To,
Corporate Affairs,
Directorate for Financial and Enterprise Affairs, OECD

Subject: OECD Principles of Corporate Governance draft for public comment – November 2014: Comments of Stakeholders Empowerment Services (SES) India

Dear Sir,

Please find enclosed comments of Stakeholders Empowerment Services (SES) India on OECD PRINCIPLES OF CORPORATE GOVERNANCE DRAFT FOR PUBLIC COMMENT – 14th November, 2014.

Comments of SES are in italics to separate draft principles and in order to save space only main principles are reproduced. Wherever SES has not commented it indicates strong support of SES on that principle. These comments can be displayed online by OECD.

In case any clarification is needed or any further details are required please contact us at:

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ABOUT SES

Stakeholders Empowerment Services is a not-for-profit Corporate Governance research and advisory firm. SES believes that active participation of stakeholders in the Corporate Governance is a prerequisite for the Company's long-term sustainable growth. Therefore, SES works with investors to help them analyse governance practices prevalent at listed companies, educate them on matters that pertain to Corporate Governance and empower them through governance tools that facilitate meaningful participation in Corporate Governance. SES business model ensures complete independence and freedom from conflict. SES policy is to shun any activity which could have any perceived potential to compromise with independence and create potential conflict of interests. Our business model ensures that we place clients’ interests above our own and treat each client equally.
SES Comments on the Principles of Corporate Governance

I. ENSURING THE BASIS FOR AN EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK

*SES Comment:* Effective stakeholders’ participation must be part of corporate governance framework

*SES Comment:* Ultimately the end objective and end result should be to reduce avoidable risks for investors and improve investor confidence. The only risk remaining in the system shall be business risk of enterprise and risks relating to market infrastructure, which shall be handled by separate regulatory architecture. Effectively behaviour risks associated with promoters, controlling shareholders, Board Members, management and Auditors should be removed by appropriate legislation and penal provisions.

1. Effective corporate governance requires a sound legal, regulatory and institutional framework that market participants can rely on when they establish their private contractual relations.

*SES Comment:* SES does not support any private contractual relationship in listed corporates

*SES Comment:* SES agrees with the “comply or explain” principle, however SES does not support differentiating code for different companies, as it may become subjective.

A. The corporate governance framework should be developed with a view to its impact on overall economic performance, market integrity and the incentives it creates for market participants and the promotion of transparent and efficient markets.

*SES Comment:* While it may sound to be a good idea to have corporate governance framework which allows flexibility based on various factor, it does carry the risk of subjectivity and dilution of standards. And may end up incentivising the corporates to adopt structures which will enable them to follow diluted standards. Additionally, while it may sound a good idea to dilute standards of governance based on ownership pattern, in fact it would be disastrous for minority shareholders. If based on higher promoter ownership standards were to be reduced, it will in effect be causing maximum damage to minority. Minority needs higher protection where controlling shareholders have higher holding. Similarly for companies having low promoter or controlling shareholders holding, standards cannot be diluted as minority (Non-Controlling) would have higher stake.

B. The legal and regulatory requirements that affect corporate governance practices in a jurisdiction should be consistent with the rule of law, transparent and enforceable.

*SES Comment:* SES fully supports this principle.

C. The division of responsibilities among different authorities in a jurisdiction should be clearly articulated and ensure that the public interest is served.

*SES Comment:* SES fully supports this principle.
D. Stock markets should be regulated in a way that supports effective corporate governance.

*SES Comment:* Presently there is an inherent conflict of interest issue, especially in Indian Context where on one hand Stock Exchanges are perceived as first line regulator and have the responsibility of oversight on the other hand they have to promote business and participation of the very same people who they are regulating. A clear cut policy is required to address the conflict.

E. Supervisory, regulatory and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and objective manner. Moreover, their rulings should be timely, transparent and fully explained.

*SES Comment:* SES fully supports this principle.

F. Cross-border cooperation should be enhanced, including through bilateral and multilateral arrangements for exchange of information.

*SES Comment:* SES fully supports this principle.

II. The rights and equitable treatment of shareholders and key ownership functions

The corporate governance framework should protect and facilitate the exercise of shareholders’ rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

A. Basic shareholder rights should include the right to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant and material information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect and remove members of the board; and 6) share in the profits of the corporation.

B. Shareholders should be sufficiently informed about, and have the right to approve or participate in, and be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional shares; and 3) extraordinary transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company.

