BOARD STEWARDSHIP

Enabling Future Boards

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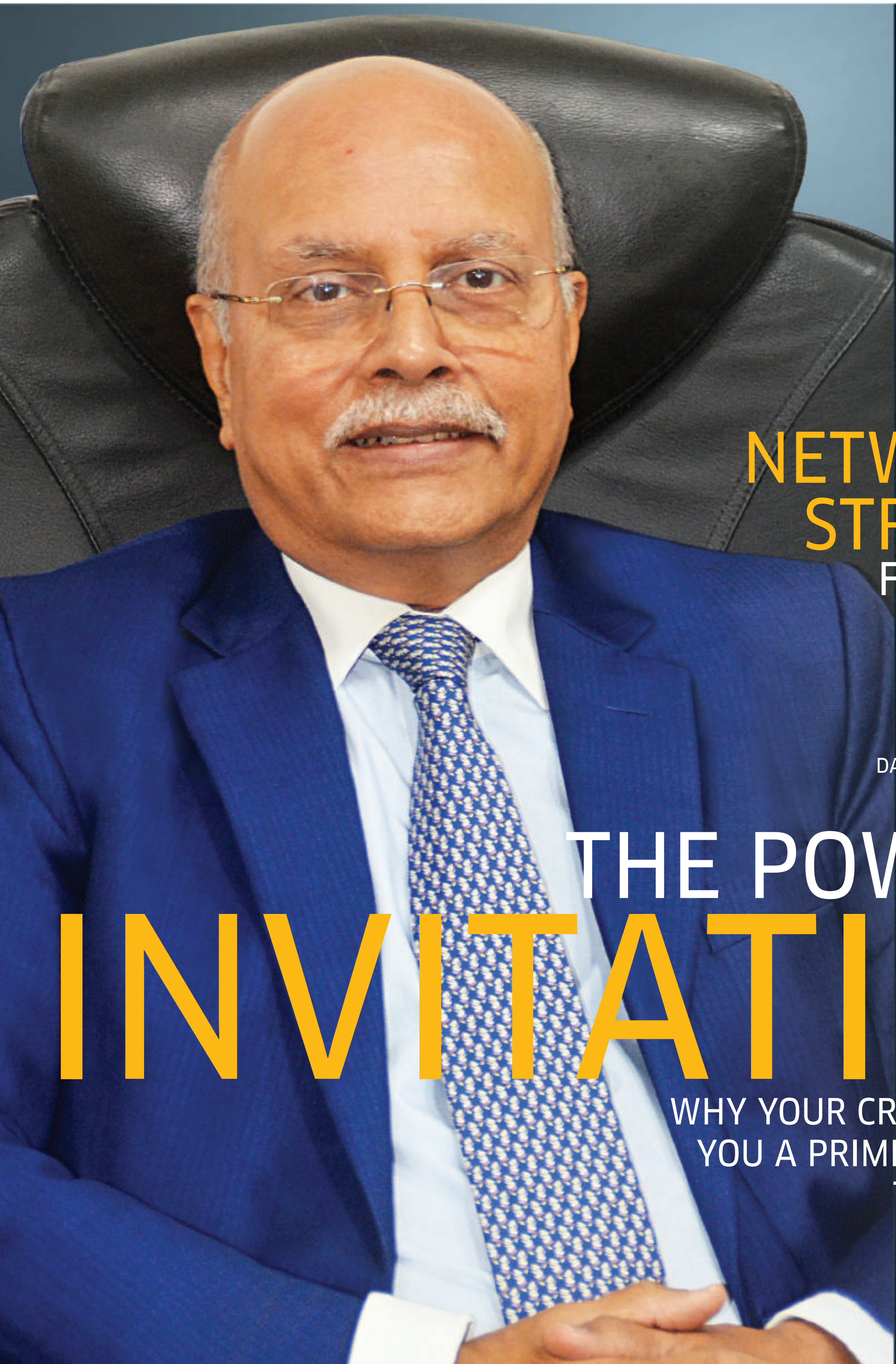


NETWORKING STRATEGIES FOR SECURING BOARD POSITIONS

BY GUEST EDITOR-
PALLAVI JHA, CMD,
DALE CARNEGIE TRAINING INDIA

THE POWER OF INVITATION

WHY YOUR CREDIBILITY MAKES YOU A PRIME CANDIDATE FOR THE BOARDROOM

DNV

Whether certifying products, sharing claims or optimizing and decarbonizing supply chains, DNV helps companies manage risks and realize their long-term strategic goals, improving ESG performance and generating lasting, sustainable results. Combining sustainability, supply chain and digital expertise, DNV works to create new assurance models enabling interaction and transaction transparency across value chains. Drawing on our wide technical and industry expertise, we work with companies worldwide to bridge trust gaps among consumers, producers and suppliers.

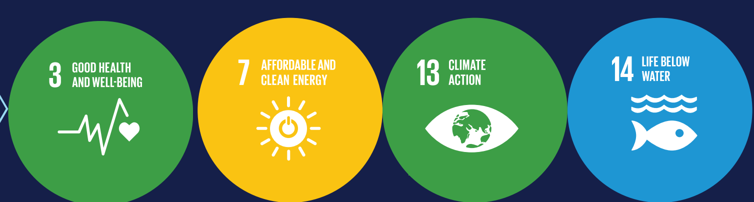
Our Service Portfolio >>>

- Sustainability
- Supply Chain
- Governance
- Product Assurance
- Sustainable Finance
- Risk Management
- Digital Assurance
- Circularity and Recycling
- Cybersecurity

DNV 's ESG due diligence assessments can inform business decisions and strategy at many levels in an organisation and across different growth areas, zones, business units etc. Through experience we have developed and follow a number of principles that ensure ESG assessments produce insights that are helpful for mitigating risks.

By 2025, we will:

- Reduce our carbon footprint by 50%
- Switch to 100% renewable electricity
- Become climate positive
- Help our customers to decarbonise
- Make an impact on SDGs 3, 7, 13 and 14



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The New Era Boards

The 5 trillion-dollar economy target for India outlined by Prime Minister Narendra Modi is in sight, requiring increased capital and investments in the country. An environmental, social, and governance (ESG) compliant funding environment will be a key to achieving a successful corporate governance landscape, one that requires independent directors on boards of companies more than ever before.

Regulatory authorities have put laws in place for role of independent directors, while organisations such as the Institute of Company Secretaries of India (ICSI), the Indian Institute of Corporate Affairs (IICA) and the Institute of Directors (IOD) India, among others, are playing a significant role in enhancing the capacity and quality of such directors. The biggest challenge has been the lack of an online platform that serves as a hub for board members, hence that is inspiring and engaging is so important in promoting better learning and collaboration.

This e-magazine and our website are here to help improve ESG understanding for our readers, while making sure the language is easy to understand.

Our monthly e-magazine is a source of both motivation and insight. We relay stories highlighting the successes of esteemed independent directors, CEOs, CFOs, and Chief Compliance Officers, as well as accounts highlighting the challenges faced by new independent directors.

Our mission is to encourage companies to professionalise their boards, to provide guidance for aspiring independent directors in terms of training, certification, and data banks, and to bring service providers from the board and board community together on one platform, Board Stewardship e-magazine, to promote enhanced performance.

This month's cover story is about an inspiration and mentor to thousands, Mr. Shailesh Haribhakti, who has achieved tremendous success at a young age, with his appointment as a non-executive director on a Heritage PSU board and now with his appointment to the distinguished board of a top decacorn start-up ,Swiggy as an Independent Director, he has. become an icon.

Our Guest Editor for the month is Ms Pallavi Jha, Chairperson and Managing Director of Dale Carnegie Training India, who has successfully brought the world's leading networking brand to India. As aspiring Independent Directors require strong networking skills, Ms Jha is an ideal mentor who can guide our readers how to positively engage with others, win friends, and influence people - all essential for their success.

Other renowned contributors to the magazine have imparted their specialised knowledge to make the board journey enjoyable and beneficial for our readers.

Wishing you a happy board journey and looking forward to your feedback to make it better for you!

