disclosure as a critical component of effective corporate governance. The report of the committee expounds the objectives of Shri Y. H. Malegam Committee, a standing committee set up by SEBI on Accounting Standards. The principal objective of the committee is to bring Indian accounting standards and financial reporting practices at par with international standards and practices.[12] The foreword to Naresh Chandra committee report interprets that norms and guidelines for financial and non financial disclosures and information to be shared by management to stakeholders rank among the best in the world[13]. ACGA White paper focuses on five key issues one among which is corporate disclosures. A detailed account of guidelines that would produce world class corporate disclosures is dealt with in the white paper[14].

Significance of reporting framework for a listed company is appended in Part II of this article.

Board of directors' composition and responsibilities:

Ideal composition of the Board should be emanated from the role of corporation's Board (Bajpai, 2017). In India the composition and the role of the board is regulated by Section 149of The Companies Act, 2013 and Regulation 17 of SEBI (LODR) regulations. The Board of Directors is vested with the responsibility of functioning of the enterprise complies with the applicable rules, regulations, guidance, advice and laws and of value creation. The BoD has the power to manage the corporation on behalf of shareholders; therefore, in the context of corporate governance board has become the ultimate owner of the responsibility of creating excellence (Bajpai, 2017). Commitment and ethical values of the board members contribute to good governance of the enterprise.

The board of directors is responsible for seeing that the company keeps its promise as described in the mission and value statement of the company and functions within the laws governing the company and its operations (Kapoor and Dhamja, 2015). The board's task is to direct the company by formulating strategies; policy-

[7] Hermes Investment Management, UK Corporate governance Principles, UK - January 2017
[8] Report of Expert Committee on Corporate Law Headed by Dr.Jamshed J Irani, Mnistry of Corporate Affairs India- 2005
[9] Confederation of Indian Industry, Desirable corporate governance - a code 1998
[10] Securities and Exchange Board of India , Report of the Kumar Mangalam Birla Committee on Corporate Governance, 1999
[11] Securities and Exchange Board of India, Report submitted by the Committee on Corporate Governance, Chairman Uday Kotak , October 2017.
[12] Securities and Exchange Board of India, Report of the Committee on Corporate Governance, Chairman N R Narayana Murthy , February 2003.
[13]Confederation of Indian Industry, Corporate Governance Recommendations for Voluntary Adoption, Chairman Mr. Naresh Chandra November 2009.
[14] Asian Corporate Governance Association, ACGA White Paper on Corporate Governance in India, Hong Kong January 2010.

making; supervision of executive management and being accountable to shareholders and others (Tricker,2015). Board has the responsibility to engage with and encourage participation of shareholders and stakeholders. Composition of the board should be an appropriate combination of executive and non executive directors wherein no one individual or small group dominate the decision making. Membership of the board should be regularly refreshed[15]. Company should be headed by a board which is effective enough to lead and control the business[16]. Calibre of non executive directors is essential to set and maintain effective corporate governance standards[17]. Independence of the board is vital as independence is the cornerstone of accountability and essential to a sound governance structure. Objective board evaluation will enhance board effectiveness. Board should cultivate a good corporate culture through well drafted code of conduct, stringent policy against bribery and corruption, instituting efficient whistle blowing mechanism etc,[18]. Board diversity can address the perspectives of different stakeholders and can enhance corporate financial performance[19]. The board should be in a position to take objective and independent judgement in its decisions and actions. The board has to oversee that the corporation obeys applicable laws including tax, competition, labour, environmental, equal opportunity health and safety laws[20]. The board of directors as a whole is responsible to all stakeholders for meeting the requisite standard of corporate governance. The responsibilities of board of directors are accentuated in a listed entity given the wider ambit of stakeholder interests[21].

Audit Committee:

Efficient and independent audit function is essential to ensure that the financial stakeholders are supplied with true financial information without omitting any material information. “While all directors have a duty to act in the interests of the company the audit committee has a particular role, acting independently from the executive, to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control.” (Smith, 2003). The audit committee is vested with the responsibility of appointment, remuneration and defining the scope of work of the auditor. The committee is also responsible for supplying the information and documents needed by the auditor during the course of the audit.

Section 177 of Indian Companies Act mandates the constitution of audit committee by every listed company, Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 describes the constitution, composition, qualifications, meetings and powers of audit committee and Part C of Schedule II of the LODR describes the role of audit committee.

Treadway Commission of US concluded that audit committee had a critical role in ensuring integrity of financial reports of US corporations. A research in UK found that majority of the companies with audit committee is enthusiastic about their value to their business. Cadbury committee regards the appointment of properly constituted audit committees as an important step in raising standards of corporate governance. Membership of an audit committee is a demanding task requiring commitment, training and skill. The directors concerned need to have a sufficient understanding of the issues to be dealt with by the committee to take an active part in its proceedings. Audit cannot assure detection of all the frauds likewise auditor will be in dilemma if he finds any fraud from the part of top management in financial reporting. Effective and independent minded audit committee can be a safeguard against these issues[22]. Roles and responsibilities of audit committee include monitoring the integrity of financial statements and any formal announcement regarding company’s financial performance and reviewing the judgements contained in them[23]. The duties of audit committee include review

[15] Financial Reporting Council The Combined Code on Corporate Governance, UK- June 2008,
Review of the Role and Effectiveness of Non Executive Directors, Derek Higgs, UK – January 2003.
[16]Report of the Committee on the Financial Aspects of Corporate Governance, UK – 1992, Chairman Sir Adrian Cadbury URL: http://www.nfcg.in/pdf/cadbury.pdf,
Committee on Corporate Governance, Final Report Ronnie Hampel, UK January 1998,
[17]Report of the Committee on the Financial Aspects of Corporate Governance, UK – 1992, Chairman Sir Adrian Cadbury URL: http://www.nfcg.in/pdf/cadbury.pdf
[18] California Public Employees Retirement System- Global Corporate Governance Principles, US- March 2015, URL : http://www.nfcg.in/pdf/global-principles-corporate-governance.pdf
[19] California Public Employees Retirement System- Global Corporate Governance Principles, US- March 2015, URL : http://www.nfcg.in/pdf/global-principles-corporate-governance.pdf,
Report of the committee constituted by MCA to formulate a policy document on Corporate Governance, Chairman Adi Godrej, India September 2012
Hermes Investment Management, UK Corporate governance Principles, UK - January 2017
[20] Organization for Economic Co-operation and Development, OECD Principles of Corporate Governance 2004. URL: http://www.nfcg.in/UserFiles/31557724.pdf,
Report of Expert Committee on Corporate Law Headed by Dr.Jamshed J Irani, Mnistry of Corporate Affairs India- 2005 .
[21] Securities and Exchange Board of India, Report submitted by the Committee on Corporate Governance, Chairman Uday Kotak , October 2017.
[22] Report of the Committee on the Financial Aspects of Corporate Governance, UK – 1992, Chairman Sir Adrian Cadbury URL: http://www.nfcg.in/pdf/cadbury.pdf
[23] Financial Reporting Council The Combined Code on Corporate Governance, UK-July 2018

the scope and results of audit and its cost effectiveness, and the independence and objectivity of the auditors. The audit committee has to review the overall financial relationship between the company and its auditor[24]. Where the audit committee's monitoring and review activities reveal cause for concern or scope for improvement, it should make recommendations to the board on action needed to address the issue or to make improvements[25].King IV recommends that the audit committee has to disclose significant matters in relation to annual financial statements and how these were addressed by the committee. A statutory audit committee has the power to make decisions regarding statutory duties and is accountable for its performance in this regard. Audit committee is often vested with the responsibility of risk governance in relation to financial and non financial risks that affect the integrity of external reports[26]. The audit committee is often charged with the oversight of internal audit and the overall relationship with external auditor. It is a good practice for the internal auditors to report to an independent audit committee who is managing a relationship with external auditor thereby allowing coordinated response by the board[27]. Audit committee has a critical role in overseeing the audit process and ensuring the quality of reporting to investors. Audit committee has to explain to the investors how it assessed the effectiveness of internal and external audit process[28]. All matters relating to appointment of auditors, examination of the auditor's report along with financial statements prior to consideration and approval by the Board, related party transactions valuations and other matters involving conflicts of interest should also be referred to the Board only through the Audit Committee[29]. Audit committee's roles flows directly from board's oversight function. It acts as a catalyst for effective financial reporting[30]. Members of the audit committee should be financially literate and one should be an expert in the area of finance and accounting. It is compulsory for audit committee to review all major reports concerning the financial aspects of the entity. Audit committee's approval is mandatory for related party transactions, its involvement in preparing statement of funds utilized for purposes other than those stated in the prospectus in case of IPO and accessibility for whistle blowers regarding audit committee in Narayana Murthy committee Report[31]. Most recent Uday Kotak committee of corporate governance recommended that audit committee shall meet five times a year and expanded the role of audit committee to review the utilization of loans and investments by holding company to subsidiary company in excess of certain amount[32].

Performance of other statutory officers (Remuneration committee, other committees):

Board of Directors functions through various committees. The committees include nomination and remuneration committee, stakeholder relationship committee etc. The committee members who are directors of the company will undertake detailed scrutiny and evaluation of the delegated matters. Such a delegation results in better management of time and work of the board and enables the board to focus on policy decisions and their implementation, thereby it enables good governance of the corporation for the benefit of all the stakeholders.

Increased use of board committees on audit, remuneration and nomination has played an important role in raising standards of corporate governance. Although the board retains ultimate responsibility, these committees give assurance that important board duties are rigorously discharged[33]. King committee does not recommend which committee is to be established by governing body, it is up to the governing body to judge what is appropriate for the organization. The allocation of roles and responsibilities and the composition of the committees should be considered holistically with the aim to promote effective collaboration among committees with minimal overlaps and fragmantation of duties as well as balanced distribution of power. The committee promotes on creating a structure that would achieve the aims of social and ethics committee not as a legal requirement. The role of the committee on oversight and reporting on organizational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships is also pointed out by the committee[34].

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[24] Committee on Corporate Governance, Final Report Ronnie Hampel, UK January 1998
[25] Financial Reporting Council, Audit Committees Combined Code Guidance Sir Robert Smith ,UK - 2003
[26] Institute of Directors Southern Africa, King IV Report on Corporate Governance for Southern Africa, November 2016 URL:http://www.adamsadams.com/wp-content/uploads/2016/11/King-IV-Report.pdf
[27] Organization for Economic Co-operation and Development, OECD Principles of Corporate Governance 2004. URL: http://www.nfcg.in/UserFiles/31557724.pdf
[28] Hermes Investment Management, UK Corporate governance Principles, UK - January 2017
[29] Report of Expert Committee on Corporate Law Headed by Dr.Jamshed J Irani, Mnistry of Corporate Affairs India- 2005
[30] Securities and Exchange Board of India , Report of the Kumar Mangalam Birla Committee on Corporate Governance, 1999
[31] Securities and Exchange Board of India, Report of the Committee on Corporate Governance, Chairman N R Narayana Murthy , February 2003.
[32] Securities and Exchange Board of India, Report submitted by the Committee on Corporate Governance, Chairman Uday Kotak , October 2017.
[33] Review of the Role and Effectiveness of Non Executive Directors, Derek Higgs, UK – January 2003.
[34] Institute of Directors Southern Africa, King IV Report on Corporate Governance for Southern Africa, November 2016 URL:http://www.adamsadams.com/wp-content/uploads/2016/11/King-IV-Report.pdf

According to the Cadbury committee, it is the duty of the nomination committee to carry out the selection process and make proposals to the board. The board should appoint remuneration committee consisting wholly or mainly of non executive directors and chaired non executive directors[35]. Combined Code recommends to establish nomination committee to lead the process of appointment and to ensure orderly succession plan for board and senior management[36]. The nomination committee should evaluate the balance of skills, knowledge and experience on the board and prepare description of the role and capabilities required for a particular appointment[37]. Kotak Mahindra committee recommended that the board of directors of every listed entity should be required to list the competencies or expertize that its directors should posses and disclose the list of competencies the memebrs actually posses. This will assist in evaluation of performance of statutory officers[38]

Board Meetings:

Board diversity and dynamics contribute to the effective board meeting. The effectiveness of board meeting, in turn, helps in taking better strategic positions, efficient risk assessment and designing the best strategic direction for the corporation. Indian Companies Act 2013 stipulates the board to meet at least four times a year with a time gap of one twenty days or less and report the details of the same in Board's Report.

The most important board procedure is the regular meetings of the board with due notice of the issues to be discussed supported by necessary paperwork, where its conclusions are recorded[39]. The board should meet regularly. The chairman should ensure that all directors are properly briefed on the issues arising at board meetings[40]. Calpers recommends that directors should attend at least 75% board and key committee meetings on which they sit.

The board should meet regularly to discharge its duties and directors should allocate adequate time to board meeting preparation and attendance. Board members should know the business, its operations and senior management well enough to contribute effectively to board discussions and decisions[41]. The board can only fulfill its responsibilities if it meets regularly and reasonably often. The chairman has a particular responsibility to brief all the directors about the issues arising on board meeting[42] . The members of the governing body should attend the meetings and its committees and devote sufficient time and effort to prepare for those meetings[43]. JJ Irani committee recommends adding provisions in the law regarding vacation of the director if he fails to attend the board meeting for a continuous period of one year, not considering whether the absence is granted or not[44]. Kotak Mahindra committee recommended increasing the number of board meetings to be held four to five times in a year[45].

Investor's level of satisfaction:

Good corporate governance would be reflected in investor's level of satisfaction in terms of their shareholding period, buying behaviour etc. From the corporation's point of view, investor's level of satisfaction is of supreme importance as the availability of capital is very much dependent on trust bestowed by the investors on the corporation.

Whistle blowing mechanism:

"Blowing the whistle means informing on a person or an organization believed to be acting improperly. The whistle blower provides the information to someone with the authority to take appropriate action" (Tricker, 2005). "Whistle blower policy provides employees, customers and vendors an avenue to raise concerns, in line with the commitment to the highest possible standards of ethical, moral and legal in business conduct. It also provides necessary safeguards for the protection of employees from reprisals or victimization, for whistle

[35] Report of the Committee on the Financial Aspects of Corporate Governance, UK – 1992, Chairman Sir Adrian Cadbury URL: http://www.nfcg.in/pdf/cadbury.pdf
[36] Financial Reporting Council The Combined Code on Corporate Governance, UK-July 2018
[37] Review of the Role and Effectiveness of Non Executive Directors, Derek Higgs, UK – January 2003.
[38] Securities and Exchange Board of India, Report submitted by the Committee on Corporate Governance, Chairman Uday Kotak , October 2017.
[39] Report of the Committee on the Financial Aspects of Corporate Governance, UK – 1992, Chairman Sir Adrian Cadbury URL: http://www.nfcg.in/pdf/cadbury.pdf
[40] The Combined Code Principles of Good Governance and Code of Best Practice, UK – June 1998
[41] California Public Employees Retirement System- Global Corporate Governance Principles, US- March 2015, URL : http://www.nfcg.in/pdf/global-principles-corporate-governance.pdf
[42] Committee on Corporate Governance, Final Report Ronnie Hampel, UK January 1998
[43] Institute of Directors Southern Africa, King IV Report on Corporate Governance for Southern Africa, November 2016 URL:http://www.adamsadams.com/wp-content/uploads/2016/11/King-IV-Report.pdf
[44] Report of Expert Committee on Corporate Law Headed by Dr.Jamshed J Irani, Mnistry of Corporate Affairs India- 2005.
[45] Securities and Exchange Board of India, Report submitted by the Committee on Corporate Governance, Chairman Uday Kotak , October 2017.

blowing in good faith. Earnest an Young's one of the annual surveys of global fraud has rated whistle blowing mechanism (WBM) above external audit as the second most effective means of detecting corruption" (Bajpai,2017). To ensure better corporate governance through whistle-blowing mechanism, the whistle blowers should be protected from disciplinary or retaliatory actions by corporate insiders who commit the illegal acts.

In India, legal framework of Whistle blowing mechanism includes Companies Act, 2013, SEBI Regulations and Whistle- Blowers Protection Act, 2014. Section. 206 to 229 of Companies Act 2013 cover complete framework of enquiry, investigation and inspection. Formation of Serious Fraud Investigation Office (SFIO), with power to arrest for offences specified as fraud is the highlight of the Act. SEBI (Listing Obligations and Disclosure Requirements). Regulations (LODR) 2015 specifies the need for devising the whistle blowing mechanism. The regulation mandates that no person should be denied access to audit committee which also encourages efficient Whistle Blowing. Whistle Blowers Protection Act, 2014 provides mechanism for receiving and enquiring into acts of corruption, wilful misuse of power or discretion or criminal offenses by public servants. A recent research in the area (Marwaha, 2017) suggested that the Act need to expand its scope to cover private sector also. In order to curb the evils like corruption completely and effectively, exhaustive and complete law is necessary.

Reporting Framework for a Listed Company:

Today, corporate governance has become a determinant of many subjects in identifying a company's strengths and functions. One of the most important functions that corporate governance can play is in ensuring the quality of the financial reporting process (Cohen, Krishnamoorthy & Wright, 2004).

The principles of corporate governance such as transparency, fairness and equity are all calls for communicating correct financial information and the status of business with stakeholders. Corporate financial reporting constitute measuring and disclosure of a corporation's economic transactions. The users of financial statements include present and potential investors, employees, lenders, suppliers and other trade creditors, customers, government and their agencies and the public at large. The common characteristic of external users is their general lack of authority to prescribe the information they want from the company. Different user groups have different objectives and diverse information needs. General purpose financial statements are prepared to meet the common needs of all types of users. A company communicates with its external stakeholders through annual reports, websites and other published reports such as quarterly financial reports.

Stakeholders, especially investors and potential investors should be in a position to get a clear picture about the company, its environment and its direction from a careful analysis of annual reports, websites and other published reports such as quarterly financial reports. The legal and regulatory framework of the country in which the business operates recommends and mandates the disclosure of financial and business information to ensure good governance and to cater information needs of the stakeholders.

Reporting framework mainly tackles the issue of information asymmetry of corporate stakeholders. Solving the information asymmetry reduces the possibility for insider trading, hence protecting the interests of current and potential shareholders.

It would be a good governance practice for a corporation to disclose any material which can influence the price of a stock, market valuation and the decisions of its stakeholders. Disclosures are of two types; financial and non-financial disclosures. Financial disclosures comprise of Balance sheet, profit and loss account, cash flow statements and explanatory notes etcetera. Robustness and observance of financial reporting standard will enhance the quality of financial disclosures. The guiding principle in deciding the non-financial disclosure is the disclosure of all information that keeps the stakeholders informed in their decision making that involve the affairs of the company.

The following means are generally used by companies for disclosures:

1. Annual Report
2. Website
3. Statutory filing: Periodically with
   - the exchange where the company is listed
   - regulator(s)
4. Newspapers
5. Communication to shareholders

In India the corporate reporting framework includes

- Indian Accounting Standards
- Companies Act 2013
- SEBI Listing Obligations and Disclosure Requirements (LODR), Regulation 2015

TCS Limited- Profile:
TCS Limited is one of the largest Indian companies by market capitalization ($80 billion). TCS Limited is now placed among the 'Big 4' most valuable IT services brands worldwide. TCS Limited alone generates 70% dividends of its parent company, Tata Sons. In 2015, TCS Limited is ranked 64th overall in the Forbes World's Most Innovative Companies ranking, making it both the highest-ranked IT services company and the top Indian company. It is the world's 10th largest IT services provider by revenue. As of December 2015, it is ranked 10th on the Fortune India 500 list.

OBJECTIVES:

1. How far the company complies and discloses the requirements in SEBI (LODR) Regulations, 2015, Indian accounting standards, Companies act 2013 and earlier acts as applicable in letter and spirit.
2. Find out matters not disclosed and analyze reasons thereof.
3. Come up with a disclosure index score that best indicates level of the mandatory and voluntary disclosures by TCS.
4. Find out new items disclosed in the recent past or current year and analyze the reasons.

METHODOLOGY:

This is an exploratory study. Secondary data are collected from annual reports of the company. 65 disclosure variables were studied under following heads.
- Protection and facilitation of rights of shareholders
- Providing adequate and timely information to shareholders
- Ensuring equitable treatment of all shareholders including minority and foreign shareholders
- Measures to recognize the rights of shareholders and encourage cooperation between company and stakeholders
- Measures to ensure timely and accurate disclosure of all material matters
- The composition of the board
- Limit on number of directorships
- Maximum tenure of independent directors.
- Non-executive directors' compensation and disclosure
- Other provisions as to board committees
- Code of conduct
- Audit committee
- The qualified and independent audit committee
- Nomination and remuneration committees
- Subsidiary companies
- Risk management
- Related party transactions
- Report on corporate governance
- Compliance.

A disclosure index is constructed to find out the disclosure score of the company under study. Six mandatory disclosure variables and seven voluntary disclosure variables are checked for their presence or absence in publicly available financial statements of the company. Higher importance is given to voluntary variables by considering that mandatory disclosure requirements would have complied anyway.

ANALYSIS AND DISCUSSIONS:

In this part, we analyze various disclosures made by Tata Consultancy Ltd in its annual report regarding corporate governance. Mandates and recommendations of SEBI under revised clause 49/ LODR Regulations 2015 are considered as it covers almost all the provisions of disclosures contained in Companies act 2013 and little more. Disclosures required by Indian Accounting Standards are not analyzed as it is presumed that audit by a qualified Chartered Accountant will ensure compliance of all such disclosures. Auditor's report is studied for any qualification of opinion from the part of auditors.
(Insert Table here, see appendix)

Disclosures regarding protection and facilitation of rights of shareholders are made well in recent years compared to the past. Disclosures regarding annual general meeting and matters discussed thereon are very detailed from 2012 onwards while only date and venue of the meeting are specified in annual reports of previous financial years. Shareholders' participation in key corporate governance decisions such as nomination and election of board members is found not verifiable with a mere examination of annual reports and website.

Rights attached to all series and classes of shares and capital structure arrangements that enable control disproportionate to their holdings are not mentioned in 2010-11 report, it was rightly disclosed in the subsequent financial years.

For ensuring equitable treatment of all shareholders including minority and foreign shareholders, the disclosures required include the facility to exercise voting rights by foreign shareholders. To meet this disclosure requirement, e-voting facility is introduced from 2013 onwards. Before that no disclosures were made regarding this.

Among the measures to recognize the rights of shareholders and to encourage co-operation between company and stakeholders, mechanism for encouraging employee participation is not disclosed in annual report, thus we assume no such mechanism is in place in the company. Maintenance of minutes of meetings explicitly recording dissenting opinion cannot be verified.

Requirements regarding the limit of directorship, tenure etc is verifiable with Director's Identification Number (DIN) from the website of Ministry of Corporate Affairs. These are purely matters of legal compliance and the company complied with these requirements to the extent verified.

Separate meetings of independent directors and conduct of familiarization program to independent directors are started in 2014 only. No disclosures regarding this were made in the annual reports of the previous years.

Review of compliance report of applicable laws by the board is started in the financial year 2014-15 only. Issues regarding filling vacancy of independent directors cannot be verified.

All the roles specified by LODR such as disclosures in connection with powers and role of audit committee are listed in the annual report. The researcher has doubt regarding this whether such disclosures are made merely for compliance in form.

Nomination and remuneration committees were two different committees till 2013-14. Afterwards a single committee named Nomination and Remuneration Committee was formed.

Disclosure of relationship between directors inter se is not made in annual report till financial year 2013-14. In subsequent annual reports it is specified that there is no such relationships.

Stakeholder relationship committee was formed in the financial year 2014-15, before that it was not there.

Disclosure Index Score applicable to TCS Limited:

A customized disclosure index exclusively applicable for TCS Limited is constructed for the purpose of study. Annual report disclosures regarding corporate governance of the company are the variables in the index. Mandatory disclosure variables and voluntary disclosure variables are calculated by giving score 1 for presence of information in the annual report and score 0 for absence, weights for the disclosure variables are assigned on the basis of the importance. Voluntary disclosure variables are given higher weights compared to mandatory disclosure variables. Compliance to disclosure requirements on voluntary basis indicates the company's genuine willingness to communicate company's real affairs with stakeholders to cater their information needs at their best interest.

Mandatory Disclosure Variables:

Sl No	Variable	Value	Weight = 30%	Weighted score	Score*10
1	Financial information	1	.05	.05	.5
2	Shareholding information	1	.05	.05	.5
3	Board governance- Board evaluation	1	.05	.05	.5
4	Risk management policy	1	.05	.05	.5
5	CSR Policy and Information	1	.05	.05	.5
6	Vigil- Whistle Blower Policy	1	.05	.05	.5
	Total				**3**

Voluntary disclosure variables

Sl No	Variable	Score	Weight = 70%	Weighted score	Score*10
1	Ind AS Impact	0	.1	0	0
2	Risk Management – key highlights	1	.1	.1	1
3	Board Evaluation by external Third Party	0	.1	0	0
4	Mechanism for employee participation in governance decisions	0	.1	0	0
5	Business strategy information and presentation	1	.1	.1	1
6	Profitability and margin improvement information	1	.1	.1	1
7	Debt related information/ update	1	.1		1
	Total				**4**

Total disclosure index score is 7 out of 10

CONCLUSION:

To conclude, TCS, being an Indian IT giant, has good disclosure practices with regard to corporate matters. Its disclosures are up to date with regard to legal and regulatory requirements of the land. The company is keen about compliance with regulatory framework and disclosing non mandatory requirements also. Overall, the extent of governance disclosure is found to be similar across the periods under study. The annual reports or website does not mention anything about measures taken by the company to ensure employee participation in corporate governance decisions. The highest disclosures are those regarding management structure and transparency, which is also found to be similar across the periods under study. the company has got a corporate governance disclosure score of 7 out of 10 which is better compared to average composite disclosure score of 6.8 for top 100 listed companies in India (Source: FTI Consulting). In spite of all these there are some matters unattended and undisclosed by company in annual report such as the mechanisms to encourage employee participation.

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APPENDIX:

Protection and Facilitation of Rights of Shareholders:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website (2010-16)					
		10-11	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**
1	Right to participate in and to be sufficiently informed on decisions involving fundamental corporate changes.	Partially Complied		C			
2	Opportunity to participate effectively and vote in general meeting.	Partially Complied		C			
3	To be informed of the rules on voting procedures and general shareholder meetings.	Partially Complied		C			
4	Shareholder participation in key corporate governance decision such as the nomination and election of board members.	Not verifiable					
5	Provision of mechanisms to address grievances of shareholders.	C					

Providing Adequate and Timely Information to Shareholders :

S N	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website (2010-16)					
		10-11	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**
6	Furnish sufficient and timely information concerning date location and agenda of general meeting along with issues to be discussed at the meeting.	Partially Complied		C			
7	Capital structure arrangement that enables control disproportionate to their holdings	**N**	C	C	C	C	C
8	Information about the rights attached to all series and classes of shares they purchase.	**N**	C				

Ensuring Equitable Treatment of All Shareholders Including Minority and Foreign Shareholders:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website(2010-16)					
		10-11	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**
10	Framework to avoid insider trading and abusive self-dealing.	C					
11	Company procedures should not make it unduly difficult or expensive to cast votes.	C					

Role of Stakeholders in Corporate Governance:
Measures to recognize the rights of shareholders and encourage co-operation between company and stakeholders.

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website(2010-16)					
		10-11	11-12	12-13	13-14	14-15	15-16
12	Encourage mechanisms for employee participation.	N					
13	Stakeholder access to company information on a timely and regular basis to enable them to participate in the corporate governance process	C					
14	Whistle blower mechanism.	C	C	C	C	C	C

Disclosure and Transparency :
Measures to ensure timely and accurate disclosure of all material matters.

S N	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website(2010-16)					
		10-11	11-12	12-13	13-14	14-15	15-16
15	Preparation and disclosure of financial and non-financial information in accordance with prescribed standards on accounting.	C					
16	Channel for disseminating information should provide equal and cost-effective access to relevant information by users.	C					
17	Maintain minutes of meetings explicitly recording dissenting opinion.	Not verifiable					
18	Implementation of accounting standards and conduct of audit by independent competent and qualified auditor.	C					

Board of Directors :
The composition of the Board :

SN	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website (2010-16)					
		10-11	11-12	12-13	13-14	14-15	15-16
19	Not less than fifty per cent of Board of Directors comprising non-executive directors with at least one women director. (wef.1/4/2015)	C	C	C	C	C	C
20	Where the chairman is a non- executive director one-third of the board should be independent directors. Otherwise half should be independent directors.	C	C	C	C	C	C

Limit on number of directorships:

S N	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website(2010-16).					
		10-11	11-12	12-13	13-14	14-15	15-16
21	A person shall not serve as an independent director in more than seven listed companies.	C					

<table>
<tr><th rowspan="2">S N</th><th rowspan="2">Compliance required as per clause 49/LODR</th><th colspan="6">Indication of compliance from annual report/ website(2010-16).</th></tr>
<tr><th>10-11</th><th>11-12</th><th>12-13</th><th>13-14</th><th>14-15</th><th>15-16</th></tr>
<tr><td>22</td><td>Any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than three listed companies.</td><td colspan="6">C</td></tr>
</table>

Maximum Tenure of Independent Director:

<table>
<tr><th rowspan="2">Sl No</th><th rowspan="2">Compliance required as per clause 49/LODR</th><th colspan="6">Indication of compliance from annual report/ website(2010-16).</th></tr>
<tr><th>10-11</th><th>11-12</th><th>12-13</th><th>13-14</th><th>14-15</th><th>15-16</th></tr>
<tr><td>24</td><td>Terms and conditions of appointment shall be disclosed on company's website.</td><td colspan="3">C</td><td colspan="3">C</td></tr>
<tr><td>25</td><td>Nomination committee shall lay down evaluation criteria for performance evaluation of independent directors. Disclose such criteria in annual report.</td><td colspan="3">C</td><td colspan="3">C</td></tr>
<tr><td>26</td><td>Separate meetings of independent directors.</td><td>N</td><td>N</td><td>N</td><td>N</td><td>C</td><td>C</td></tr>
<tr><td>27</td><td>Conduct of familiarization program to independent directors. Details of the same shall be provided in website and a web link thereto is given in annual report.</td><td>N</td><td>N</td><td>N</td><td>N</td><td>C</td><td>C</td></tr>
</table>

Non-executive Directors' compensation and disclosures :

<table>
<tr><th rowspan="2">Sl No</th><th rowspan="2">Compliance required as per clause 49/LODR</th><th colspan="6">Indication of compliance from annual report/ website(2010-16).</th></tr>
<tr><th>10-11</th><th>11-12</th><th>12-13</th><th>13-14</th><th>14-15</th><th>]15-16</th></tr>
<tr><td>28</td><td>All fees / compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting.</td><td>C</td><td>C</td><td>C</td><td>C</td><td>C</td><td>C</td></tr>
</table>

Other Provisions as to Board Committees :

<table>
<tr><th rowspan="2">Sl No</th><th rowspan="2">Compliance required as per clause 49/LODR</th><th colspan="6">Indication of compliance from annual report/ website(2010-16).</th></tr>
<tr><th>10-11</th><th>11-12</th><th>12-13</th><th>13-14</th><th>14-15</th><th>15-16</th></tr>
<tr><td>29</td><td>The Board shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings</td><td>C</td><td>C</td><td>C</td><td>C</td><td>C</td><td>C</td></tr>
<tr><td>30</td><td>A director shall not be a member of more than ten committees and chairman of more than five committees.</td><td>C</td><td>C</td><td>C</td><td>C</td><td>C</td><td>C</td></tr>
<tr><td>31</td><td>Review of compliance report of applicable laws by the board.</td><td colspan="4">N</td><td>C</td><td>C</td></tr>
<tr><td>32</td><td>Vacancy of independent director shall be filled at the earliest but not later than immediate next board meeting or three months from date of such vacancy, whichever is later.</td><td colspan="6">Not verifiable</td></tr>
</table>

Code of Conduct :

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
33	Board shall lay down code of conduct for Board members and managers and shall be posted the same on company's website.	C					
34	Declaration by CEO on compliance with code of conduct by board members and management.	C	C	C	C	C	C
35	The code of conduct shall suitably incorporate duties of independent directors as specified in schedule IV of Companies Act2013.	C					

Audit Committee:
Qualified and Independent Audit Committee:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
36	Minimum three directors as members with two third of them being independent directors.	C	C	C	C	C	C
37	All are financially literate and at least one has expertise in accounting or financial management.	C	C	C	C	C	C
38	Chairman of audit committee independent director.	C	C	C	C	C	C
39	Presence of chairman of audit committee at AGM to answer shareholder queries.	C	C	C	C	C	C
40	finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee;	C	C	C	C	C	C
41	Company secretary act as secretary to the audit committee.	C	C	C	C	C	C
42	Meetings- at least four times a year not more than four months between two meetings. Quorum- two members or one third of members whichever is greater, at least two independent members being present.	C	C	C	C	C	C
43	Powers and role of audit committee.	All the roles specified by clause 49 are listed in annual report as such.					

Nomination and Remuneration Committee:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website(2010-16).					
		10-11	11-12	12-13	13-14	14-15	15-16
44	Constitute NRC with minimum three directors all are non executive at least half being independent directors. Chairperson of the company shall not chair such committee.	C	C	C	C	C	C

Subsidiary Companies:

There are provisions regarding directorship, arrangement with subsidiaries, and disposal of assets or shares of material subsidiary. All these provisions become not applicable to this specific case as this company does not have any material non listed Indian subsidiary.

Risk Management:

S N	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
45	Company should have risk assessment and minimization procedures.	C	C	C	C	C	C
46	Constitute risk management committee with majority members are members of board of directors. Senior executive can be members to the committee but chairman of the committee should be a director of the company.	C	C	C	C	C	C

Related Party Transactions:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
47	Company shall formulate a policy on materiality of related party transactions and also on dealing with related party.	Policy on dealing with related party transactions is available on the website of the Company (URL: www.tcs.com/investors). Fully Complied.					

Disclosures:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
48	Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.	C	C	C	C	C	C
49	If there is any deviation from accounting standard, the fact of deviation along with management's explanation on it should be shown in Corporate Governance report.	C	C	C	C	C	C
50	All pecuniary relationship or transactions of the non-executive director's vis-à-vis the company shall be disclosed in the Annual Report.	C	C	C	C	C	C
51	All elements of remuneration package of individual directors	C	C	C	C	C	C

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
52	Details of fixed component along with performance linked components	C	C	C	C	C	C
53	Service contracts, notice period, severance fees.	C	C	C	C	C	C
54	Details of stock options to directors	C	C	C	C	C	C
55	Publish criteria on making payments to non executive directors.	C	C	C	C	C	C
56	Disclose details of shareholdings by non executive directors in annual report.	C	C	C	C	C	C
57	Management discussion and analysis report should form part of annual report and should include discussion on specified matters.	C	C	C	C	C	C
58	Code of conduct to senior management and BoD shall be disclosed on the website.	URL http://www.tcs.com/investors/corp_governance/Documents/TCS_Directors_Policy.pdf.					
59	On appointment of a new director all relevant details concerning director should be provided to shareholders in the form of notice.	C	C	C	C	C	C
60	Disclosure of relationship between directors inter se shall be made in annual report.	Not mentioned	Not mentioned	Not mentioned	Not mentioned	C	C
61	Quarterly results and presentations made to analysts shall be hosted on website.	C					
62	Constitution of stakeholder relationship committee	N	N	N	N	C	C

Report on Corporate Governace:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
63	Corporate governance report forming part of annual report. Incorporate non compliance of mandatory requirements along with reason thereof and the extent to which non mandatory requirements have been adopted.	C	C	C	C	C	C
64	Quarterly compliance report to be submitted to within 15 days from the close of quarter	There on website					

Compliance:

Sl No	Compliance required as per clause 49/LODR	Indication of compliance from annual report/ website					
		10-11	11-12	12-13	13-14	14-15	15-16
65	Corporate governance compliance certificate obtained either from auditors or from company secretary in practice sent annually to shareholders and stock exchanges along with annual report filed by the company.	C	C	C	C	C	C

*C Fully complied
**N Not complied