*SES Comments:* SES does support right of the Board and management to carry out day to day operations and would not recommend participation of shareholders to micro manage corporations. However, many a time the relationship of board, board members and controlling shareholders become very cosy and differentiation of role gets blurred. Controlling shareholders many a times becomes controller of board as well as management. There is
no effective separation of roles, duties and rights. Framework for effective separation of roles, powers and duties with equally effective penal.

C. SHAREHOLDERS SHOULD HAVE THE OPPORTUNITY TO PARTICIPATE EFFECTIVELY AND VOTE IN GENERAL SHAREHOLDER MEETINGS AND SHOULD BE INFORMED OF THE RULES, INCLUDING VOTING PROCEDURES THAT GOVERN GENERAL SHAREHOLDER MEETINGS:

1. Shareholders should be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting.

2. Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

SES Comments: Experience of SES does indicate that while most of the companies do follow the law, yet information to shareholders is not effective/efficient. While the document does indicate various tricks being used by companies to discourage participation, SES is of the opinion that the law should mandate following:

- All the relevant information shall be placed on website of the company concerned in INVESTOR INFORMATION section.
- The Information shall be placed in PDF Format with a prescribed font and text size. This may sound micro management, however practical experience tells that many a times information is placed on website in almost non readable form i.e. faint facsimile copy, Photo copy, small font etc.
- Many a times company states that document can be viewed by visiting registered office of the company between fixed times on fixed days. SES is of the opinion that such message clearly indicates that there is no intention to share information. If document can be viewed by visiting office, it should be available on website as well. It has both cost and time issue for shareholders. For companies it will also save cost as they will not have to allocate specific staff for such jobs and records will be permanent.

3. Shareholders should have the opportunity to ask questions to the board, including questions relating to the annual external audit, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.

SES Comment: SES fully supports this principle.

4. Effective shareholder participation in key corporate governance decisions, such as the nomination and election of board members, should be facilitated. Shareholders should be able to make their views known, including through votes at annual shareholder meetings, on the remuneration of board members and key executives. The equity component of compensation schemes for board members and employees should be subject to shareholder approval.

SES Comment: SES fully supports this principle.

SES comments: SES has noticed that in Indian companies controlling shareholders are able to extract ownership premium through differential remuneration system and differential payment of commissions. For the same professional responsibilities difference in remunerations are at times 40-50 times. While SES believes that there could be differential due to experience, qualification and other factors the differential has to be explained and decided based on objective parameters. SES also believes that at the top level (position of Managing Director,
Executive Director or Whole Time Director) if the differential is 50 times in remuneration and remuneration is objectively decided in that case it certainly indicates that the person who is underpaid is certainly not a fit person for the job. The fact that in almost all cases the overpaid person happens to be controlling shareholder or family member. In most cases family ends up distributing to themselves a major chunk of profit based commissions and board willingly approves it, not realising that by doing it they are sending signals of their incompetence and inefficiency. Otherwise how can concept of collective responsibility of board be explained when incentive for higher profit is taken by controlling shareholders and for any negative outcome board is changed but controlling shareholder having immunity continue forever. While SES agrees that regulators and law makers cannot mandate everything or prescribe things in a manner which will take shape of micro management. However code of conduct for board members is must and they should follow comply or explain principle.

5. Shareholders should be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.

**SES Comments:** SES is of the opinion that

a) Ownership of shares carries risk and reward. Only those who have risk of ownership shall be allowed to have a vote. Shares which are pledged for borrowing for personal use no longer indicates financial risk of the owners as major risk passes to the lenders. Therefore on pledged shares only lenders be allowed to vote and borrowers shall lose their right to vote.

b) Shares held by company either as treasury shares or ESOP trust shares shall not be voted.

c) All underlying shares for GDRs/ ADRs shall be allowed to vote by physical BO or proxy.

Process of appointing proxy should be simple and cost effective.

6. Impediments to cross border voting should be eliminated.

**SES Comment:** With electronic voting, notice and mandating all information availability on website of the company time may not be an issue any more. SES support voting rights to all shareholders.

D. SHAREHOLDERS, INCLUDING INSTITUTIONAL SHAREHOLDERS, SHOULD BE ALLOWED TO CONSULT WITH EACH OTHER ON ISSUES CONCERNING THEIR BASIC SHAREHOLDER RIGHTS AS DEFINED IN THE PRINCIPLES, SUBJECT TO EXCEPTIONS TO PREVENT ABUSE.

**SES Comment:** SES supports co-operation amongst shareholders as long as underlying objective is to improve governance and there is no hidden agenda. If an investor is having an agenda which has some other objective it should be disclosed upfront and in that case the investors collaborating shall follow all relevant regulations and make proper disclosures. In India MFs are mandated to declare their voting policy and adhere to the same while voting. Any deviation is to be explained. This reduces chances of any agenda based cooperation.

E. ALL SHAREHOLDERS OF THE SAME SERIES OF A CLASS SHOULD BE TREATED EQUALLY. CAPITAL STRUCTURES AND ARRANGEMENTS THAT ENABLE CERTAIN SHAREHOLDERS TO OBTAIN A DEGREE OF CONTROL DISPROPORTIONATE TO THEIR EQUITY OWNERSHIP SHOULD BE DISCLOSED.

**SES Comment:** SES is strongly against any disproportionate rights to any shareholder. Therefore it discourages shareholder agreements which affect shareholders other than those who are party to the agreement or arrangement e.g. agreement between two shareholders with right to appoint certain number of directors on board.
1. Within any series of a class, all shares should carry the same rights. All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase. Any changes in voting rights should be subject to approval by those classes of shares which are negatively affected.

SES Comment: SES supports one share one vote concept for each class of shares. The rights of different class of shares may be different but within same class there cannot be any discrimination.

2. The disclosure of capital structures and control arrangements should be required.

SES Comments: While SES agrees that full disclosure will enable investors to take informed decisions, However SES does not support any private arrangement between two shareholders. And is of the opinion that these private arrangements cannot dictate entire company and cannot be thrusted upon.

F. Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.

1. Conflicts of interest inherent in related-party transactions should be addressed.

SES Comment: SES is in agreement with the principle. However on practical side while the law provides for all possible precautions to prevent abusive related party transactions, the ground level situation reflects a sad story as following the law ethically and in its true spirit is in the hands of board and Audit committee. SES research indicates failure of Audit Committees and board in addressing the issue.

3.2. Abusive self-dealing should be prohibited

Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

SES Comment: SES supports the principle. However in India unfortunately the position is diluted and the Company law prohibits only the interested party from voting and not the related party.

G. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited.

SES comment: SES fully supports this principle. The issues highlighted are widely prevalent in India amongst listed companies. Board (members) rather than having interest of all shareholders in mind most of the time care for controlling shareholders as they get elected and paid at mercy of controlling shareholders. As stated earlier the board allows extracting ownership premium by controlling shareholders. Cross holding allows controlling shareholders to exercise disproportionate voting rights without matching risks.

40. Other common provisions to protect minority shareholders, which have proven effective, include pre-emptive rights in relation to share issues, qualified majorities for certain shareholder decisions and the possibility to use cumulative voting in electing members of the board. Under certain circumstances, some jurisdictions require or permit controlling shareholders to buy-out the remaining shareholders at a share-price that is established.
through an independent appraisal. This is particularly important when controlling shareholders decide to de-list an enterprise. Other means of improving minority shareholder rights include derivative (including multiple) and class action law suits. Some regulators have established complaint facilities, and some have the possibility to support lawsuits through disclosure of relevant information and/or funding. With the common aim of improving market credibility, the choice and ultimate design of different provisions to protect minority shareholders necessarily depends on the overall regulatory framework and the national legal system.

**SES Comment:** While the law for issue of further shares allowing pre-emptive right is intended to protect minority shareholders, SES does not agree that it has proved to be effective as far as Indian experience is concerned. Rarely minority shareholders are protected as can be seen by plethora of preferential share issue (not to be confused with Preference Shares) which allows controlling shareholders to issue shares to themselves and related parties diluting minority shareholders.

As regards establishment of price through an independent appraisal is concerned SES is of the opinion it is only a technical compliance with the law. All one needs to test this is to read a sample report and find for himself the ground level position. The law provides multilayer process, however all the four layers (as per Indian law) works in perfect harmony and never finding any issue.

**H. Markets for corporate control should be allowed to function in an efficient and transparent manner.**

1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets, should be clearly articulated and disclosed so that investors understand their rights and recourse. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.

2. Anti-take-over devices should not be used to shield management and the board from accountability.

**SES Comment:** SES agrees with the principle.

**III. Institutional investors, stock markets, and other intermediaries.**

The corporate governance framework should provide sound economic incentives throughout the investment chain and ensure that stock markets function in a way that contributes to good governance.

**SES Comment:** As long as investors owe a fiduciary duty to ultimate investors, in order to maximise returns and reduce risk it is must that the investors participate in governance process of the companies. The two reasons for which they may not prefer to do so is free rider issue and cost. Regulatory framework has to address these issues.

The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated.

**SES Comment:** SES fully supports this principle. SES, would however recommend that there should be complete harmony amongst regulators and regulations. In India while SEBI (Capital Market Regulator) has mandated voting policy disclosure and actual voting with explanation for Mutual Fund Industry other regulators (banking and Insurance) have not mandated the same. This creates uneven regulatory field. (Disclosure: This comment of SES should be read with the disclosure that although SES is a not for profit company, any mandatory provisions by other regulators in respect of voting could be a positive factor for SES business).
A. Institutional investors acting in a fiduciary capacity, including asset managers, should disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights. Disclosure of actual voting records is considered good practice, especially where an institution has a declared policy to vote.

*SES Comment:* SES agrees with the principle.

B. Votes should be cast by custodians or nominees in line with the directions of the beneficial owner of the shares.

*SES Comment:* SES fully supports this principle. In some jurisdictions there is a system of auto execute, which enables custodian to vote on shares held by Investors based on a third party proxy advisory services. SES is of the opinion that such third party advisory may be cost effective and may be of best quality still complete reliance runs against concept of stewardship and fiduciary duty. As ultimate investors trust the Institutional investors and not the third party proxy advisors. As voting rights are as important as economic rights and buy sell decision cannot be put on auto execute mode based on third party research in similar manner voting cannot be outsourced.

C. Institutional investors acting in a fiduciary capacity, including asset managers, should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.

*SES Comment:* SES fully supports this principle.

D. The corporate governance framework should ensure proxy advisors, analysts, brokers, rating agencies and others, that provide analysis or advice relevant to decisions by investors, disclose and minimize conflicts of interest that might compromise the integrity of their analysis or advice.

*SES Comment:* SES fully supports this principle. (Disclosure-SES is a not for profit company engaged in Proxy Advisory Services. Its founding principles have addressed all potential conflict situations. For details please see [http://www.sesgovernance.com/about-us.php](http://www.sesgovernance.com/about-us.php)

E. Insider trading and market manipulation should be prohibited and the applicable rules enforced.

*SES Comment:* SES fully supports this principle.

F. For companies who are listed in a jurisdiction other than their jurisdiction of incorporation, the applicable corporate governance laws and regulations should be clearly disclosed. In the case of cross listings, the criteria and procedure for recognizing the listing requirements of the primary listing should be transparent and documented.

*SES Comment:* SES fully supports this principle.
G. The structure and functioning of stock exchanges and trading venues should ensure efficient and fair price formation as a basis for effective corporate governance.

*SES Comment:* SES fully supports this principle.

IV. THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE.

The corporate governance framework should recognise the rights of stakeholders established by law, international agreements or through mutual agreements, and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

*SES Comment:* SES fully supports this principle.

A. The rights of stakeholders that are established by law or through mutual agreements are to be respected.

*SES Comment:* SES fully supports this principle with the exception that rights that are established through mutual agreements between controlling or major shareholders with the exclusion of other shareholders should not be allowed and not respected as such mutual agreements give disproportionate rights. Agreements such as “as long as XYZ holds X% of shares they shall be allowed to have N board members and position of MD etc.,” are not to be respected.

B. Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

*SES Comment:* SES fully supports this principle.

C. Mechanisms for employee participation should be permitted to develop.

*SES Comment:* SES fully supports this principle with the exception that in jurisdictions like India employee education must precede these rights to have positive outcome else it might result in unintended outcome.

D. Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.

*SES Comment:* SES fully supports this principle.

E. Stakeholders, including individual employees and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and to the competent public authorities and their rights should not be compromised for doing this.

*SES Comment:* SES fully supports this principle.

F. The corporate governance framework should be complemented by an effective, efficient insolvency framework and by effective enforcement of creditor rights.

*SES Comment:* SES fully supports this principle.
V. DISCLOSURE AND TRANSPARENCY

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

SES Comment: SES fully supports this principle. Additionally SES advocates that there should be no information asymmetry between investors.

A. Disclosure should include, but not be limited to, material information on:

1. The financial and operating results of the company.

SES Comment: SES fully supports this principle.

2. Company objectives and non-financial information.

SES Comment: SES fully supports this principle.

3. Major share ownership, including ultimate beneficial owners, and voting rights.

SES Comment: SES fully supports this principle.

4. Remuneration of members of the board and key executives

SES Comment: SES fully supports this principle.

5. Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.

SES Comment: SES fully supports this principle.

6. Related party transactions.

SES Comment: SES fully supports this principle.

7. Foreseeable risk factors.

SES Comment: SES fully supports this principle.

8. Issues regarding employees and other stakeholders.

SES Comment: SES fully supports this principle.

9. Governance structures and policies, including the content of any corporate governance code or policy and the process by which it is implemented.

SES Comment: SES fully supports this principle.

B. Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial reporting.

SES Comment: SES fully supports this principle.
C. AN ANNUAL AUDIT SHOULD BE CONDUCTED BY AN INDEPENDENT, COMPETENT AND QUALIFIED, AUDITOR IN ORDER TO PROVIDE AN EXTERNAL AND OBJECTIVE ASSURANCE TO THE BOARD AND SHAREHOLDERS THAT THE FINANCIAL STATEMENTS FAIRLY REPRESENT THE FINANCIAL POSITION AND PERFORMANCE OF THE COMPANY IN ALL MATERIAL RESPECTS.

SES Comment: SES fully supports this principle.

D. EXTERNAL AUDITORS SHOULD BE ACCOUNTABLE TO THE SHAREHOLDERS AND OWE A DUTY TO THE COMPANY TO EXERCISE DUE PROFESSIONAL CARE IN THE CONDUCT OF THE AUDIT.

SES Comment: SES fully supports this principle.

E. CHANNELS FOR DISSEMINATING INFORMATION SHOULD PROVIDE FOR EQUAL, TIMELY AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION BY USERS.

SES Comment: SES fully supports this principle.

VI. THE RESPONSIBILITIES OF THE BOARD

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the company and the shareholders.

SES Comment: SES fully supports this principle.

A. BOARD MEMBERS SHOULD ACT ON A FULLY INFORMED BASIS, IN GOOD FAITH, WITH DUE DILIGENCE AND CARE, AND IN THE BEST INTEREST OF THE COMPANY AND THE SHAREHOLDERS.

SES Comment: SES fully supports this principle.

B. WHERE BOARD DECISIONS MAY AFFECT DIFFERENT SHAREHOLDER GROUPS DIFFERENTLY, THE BOARD SHOULD TREAT ALL SHAREHOLDERS FAIRLY.

SES Comment: SES fully supports this principle.

C. THE BOARD SHOULD APPLY HIGH ETHICAL STANDARDS. IT SHOULD TAKE INTO ACCOUNT THE INTERESTS OF STAKEHOLDERS.

SES Comment: SES fully supports this principle.

D. THE BOARD SHOULD FULFIL CERTAIN KEY FUNCTIONS, INCLUDING:

1. Reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.

SES Comment: SES fully supports this principle.

2. Monitoring the effectiveness of the company’s governance practices and making changes as needed.

SES Comment: SES fully supports this principle.
3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.

**SES Comment:** SES fully supports this principle.

4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.

**SES Comment:** SES fully supports this principle.

5. Ensuring a formal and transparent board nomination and election process.

**SES Comment:** SES fully supports this principle.

6. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

**SES Comment:** SES fully supports this principle.

7. Ensuring the integrity of the corporation’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards. Large companies should be encouraged to put in place an internal audit function and an audit committee of the board to oversee the effectiveness and integrity of the internal control system.

**SES Comment:** SES fully supports this principle.

8. Overseeing the process of disclosure and communications.

**SES Comment:** SES fully supports this principle.

**E. THE BOARD SHOULD BE ABLE TO EXERCISE OBJECTIVE INDEPENDENT JUDGMENT ON CORPORATE AFFAIRS.**

**SES Comment:** SES fully supports this principle.

1. Boards should consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are ensuring the integrity of financial and non-financial reporting, the review of related party transactions, nomination of board members and key executives, and board remuneration.

**SES Comment:** SES fully supports this principle.

2. Boards should consider setting up specialised committees to support the full board in performing its functions, particularly in respect to audit, but, depending upon the company’s size and risk profile, also in respect to risk management and remuneration. When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.

**SES Comment:** SES fully supports this principle.

3. Board members should be able to commit themselves effectively to their responsibilities.
SES Comment: SES fully supports this principle.

4. Boards of large companies should regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences.

SES Comment: SES fully supports this principle.

F. In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.

SES Comment: SES fully supports this principle.

G. When employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of board skills, information and independence.

SES Comment: SES fully supports this principle.