Vikesh
Wallia
Managing Director & Editor Board Stewardship

NETWORKING STRATEGIES FOR SECURING BOARD POSITIONS

GUEST EDITOR

Pallavi Jha

Networking is an essential aspect of professional success, and it is especially important when it comes to securing board positions. Board positions are highly coveted and often competitive, with numerous qualified candidates vying for limited spots. Therefore, networking can give you the edge you need to stand out from the competition and secure your desired position.

Networking can take many forms, including attending conferences, participating in professional associations, volunteering, and connecting with industry leaders through social media. By building relationships with professionals in your field, you can gain valuable insights into industry trends, stay up-to-date with the latest developments, and identify potential board positions.

One of the best ways to network for board positions is to attend industry conferences and events. These gatherings provide opportunities to meet with professionals in your field and learn about the latest trends and developments. By attending these events, you can also build relationships with industry leaders and demonstrate your expertise and qualifications.

Professional associations are also excellent networking opportunities. Many associations host events and conferences, providing opportunities to connect with other professionals in your field. By joining a professional association, you can also gain access to job boards and other resources that may help you secure a board position.

Volunteering is another excellent way to network for board positions. By volunteering for a non-profit or community organisation, you can build relationships with other professionals who share your values and interests. You can also gain valuable experience and demonstrate your commitment to service, which may be attractive to board members.

Social media is another powerful tool for networking. By connecting with other professionals on LinkedIn or Twitter, you can build relationships and stay informed about industry news and developments. You can also use social media to showcase your expertise and qualifications by sharing relevant content and engaging in discussions with other professionals.

In addition to these networking strategies, it is essential to develop a personal brand that communicates your unique value proposition. Your personal brand should reflect your expertise, qualifications, and values, and it should differentiate you from other candidates. By developing a strong personal brand, you can attract the attention of board members and position yourself as a top candidate for board positions.

In conclusion, networking is critical when it comes to securing board positions. By attending conferences, participating in professional associations, volunteering, connecting with industry leaders through social media, and developing a personal brand, you can position yourself as a top candidate and stand out from the competition. Remember that networking is a long-term strategy that requires patience, persistence, and consistency. With the right approach, you can build a strong network of professionals in your field and secure your desired board position.

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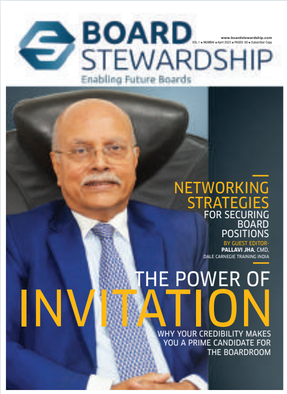

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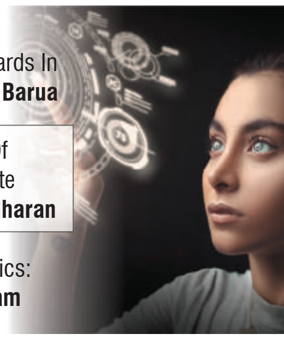

NEWSLETTER

BOARD STEWARDSHIP
Enabling Future Boards

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DAA CONSULTING

Key Appointments & Resignations - March 2023

Uday Kotak to serve as Non-Executive Director effective January 2024

Kotak Mahindra Bank has requested approval from its shareholders to appoint Uday Kotak as a non-executive director for a term of five years after he ends his tenure as MD and CEO on December 31, 2023, according to an exchange filing by the bank. The board meeting on March 18, 2023, approved the appointment of Kotak as a non-independent director for five years.

Bajaj Fin. appoints Arindam Bhattacharya as an Independent Director

Bajaj Finance has appointed Arindam Bhattacharya as an independent director of the firm. He was the Senior Advisor and a BCG Henderson Institute Alumni Fellow. He led BCG in India and was a member of the global leadership team of BCG's Industrial Goods practice led the Industrial Goods practice in India. He was also the co-leader of BCG's Global Advantage Initiative and a co-founder and Director of the BCG Henderson Institute.

Ranjay Gulati appointed Independent Director on HUL Board

Ranjay Gulati, 61, has been named an Independent Director on the Board of Hindustan Unilever Limited (HUL), beginning April 1st, 2023. Mr. Gulati, who is currently a professor at Harvard Business School, has a deep understanding of business strategy. He is an authority in "Organisational Growth."

ICICI Bank appoints Prachiti Lalingkar as CS & Compliance Officer

ICICI Bank has appointed Ms. Prachiti Lalingkar as Company Secretary & Compliance Officer. She is part of ICICI Group since 2006, starting her career with ICICI Securities Primary Dealership Limited. Prachiti moved to ICICI Bank in September 2021 and has been part of the Bank's Leadership Team.

Godrej Agrovet appoints Ritu Verma as an Independent Director

Godrej Agrovet Limited, the agribusiness arm of the diversified Godrej Group, announced the appointment of Ritu Verma as an Independent Director on the company's Board, with effect from January 27, 2023. Ritu Verma is the co-founder and Managing Partner at Ankur Capital – an early-stage venture capital firm.

Lokesh Chandak - Procter & Gamble Health Ltd.

Procter & Gamble Health appoints Lokesh Chandak as CFO and additional Executive Director. He has worked with the company for 13 years across 3 geographies. Lokesh is a qualified Chartered Accountant and Company Secretary with an experience of more than 15 years.

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Key Corporate Governance News – March 2023

Contagion risks loom over 2 Adani companies: Fitch

Rating agency Fitch said that two Adani Group subsidiaries Adani Transmission and Adani Ports & SEZ are prone to risk which could affect financial flexibility. The rating agency while affirming the BBB- rating, said that the subsidiaries are exposed to heightened contagion risks as a result of governance weakness at the holding company level. However, Fitch highlighted that contagion risk is lower and added that the rating won't be constrained at BBB- levels at this stage if other factors driving their credit quality improved.

Sebi rationalises ESG disclosures, reduces 800 parameters to under 50

The Securities and Exchange Board of India (Sebi) on March 29 introduced BRSR Core as the regulatory framework for environmental, social, and governance (ESG) disclosures by top listed companies. The disclosures have been brought down from 800 parameters in the global standards to under 50 performance indicators under the Business Responsibility and Sustainability Report core.

Egon Zhender to search for Kotak's successor

The board of Kotak Mahindra Bank has hired consultancy company Egon Zehnder to oversee a global search for a new CEO to succeed its billionaire founder Uday Kotak. Shanti Ekambaram and KVS Manian are group presidents and full-time directors who are reportedly being considered for the position, according to a news article that cited people with knowledge of the situation. But, the board has broadened its search to include qualified outside candidates as well.

Silicon Valley Bank failure triggers a banking crisis

The bank, which had $212 billion in assets, abruptly failed on March 10th, making it the largest institution to fall since the world financial crisis of 2007–2009. The majority of SVB's depositors were Bay Area tech entrepreneurs, with accounts containing far more than $250,000 in federally insured funds. The bank's failure triggered a sell-off in banking stocks across Europe and the US as doubts were raised about the ability of the banks' balance sheets to withstand a steep rise in interest rates.

UBS acquires Credit Suisse

As the crisis of confidence gripped the banking sector, top European lender Credit Suisse Group AG became the biggest casualty of the contagion. This ended the global financial institution's 166-year-old rich history. UBS Group AG bought the crisis-hit bank in a historic deal that the Swiss National Bank brokered.

MR SHAILESH HARIBHAKTI is an iconic board leader who has achieved success across multiple boards, from heritage PSU to decacorn start-up. He is a premier financial advisor and a sought-after boardroom director with a strong track record of decision-making and strategic guidance. His enthusiasm for business and leading organisations is unparalleled. He spoke to Team Board Stewardship about the steps one needs to take to become a successful independent director

The Power of Invitation

Why your credibility makes you a prime candidate for the boardroom

A BOARD JOURNEY OF 29-YEARS YOUNG NON-EXECUTIVE DIRECTOR IN A PSU TO INDEPENDENT DIRECTOR AT A YOUNGEST DECACORN START-UP-SWIGGY!

Could you share with our readers the personal journey you have taken from the start of your non-executive director journey at age 25 to being an independent director on the Swiggy board today?

The Indian corporate landscape was radically transformed in the 1980s, when public sector organisations such as the General Insurance Corporation of India began embracing opportunities in the private sector. This period saw the creation of several regulatory bodies, such as the Securities and Exchange Board of India. It was also a time of learning; we developed more refined approaches to governance and expanded our vision of corporate objectives.

Nowadays, only a fraction of large companies is owned by public sector banks or other public entities, while global investors are driving the success of businesses like Swiggy, with a board composed of influential executives from around the world. Going forward, boards should increasingly include a balanced mix of members from within the company and external independent professionals, leading the way to an improved standard ofcorporate governance in India.

So as far as the market regulator SEBI is concerned, what more do you think SEBI needs to do to enhance corporate governance in India?

SEBI has been a major supporter of raising the quality of governance across the country. With committees that represent a wide range of economic interests, including banking and industry, academics, public, and private sectors, SEBI has created value. Additionally, through the EODR mechanism, SEBI has tightened governance and regulatory frameworks, with transparent roles for Audit, CSR, and Risk Management Committees.

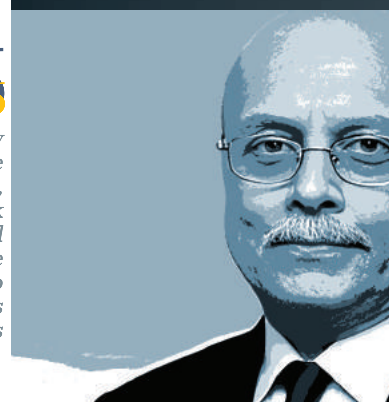
These measures have enabled greater trust and security for investors, through enforcement of insider trading avoidance, fair related party transactions, nondisclosure, timely disclosure, and other regulations. As such, board members now have a stronger sense of empowerment, allowing them to ask the right questions and take the appropriate leadership in order to ensure best outcomes for all stakeholders.

Do you think the role of women directors, have undergone any change since SEBI reserved a quota for them?

The progress being made towards diversity in the boardroom is remarkable and inspiring. From just a single female director being required, now at least two are expected to be part of any executive team. This has changed the dynamic in meetings; many more women are now prepared and confident to contribute to discussions, and the overall atmosphere is one of discipline, respect and better planning. Statistics show that in some areas, up to 50% of the boardrooms now consist of women, and these have been found to function brilliantly. As an example, some boardrooms have reached full gender parity, resulting in the elevation of all women to presidential roles.

This highlights how there are areas where women are especially well-suited to lead, like in the protection and sustainability ofour planet and its future generations. By having more women on decision-making boards, the decisions that are made can be from a perspective of care and nurturing, to ensure that the right actions are taken for the benefit of present and future generations.

Board members now have a stronger sense of empowerment, allowing them to ask the right questions and take the appropriate leadership in order to ensure best outcomes for all stakeholders



What are the steps that you think the Ministry of Corporate Affairs should take to enhance corporate governance in India?

The Ministry of Corporate Affairs have been working in close collaboration with all industries, developing a strong reverence for the regulatory framework. Gone are the days of debating the differences between legal instructions and corporate regulations, as there is now a global synchronism of legal parameters to satisfy the obligations of independent directors, synchronised with the requirements of the Companies Act.

Do you believe that the role of independent directors has evolved since the Company Act 2013?

With the continuous evolution of the institution of independent directors, it is clear that their contributions are highly valued in our country. While we often hear and discuss the mishaps that occur, we must also recognise the countless good things that have resulted from the proper functioning of well-run corporations. I can personally attest to this, as I have been on boards for nearly 40 years, since I was 29. During this time, I have seen first-hand how strategic decisions made by boards can have a dramatic impact, ranging from the establishment of greenfield to the duplication of greenfield at various locations, or from brownfield projects.

Do you think the Ministry of CorporateAffairs needs to do more in regard to the liabilities of independent directors?
As an independent director, I do not have day-to-day knowledge of the decisions being made by the executive management and cannot therefore be held responsible for them. However, there is an increasing awareness of this displacement of responsibility and the law is making accommodations accordingly. To ensure proper implementation, awareness and sensitivity to the natural impediments must be raised.

How should boards prepare to deliver on the ESG expectations?
It is essential that boards become more informed and sensitive to the task at hand, such as understanding ESG (Environmental, Social, and Governance) initiatives. Creating awareness, setting priority, taking action, monitoring progress, and formulating a plan will help us build on the existing knowledge and use it proactively. However, it may take some time before we fully utilise all the learning opportunities available.

Do you believe that India's ESG reporting is at par with the global deliverable delivery?
India boasts world-class regulations that draw heavily from the framework. These thoroughly developed reporting standards have proven to be effective and demonstrate the value of our work.

Boards in India are taking the responsibility of appointing members seriously, with interviews, chemistry matches, skill assessments, and other considerations playing a role in the decision-making process

There are many who believe that the CSR should be merged with the ESG because it's more of a duplication now
The combination of statutory requirements and ESG initiatives is a natural process that should be allowed to evolve without the need for specific regulations. We should focus on positioning and communicating the good work being done and let it speak for itself.

Technology is seen as one of the big opportunities, also as one of the big threats to a lot of companies.So, how can boards balance, keep a balance between these two?
Technology is constantly evolving, and its effects are widespread. We used to speak of digital technology as the latest development, but now the conversation has shifted to quantum computing as only a handful of nations have the capabilities to support it. The rest of us must strive to keep up and find ways to harness this power without being overwhelmed by it.

So how can companies enhance the ethics and the value quotient in their boardrooms?
Ethics cannot be mandated or enforced; it needs to come from within. A mix of economic interests, balanced with strong leadership and an intolerance for any deviation from an ethical culture, is key to the successful evolution of a company.

What could be the main lesson to be learnt from Credit Suisse's experience with corporate governance?
I have recently had a meeting with the country's prime body of risk managers, and I shared with them my vision of ensuring that people across India are knowledgeable on the fundamentals of risk management. Through storytelling, examples, and education, I believe it is essential that individuals and organisations actively prepare for the inevitability of risks and accidents. Proactivity is a keyin order to minimise potential losses and maximise opportunities, and this can be achieved through the implementation of thorough safety protocols and risk management techniques.

What types of lessons do you think a senior director should be learning about corporate governance from SVB?
There are a variety of factors leading to the suffering of an important section of society, among them are inadequate risk management, bad politics, poor accounting practises and market conditions. We should take these issues as a learning opportunity and use them to improve our understanding of how to prevent similar mistakes in the future.

How is the board succession planning quotient in India?
Boards in India are taking the responsibility of appointing members seriously, with interviews, chemistry matches, skill assessments,

and other considerations playing a role in the decision-making process. It is no longer only about who people around the table would like to be appointed; careful thought and consideration is put into each board appointment to ensure the best fit for the role.

How can ID roles be made more remunerative?

I believe that the remuneration is reasonable and that we should temporarily allow it to remain this way while we examine changes. We should consider sitting fees at 100,000, which can be applied to each subcommittee, along with a 1% commission to compensate for extra work.

Is the evolution of Proxy Advisors moving in the right direction in India?

Proxy advisors in India are usually thorough in their research and provide balanced views of both sides of an issue before coming to a conclusion. Still, companies have the choice to disagree with their assessments without feeling pressure to conform. There are options for doing this in a dignified manner.

What more can Proxy Advisors can do in enhancing corporate Governance and safeguarding interest of small shareholders?

Minority shareholder rights are a pressing issue, and the board is instrumental in making sure these are understood and considered in current decisions, as well as those that may affect the future. Their recommendations help ensure an understanding of why certain choices are being made, providing a clear path forward.

What is your view on the availability of quality of Independent Directors talent in India today?

Sitting on many boards has given me the opportunity to share my beliefs on excellence: learning from one another, sharing experiences, and exhibiting mutual respect. I am truly delighted to be part of such an inspiring community.

How has MCA Data Bank for Independent Directors helped in attracting talent?

It is a critical step to ensure fairness and transparency in the voting process for selecting a director. An effective interview process is essential to understand how well the individual fits the purpose and mission of the organisation.

What is your estimate on the number of Independent Directors needed in India, what is the gap and how well is India geared to meet the gap in quantity and quality of Independent Directors?

According to the board's estimates, we should have between 5000 and 6000 qualified members available when the first 5-year term expires. With available qualified members in India, there should be no looming problems or unanticipated crises.

How is the quality of Board Training in India?

Quality of board training is often overlooked. Many organisations provide a single specialist speaker annually, but this does not constitute sufficient training. To ensure that board members are aware of current practices, informed on potential investments, and inspired to consider new ideas, master classes run by Institute of Directors (IOD), conferences, and seminars hosted by CIIs and similar organisations provide invaluable resources.

Through storytelling, examples, and education, I believe it is essential that individuals and organisations actively prepare for the inevitability of risks and accidents. Proactivity is a keyin order to minimise potential losses and maximise opportunities, and this can be achieved through the implementation of thorough safety protocols and risk management techniques

How can aspiring Directors reach out to opportunities?

You should not attempt to reach out directly; instead, demonstrate your commitment through speaking at forums, taking part in masterclasses for directors, or engaging in other networking activities. Your efforts will be noticed and that is when you will stand out and gain the recognition you need. It's not like a product that you can take; it is more about public perception and how well you can gain the trust of various stakeholders.

For example, I was offered a position after speaking at a park where the top members of the organisation were present. The chairman of the organisation noticed my capabilities and saw that I would make a good addition to their team. This shows that it is not just about positioning and marketing; it is about making a real impact.

What is your advice to aspiring directors?

Basically, stay focused, keep hungry for knowledge, keep learning, keep improving yourself, and network.

ESG DELIVERY AT BOARD LEVEL

by **SANTHOSH JAYARAM**

ESG Imperative

In the last 3-4 years, the frequency of the term ESG used in the boardroom in any company has increased. In fact, there is no topic which has garnered so much conversation inside board room inside such a short time. Despite this, there is still a lot of clamour. It is clear that the boards have a key role in helping the company to chart their direction on ESG. Although not referring to term ESG, even the Companies Act of India has mentioned that it is the duty of the director of a company to consider the best interests of not just the company, but also that of its employees, the shareholders, the community and the protection of the environment while making decisions (Section 166). The new Business Responsibility and Sustainability Reporting (BRSR) regulation by SEBI also requires the board member to review and approve the disclosures. Boards realise that it is not just a compliance obligation but a significant driver of value for the company and the demonstration of its purpose. To action on this realisation the board should have appropriate governance structure.

ESG Governance Structure

While it is clear that the responsibility for ESG oversight is with the board, how this will be discharged can vary depending on the organisation. There are many companies who set up a separate ESG Committee of the board and there are some who add the responsibility of ESG oversight into another existing committee. There is no right or wrong here, but on the long run ESG should not remain standalone and should be integrated to every board committee responsibility and hence the board functioning. But on the journey to it, to aid in a faster adoption and action, it is good to have a specific focus with assigned responsibility to a specific committee. The Corporate Governance is a dimension which is already an agenda in board discussions. It is the governance of Environmental and Social Dimensions that needs to be integrated. Even in this the Corporate Social Responsibility (CSR) Committee as required under the Companies act covers the companies community related initiatives. This is also the reason that in many Indian companies ESG is added to the CSR Committee.

Even when there is an ESG Committee, there are elements that needs to be integrated to other committees. By integration, it means that the various committees of the board develop the right competencies, procedures and policies to govern ESG. Let me try to explain with specific examples.

Risk Management Committee – The impact of ESG risk to the companies operation, its product or services need to be understood by the risk management committee and has to be integrated to its decision making process. ESG risks needs to be integrated to the Enterprise Risk Management (ERM) process and the risk management committee needs to have an oversight as to how the company controls and manages these risks and give confidence to the board.

Stakeholder Relationship Committee – While the remit of the committee is to look at various aspects of interest of providers of financial capital, it can be expanded to all stakeholders as part of the ESG integration. The right kind of processes needs to be established to seek the interest of all stakeholders like employees, customers, community and even spokesperson for the future generation or planet. The committee also needs to establish a way of prioritising these and giving insights to the board as to what are the material ESG topics from a stakeholder perception for the company.

Audit Committee – As more and more ESG disclosures are becoming regulatory disclosures, the accuracy and reliability of the disclosures is becoming critical. ESG data and information should be part of the internal audit and the disclosure has to undergo an independent assurance. Establishing which frameworks on which the company will disclose the information as well as reviewing the internal audit and independent assurance will add to the remit of the audit committee.

Nomination and Remuneration Committee – This committee will establish the competence requirements that is needed for the board to effectively ensure the ESG oversight. The committee will also recommend to the board on how ESG performance to be integrated into the performance of senior management and how remuneration will be tied with ESG performance.

While these integrations are happening, there is a need for a specific committee to channelise this over a period of time. It is recommended to start with a specific ESG Committee, but with a time line by which ESG integration will happen inside other committees. The ESG committee can still exist post integration to evaluate overall ESG performance and good practices and thereby giving a future orientation to the company.

Measuring Maturity of ESG Governance

How do we measure the progress on ESG governance? The 15 question self-assessment framework can help the board to evaluate its maturity on ESG governance.

Knowledge:

- Does the board have the skills and necessary information to guide the management on ESG?
- Does the board comprehensively understand the material ESG risks and opportunities?
- Does the board ensure a continuous learning plan around ESG and also ensure the new director orientation program includes ESG?

Alignment:

- Has the board ensured that ESG is integrated to the organisations purpose, mission, vision, values and corporate code of conduct?
- Does the board review its own practices from an ESG perspective to showcase “walk the talk”?
- Does the board ensure that the CEO performance plan includes ESG performance?
- Does the Remuneration committee incorporate ESG performance as part of its remuneration determination?
- Has the audit committee ensured that the management has an internal audit and external assurance or similar processes to ensure the ESG policies and commitments are adhered to and also ensure the accuracy and reliability of the ESG data reported.
- Has the audit (or Risk management) committee ensured the integration of ESG risks to ERM?

Budget:

- Has the board ensured that the management has allocated sufficient resources (Financial, organisational, human and intellectual) to achieve ESG targets and goals?

Review:

- Is there a specific board committee with a remit to review the ESG progress of the organisation?
- Does the review include assessing the effectiveness of the ESG efforts against international standards, peer organisations and priorities of key stakeholders?
- How does the board rate the quality of ESG discussion? (This can be in a relative scale)
- Does the board consider the needs and views of a wide range of stakeholders through information received independently and unfiltered from stakeholders related to ESG to gain a holistic understanding of the key issues that affect a company?
- Does the ESG Committee (or the specific committee looking into ESG) approve the basis for selection of the reporting framework, given the range of voluntary and mandatory disclosure frameworks that exist?

Santhosh Jayaram is a Global Head- Sustainability at HCL Technologies Ltd, previously Partner –KPMG; Global speaker on ESG and Sustainability
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INTERVIEW WITH **DR. NIRAJ GUPTA**

SHAPING CORPORATE GOVERNANCE WITH **INDEPENDENT DIRECTORS DATA BANK**

INDEPENDENT DIRECTORS ARE VALUABLE MEMBERS OF A BOARD WHO BRING DIVERSE SKILLS AND FACILITATE POSITIVE CHANGE. TO FURTHER SUPPORT THEM, THE MINISTRY OF CORPORATE AFFAIRS HAS ASKED THE INDIAN INSTITUTE OF CORPORATE AFFAIRS TO CREATE AN ONLINE DATABANK FOR EXISTING AND ASPIRING INDEPENDENT DIRECTORS. THE DATABANK WILL HELP INDIVIDUALS DEVELOP SKILLS AND KNOWLEDGE AND ALLOW COMPANIES TO CONNECT WITH SUITABLE INDEPENDENT DIRECTORS. DR. NIRAJ GUPTA, HEAD-CORPORATE GOVERNANCE AND PUBLIC POLICY, NODAL OFFICER-MCA IDDB HAS SHARED THE ACHIEVEMENTS OF THE DATABANK WITH BOARD STEWARDSHIP.

Please tell us how IDDB has helped improve Corporate Govenance and Board management practices?

The objective behind the creation of an independent data bank in India was to strengthen the institution of directors and enhance the standards of corporate governance and its practices across the entire corporate ecosystem. This includes listed companies, unlisted companies, mid-cap companies, small cap companies, and even start-up companies. The data bank is intended to be a platform for interaction, learning, and capacity-building for directors, including those who are experienced and those who are new to the profession.

How many other countries boast of such a data bank?

There are institutions with the same aim in mind as a data bank, such as in the United States with CD's and IUDs in the UK and Singapore with IODs - to build the capability and prepare professionally trained independent directors. Although they may not be referred to as 'data banks', these institutions are working towards the same goal of introducing a new profession that can make a significant contribution to corporate organisations.

How has been the journey of IDDB in India?

We have assisted the government in creating a policy paper for the improvement of corporate governance in India. We looked at various regulations and jurisdictions across the world, and we outlined a plan for the implementation of these regulations in India. The entire process has been successful, and we are very pleased with the results. We have provided directors with access to resources that allow them to assess their own understanding of the fast-evolving regulations of the last decade.

What have been the major achievements of IDDB?

I believe one of the greatest global achievements was the self-assessment tool developed by the Institute of Directors in the UK. This tool gave users access to regulatory frameworks, and insights from successes and failures. This data bank was revolutionary for analysing the activity of regulators, businesses, start-ups, MSME organisations and young professionals looking for a job. It was the first ever data bank of its kind in the country. Furthermore, the data bank provided various initiatives to learn nationally and globally, such as bringing best practices,

carrying out research, hosting webinars, and helping build capacity. Additionally, it helped raise awareness around director training and board diversity. We are proud that over 23,000 professionals, including over 6,000 women, have registered with the data bank. This is an important contribution to providing equal opportunities in the corporate sector.

Do you have a concessional fee for BSE/NSE MSME companies to register on your data bank to source IDs?
Companies, both big and small, can now access thousands of profiles with only a nominal fee of 5,000 per year through our platform. This is a much more inclusive approach than before, when companies had to rely on expensive consulting or aggressive leadership search firms, which would charge lakhs of rupees for only four or five filtered profiles. We have created this platform to empower companies with 35 to 40 parameters to find the right professionals to join the board as independent directors or women independent directors.

Any major challenges that you have faced while making it a success?
Companies in India faced difficulties when they were required to make Corporate Social Responsibility (CSR) and Independent Director (IOD) compliance mandatory in 2019. Despite objections from businesses and the public, these provisions were implemented. During these initial months, communication between professionals and corporate leaders was the key in successful orientation of people and explaining the purpose of the tests. Through these interactions and discussions, the importance of CSR and IOD compliance was communicated, leading to its successful implementation.

What are the few specific steps you plan to take in the future?
We've taken a number of steps to develop a well-defined strategy to help us in our initial six months. We reduced the required minimum board experience to three years and exempted those with KMP experience from needing to take up this test. We also developed e-learning modules to address the needs of 25,000-30,000 directors, in addition to organising contemporary power talks and webinars. In the future, we plan on starting an induction series to help upcoming board members. Furthermore, we are offering companies a platform to find qualified candidates at a nominal cost. All of these steps will help us move forward and make the market more just.

What have been your recommendations to the government for streamlining the role of IDs?
We are working to help streamline the responsibilities and liabilities of independent directors across various jurisdictions to ensure that our standards for good corporate governance are always up-to-date. To further this effort, we are exploring decriminalisation of independent directors as well as policy shifts to provide them with an environment of ease of work so that their independent contributions to the board can be made without compromising the interest of the company and its stakeholders.

Are you planning to give concession for women to join the IDDB?
We are not focusing on giving concessions, but instead centering our efforts on amplifying the voices of 6000+ female professionals and business leaders. Through focused events, we aim to bring together members of the corporate world to showcase the power and benefits that come from having more women on board. This way, regulations can be complied with more effectively.

What are your views on the quality of aspiring IDs enrolling with the data bank?
India has a vast pool of talented professionals, both young and seasoned. From engineers to managers, academics to technical and non-technical specialists, the quality of professionals is very high. However, they must be properly oriented with the corporate requirements and learn the dynamics of their roles as directors. Data Bank can provide the necessary formats, but these professionals must also develop the negotiation and communication skills, sector understanding, and culture adaption required to be effective directors.

What special efforts are you making to fill vacancies of Women IDs across so many companies?
It is evident that there is a gap between the availability of technology and women independent directors across various companies. Despite this, women hold a representation of 19-20% in total positions. To bridge this gap, agencies and institutions must come together to voice the importance of this issue to companies and ensure sufficient advocacy. Additionally, it requires a shift in mind set and culture of promoters of companies to appreciate the benefits of having women independent directors. Various efforts are necessary to realise this goal and we are open to assist companies in selecting the right professionals. Furthermore, new age companies are more likely to feature a good representation of women in leadership roles due to the promoters being open to all candidates regardless of their background and preferences. Nonetheless, there is still more work to be done to bring companies on board and ensure they have the necessary support. If any company reaches out, we are eager to provide them with the right set of women professionals, with the necessary skillset, to meet their requirements.

Dr. Niraj Gupta is Head-Corporate Governance and Public Policy, Nodal Officer-MCA IDDB. A platform dedicated to strengthening corporate governance practices in the country. He has been instrumental in driving initiatives to raise awareness, build capacity, and promote research and best practices in the field of independent directors.

ROLE OF STEWARDSHIP AND PROXY FIRMS IN CORPORATE GOVERNANCE

by **J N GUPTA**

If any article with this heading would have appeared in any magazine a decade back, in all probability, the same would have been missed or ignored by readers then. 'Proxy' and 'stewardship' were unknown words and Corporate Governance was in its infancy. However, at present, the two words attract immediate attention and corporate governance has become a must topic for discussion in any forum where any form of business discussion takes place. In the past decade, concepts of 'corporate governance' and 'stewardship' have significantly evolved in India, and Proxy Firms have become synonymous with these two terms. What has caused this change?

The 2008 Global Financial Crisis, followed by Satyam Scandal of 2009, gave a very fertile ground for evolution of corporate governance in India. SEBI's mandatory mutual fund voting requirements of 2010 was the trigger that thrust these concepts from literature into practical implementation and it is only now that these concepts have grown beyond the evolution phase and have entered a growth & consolidation phase to make meaningful impact, as the domestic financial markets are gradually waking up to the broader meaning behind these concepts and their implications on the whole financial ecosystem.

But what is this broader understanding of the two concepts that the markets are suddenly realising? Has there been a recent change in the meaning behind these two terms globally? The answer is No – across academia, one may find that the many interpretations and definitions for the above two terms – have almost always ultimately converged on similar respective meanings for years, and yet it is only now that we are starting to witness that managements of listed entities are concerned about state of corporate governance in their company as any shortcoming gets manifested in institutional investors vote in shareholder meetings followed by their (investors) stewardship activities. While Institutional Investors also give their rationale for vote and quite often follow the same during investor meetings and earnings calls.

What has changed? And how has it changed? While it is difficult to pin point, yet it is not impossible to weave a nest of possibilities around the changes. The logical answer is that - investors have recognised that good governance is not only linked to sustainable operations but it rewards a premium which gets reflected in returns. Additionally, raft of regulatory changes in the last decade or so have contributed immensely. Proxy advisors owe their growth and success to these reforms.

This trend – of managements of listed entities actively taking issues of corporate governance and stewardship seriously – alone is quite surprising given that most Indian listed entities, being promoter dominated, rarely have difficulty in getting their proposals passed in shareholder meetings. The fact remains that even today, the average institutional shareholding across the top 500 listed entities in India is less than a third. So, what has changed that is now making listed entities look up and take notice? The answer probably lies in a combination of factors that might be making them nervous. But the one factor in increasing focus nowadays are proxy advisors.

The helping hand of Proxy Advisors – While the three domestic proxy advisors in India have been around for over a decade, it is only recently that the listed entities have been sensitised about the role played by these advisors and influence that these advisors might be making on voting pattern. While no stakeholder disputes their role, the question on the nature of their significant influence over institutional investors has been widely debated. However, there exists a general perception of them being likened to a thorn in the way of management's proposals during shareholder meetings.

It is quite important to seek an answer as to why this perception has only crept up in the recent years and why there was no irritant earlier? The answer is easy, there was no scrutiny being done by regulators earlier. Proxy advisors, without regulatory scrutiny of votes of institutional investors, would have at best caused a noise but without any impact. Is scrutiny by independent advisors enough to cause such reactions? The related question would be, have Proxy Advisors changed their working as well? Did they change their inherent nature and processes? While the authors cannot comment upon any inherent changes brought about by other proxy advisors in their processes, in the case of Stakeholders Empowerment Services (SES), of which they are employees, the authors can confidently say that SES did not have to make any major changes in its processes or disclosures even post the introduction of SEBI's procedural guidelines in 2020.

In the authors' opinion, the mandatory introduction of the stewardship code to all asset owners of equity acted as a catalyst for stepping up efforts in earnest as part of their compliance.

In addition, failure of a few noteworthy resolutions, coupled with few others barely scraping through was a wakeup call, and no one likes their sleep to be disturbed, hence - the thorn. This has sensitised companies to possible criticism of proxy advisors to their proposal, followed by possible questioning from investors and finally, a possibility of failure of resolutions has made companies keep track of recommendations of proxy advisors.

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SEBI
भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

Investors have recognised that good governance is not only linked to sustainable operations but it rewards a premium which gets reflected in returns

And companies are interacting more and more with Proxy Advisors.

Are Investors happy with governance at companies?

Apparently yes, as only a small fraction of resolutions get defeated. Is this the correct picture? Certainly not. A low number of resolutions defeated does not tell the complete story as it is not reflective of the angst or displeasure of investors, as in most entities, promoter ownership is 50% or more, thus making it impossible for any ordinary resolutions to fail. This, coupled with low retail participation makes it easier to pass even special resolutions.

As per trends in voting patterns observed by SES, it certainly wouldn't be farfetched to say that public shareholders do not shy away from voting against an entity's proposal wherever necessary, and yet, the ground reality remains that, in most cases, they are not successful in their efforts.

Are Proxy advisors credible?

From stakeholders' perspective, this is probably the most important question. And probably the most difficult as well. Because, as far as companies are concerned, ab initio, a sort of adversarial position manifests as and when a negative recommendation is given. And from investors' perspective, it creates a dilemma - as a negative observation is made on their investee companies, forcing them to not only review their investment, assess the risk and act, resulting in increased work load. Such a negative opinion is misplaced and can be converted into a positive one, once stakeholders' start looking at proxy advisors akin to a pathological laboratory which only gives out an analytical report on the sample it analyses.

Credibility of proxy advisors depends on their consistency, transparency, freedom from conflict, and above all independence. While each one of the proxy advisory companies would want to boast scoring a perfect 10 on all these parameters, unfortunately more than self-evaluation, which may not look credible, it is the evaluation by the market that determines credibility. It would be extremely difficult for anyone, including SES, to say that it is more credible than the others. Market participants can & must evolve their own evaluation systems and decide.

Role of Proxy Advisors – In a Nutshell:

As the shareholder activism surged in recent years, it appears that Corporate Governance is becoming a focal point for the listed entities. Their increasing response to the Proxy Advisory Reports corroborates this proposition. Companies now appear to be engaged in better corporate governance practices, and appear to be taking efforts to make transparent disclosures for benefit of shareholders. Companies are now getting sensitive towards negative opinions and are taking efforts to correct their image.

Should proxy advisors beat their own trumpet and take credit? Certainly not – as the main credit goes to regulatory changes and increased investor participation, and SES and other Proxy advisors have only played a supporting role in shareholder engagement as well as sensitising corporates to good governance practices.

Mr. J N Gupta is the Founder and Managing Director of Stakeholders Empowerment Services, a not for profit corporate governance research and advisory firm. Mr. Gupta works pro bono in Stakeholders Empowerment Services since inception

INTERVIEW WITH **ANUBHAV KAPOOR**

COMPLIANCE OFFICERS IN INDIA ARE EQUIPPED TO DELIVER **CORPORATE GOVERNANCE TO OUR STAKEHOLDER**

ANUBHAV KAPOOR A CS, LLB IS AN ALUMNUS OF UNIVERSITY OF MICHIGAN. HE BRINGS IN OVER THREE DECADES OF RICH EXPERIENCE IN MANAGING COMPLIANCE AND LEGAL FUNCTIONS WITH TATA GROUP AND OTHER MNCS. IN CONVERSATION WITH BOARD STEWARDSHIP, HE ELABORATED ON THE CHALLENGES FACED BY CHIEF COMPLIANCE OFFICERS (CCOS) IN INDIA WHILE IMPROVING QUALITY OF CORPORATE GOVERNANCE

Firstly, I would request you to share the interesting points of your professional journey. How would you want to relate to that today?

My compliance journey has spanned across numerous industries for nearly 30 years. During this time, I have been fortunate, among other things, to have a wide range of exposure to different aspects of compliance within several industries. I have witnessed the numerous changes of India's regulatory environment since my first job in 1991. I have worked for Allied Nippon, Omega Laboratory, Elite Appliances, Domino's Pizza, Polaris Software, Tata Technologies, Microland, Cummins India and Ford India over the course of these years.

What are the key challenges that a CCO one as far as corporate governance today is concerned?

The modern world we live in presents CCOs with multiple challenges. Remote working environments have shifted many processes and the need to be agile and innovative is necessary. There are frequent changes in the regulatory environment, and many aspects, such as ESG, are now receiving more focus than ever before. With the increase of global footprint of businesses, regulations such as data protection, cybersecurity, privacy, and export control are becoming more prominent. Proactive enforcement and high penalties are increasing the need for CCOs to fulfil greater responsibilities. Additionally, the growth of social media, communication technology increases the threat of reputation damage due to bad publicity and is something that all companies must take seriously.

How do you prepare your internal customers for compliance?

My approach to compliance is four-fold. Firstly, it's important that the compliance department is seen as a supportive organisation and not simply a watchdog. Additionally, compliance should be a team effort and the department should look to build trust and understanding with stakeholders. Next, the department should be prepared to identify what is needed to ensure compliance and advise on how this can be achieved. Lastly, risk mitigation and reward/recognition should be considered, with incentive plans in place to incentivise compliant behaviour.

Speaking about the current whistle-blower policy, what accord-

ing to you are the major issues?
Whistleblowing is an important subject and one with many challenges. Many companies have whistle-blower policies in place, however, confidentiality risks for the process remain. It is essential to ensure the safety of the whistle-blowers and protect them from any identity disclosure. Furthermore, it can be discouraging when incidents are reported such as whistle-blowers being killed or retaliated against, silencing many potential good-citizen whistle-blowers. Companies need to create a trusting environment in order to encourage individuals to come forward and report any non-compliance within the organisation. Incentivising whistle-blowers can also be beneficial as it will lead to more individuals coming forward. Additionally, independent channels (outside the company) should be made available to increase trust and reduce the risk of compromise on confidentiality. Further, whistle-blowers channels in regional languages, where the company operations are present, should be made available. Multi-lingual facility will also make access easy for those who do not speak English.

What according to you are the shortcomings of current POSH implementation and the committee formation?
It is clear that the POSH legislation is a progressive step forward and has been welcomed with open arms. However, for the true spirit of this law to be upheld, it should encompass both genders and should not be limited to just women. Furthermore, the requirement to assemble local committees can be a challenge for organisations, especially those which are in remote areas or have a small women employee pool. Additionally, confusion exists concerning the payment of compensation to address complaints, and this should be looked at with regards to the corrective steps taken. There is also a stigma associated with filing a POSH complaint, and this can lead to prejudgement and a lack of due process. Lastly, there should be more skilled individuals available to investigate complaints in organisations. As the educational and cultural environment in India is still largely different across rural and urban areas, and there may also be a lag before these laws become congruent with those prevalent abroad.

What according to you is missing in the current secretarial audit report and what changes would you be recommending on that?
In my opinion, the secretarial audit report should be more concise and easily digestible for its readers. It should still include the necessary checks and balances, but also incorporate feedback from stakeholders such as investors, independent directors, etc on the quality of governance and processes. I also think the word "Secretarial Audit' is a misnomer and it is more apt if we call it a "Corporate Governance Audit" given the depth of the review involved as it can provide much more useful data given the extent of coverage. The report should strive to provide a comprehensive overview of the quality of the company's compliances. Furthermore, the evaluation results of the board should be published in the report to add more objectivity to the overall assessment. The Secretarial Audit rather than merely being a compliance tool should help companies to strengthen the board processes, harmonise board practices and thereby enhance corporate governance in the company. Secretarial Audit should build faith and trust in regulators, stakeholders, and management by reporting both qualitative and quantitative analysis thereby assuring the stakeholders that the company is compliant with rules and regulations and can help evade difficult situations in the future.

How do you rate the BSR implementation in India versus the global in general on a scale of 1 to 10?
In 30 years of my experience in various industries I have observed, drastic changes of India's regulatory environment over time. One of the area where significant progress has been made in terms of reporting is Business Responsibility and Sustainability Reporting (BRSR), I believe much more can be done to ensure entities are integrating social responsibility into their strategy and daily operations. BRSR envisages wider responsibilities for a company and its directors beyond its shareholders to its stakeholders - employees, community, and environment. In keeping with global developments, the current and emerging challenges facing humanity – COVID-19, climate change, resource scarcity and growing inequalities – have clearly shown us that an interdependent world can only survive and thrive if everyone behaves responsibly and is accountable to each other for their actions. With several global companies being larger than many nation states in terms of turnover, the responsibility of businesses to their stakeholders will only increase in the coming years. Thus far, reports (barring a few organisations) BRSR is merely a compliance activity than a genuine mindset change within companies and their boards where they see it is in their interest, to reimagine the role of businesses in the society and not view them merely as economic units for generating wealth. More work must be done to encourage companies to embrace sustainable operations and practices, so that we can all benefit from an improved standard of business operations and responsibility.

What are your views on the independent director and their status in India?
Independent Directors (ID's) now have greater roles and responsibilities, not just in theory but in practice as well. In light of the recent developments, these directors are now facing considerable accountability and the Indian landscape has seen an increase in demand of trained and affective independent directors across a large spectrum of companies both big and small. Independent directors are increasingly being held accountable for the happenings in listed companies, and their roles and responsibilities are gaining greater importance. Their responsibilities come to the fore when there is trouble in a company as all stakeholders become more dependent on IDs to safeguard their interests.

However, there is still a lack of diversity in their selection process; it is heavily reliant on recommendations rather than fair criteria. Addition of Women Directors in the ID mix is a welcome change. Furthermore, there is a disproportionate presence of family-run businesses in India which further complicates the board dynamics. Nevertheless, going forward, the role of independent directors and other non-family corporate directors will be crucial for a broader base and improved governance in companies.

Anubhav Kapoor a CS, LLB is also an almuni of Univercsity of Michigan and University of Cambridge. He brings rich experience in heading compliance and legal functions for over three decades with Tata Group and US MNCs.

AN INSIGHT INTO INDEPENDENT DIRECTORS

BY SUDHAKAR SARASWATULA
– Former Vice-President (Corporate & Secretarial)
Reliance Industries Limited

The economic development of any country depends upon the functioning of its corporate sector whose efficiency depends upon how effectively and efficiently the Corporate Boards are functioning and discharging their role and responsibilities. Boards are the bedrock of Corporate Governance and are presumed to be acting in the best interests of the Company, its Shareholders, and other Stakeholders. Good Governance practices are an essential ingredient for boosting Board and Management's confidence, in facing the challenges associated with the dynamic and complex business environment.

Concept of Independent Directors

Corporate Governance implies a well-defined, well-structured, and well communicated system to manage, direct and control the business operations of the company. Independent Directors

There is no such thing as an Independent Director. It's the imagination of people who want to create a sort of system that apparently serve a purpose, but in reality, it is very different
— **Warren Buffett**

are an important component in the overall framework of Corporate Governance. This concept was new to India and was borrowed from the US Sarbanes-Oxley Act 2002 before it was introduced in clause 49 of the erstwhile Listing Agreement. Conceptually, the institution of Independent Directors is designed to ensure that they play a pivotal role in enhancing and maintaining highest standards of corporate governance. The presence of Independent Directors on the boards of public companies is the sine quo non for a strong corporate governance system.

Since the introduction of clause 49 in the erstwhile Listing Agreement, the concept of Independent Directors has gained prominence and they are seen as catalysts of change, to facilitate the corporates to navigate through the growing complexities and ever-increasing compliances of law. The presence of Independent Directors in the board room to a large extent is considered as an assurance in terms of protection of interest of shareholders especially the minority shareholders. They are expected to bring an independent judgement to the board room and are expected to safeguard the interests of the shareholders and in particular the minority shareholders. Independent Directors are supposed to be the real guardians, custodians and gate keepers of Corporate Governance and protects the interests of various stakeholders of the company.

Independence of the Board is critical in ensuring that the board fulfils its oversight role objectively and holds the management accountable to all stakeholders. Increasing competitive business environment and enhanced regime of regulations have enhanced the overall role and responsibilities of the Board of Directors. Considering the ever-increasing role of the Board in the governance system, the regulators have stipulated norms for Board constitution and its composition. Stipulation of the presence of Independent Directors on the Board as well as on the Committees is an important aspect in the overall framework of Corporate Governance.

Myth of Independence of Independent Directors

The Independent Directors must demonstrate high level of competency, capability and professionalism while discharging their role. They must always ensure to maintain their independence from Promoters and Management. However, the independence of Independent Directors is always a contentious issue. It has been a subject of heated debate that how independent an independent director is supposed to be and how to measure his independence. Most of the times the Independent Directors are directly handpicked by the promoters and hence are often to be identified as if they are appointed by the promoters of the company. This factor is a major hindrance to the role of independent directors which they are supposed to play. The presumption in case of the institution of the independent directors always is that they are independent and not in any way affected or influenced by the promoters.

Warren Buffett said that "there is no such thing as an Independent Director. It's the imagination of people who want to create a sort of system that apparently serve a purpose, but in reality, it is very different. We have an incredibly funny, or odd situation where some would say that the independent directors are not singing the song of the people, who are giving them their bread." But this is an extreme view which may not always be correct. We cannot paint all Independent Directors with the same brush.

It is seen that usually a person who is selected as an Independent Director is generally a person of high repute. However, there is no specific qualification that is laid down for the appointment of independent directors. Many independent directors may not technically and professionally qualify to head the committees they Chair in the companies. Hence, it is the responsibility of the management to ensure proper induction of the independent directors and impart training on all aspects of a director from time to time.

Independence is a perception and can't be defined or legislated. However, the law can prescribe a framework to demarcate what is 'independence'.

Challenges to Independent Directors

- Ownership dominated Indian corporate sector
- Board cannot be at loggerheads with promoters / majority shareholder(s)
- Familiarity between the promoter and the Independent Directors
- Business is dynamic and cannot be run on static principles set by the founders
- Maturity and independence of Independent Directors
- The ability of Independent Directors to question the management
- Conflict of interest

The dilemma of Independent Directors

An Independent Director discharges his duties based on the information presented to him by the management of the company. Thus, Independent Directors can raise red flags only on issues that come to their knowledge in the ordinary course of business and via board processes, and they cannot be expected to conduct roving inquiries. Off late the regulators and law enforcement agencies are increasingly becoming compliance and prosecution oriented and are holding Independent Directors liable for the actions of the management. In view of this the Independent Directors have become more hesitant in accepting the independent directorships. It seems that the seat of an Independent Director is onerous and there are more risks than reward.

On one side the quality and capability of the Independent Directors available is a big question mark and corporates are struggling to get good Independent Directors on Board. On the other side the Independent Directors are hesitant in accepting the Independent Directorships as they are apprehensive about their reputation and fear of the legal liabilities.

Insulation of Independent Directors from the liabilities

Most of the times the Independent Directors grapple with a question on how to insulate themselves from the arduous responsibilities and accountabilities entrusted upon them by the Law. Towards this first and foremost, the Independent Directors have to develop the ability of asking hard questions to the management, as well as to the Board. They should be able to say 'No', wherever they have to and should not shy away from the harsh reality. They must be vigilant as well as diligent while playing the role as an independent director and to ensure adequate preparation while attending the Board meetings. Before taking a deep dive into a pool, one should know the depth of the pool, otherwise such dive may prove fatal. Independent Directors are no exception to this and before accepting the Independent Directorship they should conduct sufficient due diligence about the company and its governance and compliance culture. Independent Directors should realise that Directorship is a serious business and not a vocation

Measure of an Independent Director

Martin Luther King Jr said, "the ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy". By drawing an inference from this, we may say that "the ultimate measure of an Independent Director is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy."

Conclusion

No doubt Independent Directors are the backbone of a strong Corporate Governance system. Considering the inherent risks associated with the position of Independent Directors, the Regulators and the Law must give sufficient breathing space to Independent Directors and also reasonable amount of confidence in allowing them to play their role, as envisaged. At the same time it is the responsibility of Independent Directors to be vigilant and diligent and to take their role seriously.

Sudhakar Saraswatula, Chief Consultant at Mehta & Mehta (Legal & Advisory Services), is a renowned mentor, speaker, author, and former Vice President at Reliance Industries Ltd. He also serves as the Vice Chairman and Member Secretarial Standard Board of ICSI

by **LLOYD MATHIAS**

8 INTERVIEW TIPS FROM NRC MEMBER FOR **ASPIRING INDEPENDENT DIRECTORS**

Even before you get down to preparing for an interview for a Board position, it is important to make sure you have personal clarity on a few things.

- Can you add value to the company seeking you as an Independent Director?
- Do you have sufficient time to devote to it?
- Will it conflict with anything you are doing?
- What risk does the Board position pose?

Once you have full clarity on this, you clearly are ready to move ahead and give it your best. Remember your Board interview goes beyond discussing your skills as a manager. It is a high-level discussion about the company whose Board you will join and your readiness and capability to oversee the company and protect its shareholder interests.

Preparing for an Independent Directors role is no different from prepping for any job interview. Here are 8 practical tips that may be of help.

1 Learn as much about the company as you can. Read the annual reports, press reports, public profiles of the management and the directors, and whereever possible talk to your friends and ex-employees about impressions of the company.

Also try to experience the company's offering by checking out their products, visiting their stores, or speaking to people who deal with them. While this may seem peripheral to a Board position, demonstrating a real understanding of the business and bringing out the fact that you got a first-hand feel is always valued – and can often be the differentiator.

2 Acquire a basic understanding of the industry and the environment in which the company operates. Try to understand the competitive landscape, the challenges, the growth trajectory. Study the financials. You are going to be dealing with seasoned people who have deep experience with the company, so everything you know – including the jargon - will be helpful and indicate you are no stranger to senior level conversations.

3 Inducting directors on the board are often about cultural fit and 'chemistry'. Research the people you're speaking with- their backgrounds, their education, their career paths, and the other company boards they are on. The more you can know about and can bond with the interviewers, the better. Researching their backgrounds will give you talking points and help you build rapport during the interview.

4 Focus on what value you bring to the board. Do weave in your past operating experiences, market knowledge or leadership competencies, especially where it is relevant to the company. For example, you may have led digital transformation or may have been involved with restructuring. Bringing these out may ensure the NRC panel has a better sense of your capabilities.

You will deftly need to steer the discussion with the NRC on how you can add value to the company with your knowledge and expertise that may help the company during your tenure.

5 Be prepared to ask insightful questions about the company that demonstrate your knowledge of the company and convey that you have 'done your homework' . Make sure these questions are open ended and about real issues that the company may be working on. E.g. questions about the company's culture, commitment to shareholders and what they do to foster a culture of innovation.

6 Since most boards are looking to get a well-rounded mix of external directors, it is good to focus on what distinctive skills and expertise you bring to the boardroom. Think about what sets you apart from the other Independent Directors on board. If part of your value may lie in the diversity you bring to the board, articulate how this may be relevant.

7 Keep a watch out for areas that most boards are still seeking expertise on: ESG, AI, Cyber Security, Date Privacy, SDGs, Media relations, Public Policy. Also do share voluntary work you may have in Not-For-Profits and industry bodies. These give the NRC a sense of your extended persona, beyond your routine professional accomplishments.

8 Demonstrate a macro view. As an external director your role is largely strategic. While detail matters in operational roles, being able to zoom out and take a high-level view is more important in this situation. Synthesising insights and experiences and articulating them effectively indicates your readiness for this critical role.

The purpose of due diligence is not to find a perfect company, but to make an informed decision

Lloyd Mathias is an Angel Investor and a Business Strategist. He held global roles in HP, Motorola, and PepsiCo. He sits on 7 boards and is on the NRC of Protean eGov Technologies.

by **SHASHIKALA VENKATRAMAN**

PREPARING FOR **INDEPENDENT DIRECTORSHIP**

My career spans 30+ years of executive experience including CXO roles and lately, an entrepreneurial one in the social sector. Over the last decade and a half I have enjoyed exposure to boards and while the thought of serving on one was only in my peripheral vision, the opportunity came directly soon enough.

During a conversation with an investor in the course of my work, there was a strong belief that I could add value to a publicly listed company they had met. After understanding what it would entail, I was introduced to the company and following a series of meetings, I was invited to join their board as an Independent Director. While familiar with boards, I thought to do better justice to the role, it would be important to undergo proper board training. I did this with the Institute of Directors and later registered myself on the IICA Databank of Independent Directors as required by MCA.

I am happy to share a few thoughts that I have processed, in hindsight of course, of what started my board journey and the way ahead.

Preparing myself formally

Board training by IOD and Registration on IICA Databank seemed the best way to start my board journey. This is imperative if you are looking to serve on company boards.

Positioning/re-positioning myself

While my passion remains the 'Brand', the larger story is how brand value plays out in a company's growth story and on its balance sheet. For example, what are the growth drivers and should the company look at vertical integration as it builds out its brand portfolio? How can one evolve from a commodity/price sensitive business to a value-added and differentiated one? Speaking of the larger picture allows conversations to progress to business and board level decisions.

Ensuring that your profile on Linkedin and the Director's data base are crafted keeping in mind what a company would be looking for in an ID is important too.

Networking

My work over the last decade has given me the opportunity to work with investment professionals like PE/VCs, Legal firms, Advisors etc. It is important to network with people who in turn interact with multiple boards in their professional capacity. My second board position (Advisory in nature), is with an unlisted firm, and was a consequence of my work in the social sector - how to make our cities liveable & sustainable - something that I have been keenly interested in over the last 8 years.

- Prepare yourself for the ID role with a good board training program, and set your personal branding right for invitations to come to you.
- Network and let it be known that you are open for board positions
- Ensure that you are able to bring value to the board and business, in your unique capacity
- Remain transparent and candid during your meetings with various people in the company and on the board. This is something that has to work both ways.
- Do your due diligence on the target company

Getting to know the Company

While the DEI imperative has compelled companies to be more diverse in their board hiring, that cannot and should not be the reason why you join a board. As a woman, I would like to say that I met the company on an equal footing.

My question to the Company: Why do they need my skills and how would they use them? My question to myself: Could I truly make a difference and contribute to their Board?

My introduction to the company began with a series of meetings, starting with the heads of HR and Finance of the parent company who flew down to meet me in Mumbai. They shared what the company was doing and their future plans and sought my opinion. I had done my homework to understand their business, competition and markets. Consequently I was able to ask relevant questions and offer opinions where required.

This was followed by a telephone call with one of the directors wherein I expressed my keenness to meet the CEO and other KMPs to understand their business imperatives. The company arranged for these meetings in their main market location. Understanding the business through the perspective of the KMPs, the challenges and opportunities, was invaluable. