

A Study on Corporate Governance Policies in Hcl Technologies & Infosys

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ABSTRACT

Banking sector plays a significant role in India to transform economy towards self sufficiency hence the corporate governance of the banking sector is significantly important. There is a need for the development of new policy framework on corporate governance as well as the proper implementation of existing laws, regulations and guidelines with the equal participation of all relevant stakeholders. Corporate governance has become a topic of increasing interest among the policy makers since it looks at the relationship between the board of directors, shareholders and management. Practice of good governance is important for the better performance of the organizations as can be seen from the analysis of shareholder's perspectives which shows that high disclosure and stronger enforcement is required for better governance in the bank.

Introduction

Corporate governance reform is an important aspect of broader reforms aimed at securing an environment attractive to both domestic and foreign investors and that enhances the benefits of investment to society. As the Preamble to the OECD Principles of Corporate Governance states, "The degree to which corporations observe basic principles of good corporate governance is an increasingly important factor for investment decisions. Of particular relevance is the relation between corporate governance practices and the increasingly international character of investment. International flows of capital enable companies to access financing from

a much larger pool of investors. If countries are to reap the full benefits of the global capital market, and if they are to attract long-term „patient“ capital, corporate governance arrangements must be credible, well understood across borders and adhere to internationally accepted principles. Even if corporations do not rely primarily on foreign sources of capital, adhering to good corporate governance practices will help improve the confidence of domestic investors, reduce the cost of capital, underpin the good functioning of financial markets, and ultimately induce more stable sources of financing."

It is not only the absolute amount of available capital that will determine the

ability to increase economic welfare through capital formation. Equally important is the effectiveness with which it is allocated among alternative investment opportunities and, not least, how well the corporation's final use of it is actually monitored. If household savings and available corporate funds do not reach their best possible use, society will forgo opportunities that would have generated additional economic welfare. Under such circumstances, entrepreneurs will not find appropriate funding for profitable projects, existing companies will not be able to expand their operations, and potentially profitable innovations will never be commercialised. Moreover, necessary restructuring of individual companies and entire industries will be impaired, and productive assets will be locked into underperforming activities.

HCL Technologies

HCL Technologies Limited is an Indian multinational IT services company, headquartered in Noida, Uttar Pradesh, India. It is a subsidiary of HCL Enterprise. Originally a research and development division of HCL, it emerged as an independent company in 1991 when HCL ventured into the software services business. HCL Technologies (the abbreviation of Hindustan Computers Limited) offers services including IT consulting, enterprise transformation,

remote infrastructure management, engineering and R&D, and business process outsourcing (BPO). HCL also provides services such as DRYiCE, Cybersecurity and Digital & Analytics.

The company has offices in 34 countries including the United States, France and Germany, and the United Kingdom. It operates across sectors including aerospace and defense, automotive, consumer electronics, energy and utilities, financial services, government, industrial manufacturing, life sciences and healthcare, media and entertainment, mining and natural resources, public services, retail and consumer, semiconductor, server and storage, telecom, and travel, transportation, logistics, and hospitality.

HCL Technologies is on the Forbes Global 2000 list. It is among the top 20 largest publicly traded companies in India with a market capitalisation of \$18.7 billion as of May 2017. As of September 2017, the company, along with its subsidiaries, had a consolidated revenue of \$7.4 billion

Corporate governance in HCL Technologies

Good governance facilitates efficient, effective and entrepreneurial management that can deliver stakeholders value over the

longer term. It is about commitment to values and ethical business conduct. It is a set of laws, regulations, processes and customs affecting the way a company is directed, administrated, controlled or managed.

Good corporate governance underpins the success and integrity of the organizations, institutions and markets. It is one of the essential pillar for building efficient and sustainable environment.

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance practices stem from the culture and mindset of the organization. Effectiveness of the Corporate Governance in our Company depends on regular review, preferably regular independent review. As stakeholders across the globe evince keen interest in the practices and performance of companies, Corporate Governance has emerged on the centre stage.

HCL TECHNOLOGIES - PHILOSOPHY ON CODE OF GOVERNANCE

- Satisfy the spirit of the law and not just the letter of the law. Corporate Governance standards should go beyond the law.
- Be transparent and maintain a high degree of disclosures levels. When in doubt, disclose it.
- Make a clear distinction between personal convenience and corporate resources.

- Communicate externally, in a truthful manner, about how the Company is run internally.
- Have a simple and transparent corporate structure driven solely by business needs.
- Comply with the laws in all the countries in which we operate.
- Management is the trustee of the shareholders' capital and not the owner.

CORPORATE GOVERNANCE - A SNAPSHOT

Corporate Governance is prepared under Clause 49 of Listing Agreement with Indian Stock Exchanges. Some of the important sections of the Corporate Governance are:

- Board of Directors
- Board Committees
- Code of Conduct
- Anti Bribery and Anti Corruption Policy
- Code for Prevention of Insider Trading
- Sexual Harassment Policy
- Whistle Blower Policy
- Investors Satisfaction Survey

HCL CORPORATE GOVERNANCE POLICIES

- Code of Business Ethics and Conduct (COBEC)
- Anti Bribery & Anti Corruption Policy (ABACP)
- Corporate Social Responsibility Policy

- Policy for determining Material Subsidiary
- Whistle Blower Policy
- Related Party Policy
- Fair Disclosure Code
- Familiarisation Programme for Independent
- Letter of Appointment of Independent Director
- Archive Policy
- Policy for Determination of materiality of Event or Information v4
- Composition of various committees of Board of Directors
- Criteria of making payments to Non Executive Directors
- Dividend Distribution Policy

Infosys

Established in 1981, Infosys is a NYSE listed global consulting and IT services company with more than 198,000 employees. From a capital of US\$250, we have grown to become a US\$10.5 billion (LTM Q2 FY18 revenues) company with a market capitalization of approximately US\$33.5 billion.

In our journey of over 35 years, we have catalyzed some of the major changes that have led to India's emergence as the global

destination for software services talent. We pioneered the Global Delivery Model and became the first IT company from India to be listed on NASDAQ. Our employee stock options program created some of India's first salaried millionaires.

More about the defining moments in the history of Infosys.

Milestones

2017

Infosys Board appoints Nandan Nilekani as Non-Executive Chairman of the Board

Pravin Rao appointed as Interim Chief Executive Officer and Managing Director

Board revised the capital allocation policy and decided to payout up to 70% of the free cash flow (net cash provided by operating activities less capital expenditure as per the consolidated statement of cash flows prepared under IFRS) as dividend.

2016

Touches revenues of US\$10 billion on an LTM basis

Infosys launches Infosys Mana (now part of Infosys Nia), a platform that brings machine learning together with the deep knowledge of an organization, to drive automation and innovation

Infosys Foundation USA partners with the National Science Foundation and DonorsChoose.org to pioneer a new model of public-private-community collaboration for computer science education

Infosys Launches Skava Commerce, a new standard for modern, mobile-first and modular e-commerce platforms

Infosys invests in Waterline Data, provider of data discovery and data governance software; Stellaris Venture Partners, an early-stage venture fund; UNSILO, an A.I. start-up focused on advanced text analysis; TidalScale, a provider of Software-Defined Servers

Corporate Governance policies in Infosys

Infosys has been a pioneer in benchmarking its corporate governance practice with the best in the world. Given below are the company's policies on corporate Governance.

- Board composition
- Board diversity
- Board meetings
- Code of Conduct and Ethics
- Corporate Policy Statement on Investor Relations
- Corporate Social Responsibility Policy

- Disclosures pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014
- Dividend Distribution
- Document retention and Archival Policy
- Familiarization program for Independent Directors
- Incentive Compensation Plan

Insider Trading Policy

Letter of Appointment of Independent Director

Management review and responsibility

Nomination and Remuneration Policy

Policy for Determining Materiality for Disclosures

Policy on Material Subsidiaries

Recoupment Policy

Related Party Transaction Policy

Shareholders

Statement under the United Kingdom Modern Slavery Act of 2015

Supplier Code of Conduct

Whistleblower Policy

Committee Charters and Corporate Governance Guidelines

Audit Committee Charter

Corporate Governance Guidelines

Corporate Social Responsibility Committee Charter

Finance and Investment Committee Charter

Nomination and Remuneration Committee Charter

Risk and Strategy Committee Charter
Stakeholders Relationship Committee
Committee of Directors

CONCLUSION

One of the challenges faced by both scholars of corporate governance and by organizations that intend to provide enabling frameworks for good corporate governance is the complexity of the relationships that exist between companies on one side and their shareholders, stakeholders and gatekeepers on the other side. This complexity seems to be one of the main reasons why corporate scandals still occur, despite the existence of an extensive academic literature on corporate governance and the sustained efforts by national as well as cross-national regulators over the last decades to improve corporate governance. The recent ‘credit crunch’ is a reminder that corporate governance at company and industry level, as well as regulation on corporate governance more widely, is deficient in the sense that it does not properly deal with the complex nature of these relationships and the potential conflicts of interests therein. Banks over the last few years have not only failed their shareholders, but also their customers, the taxpayer and society at large.

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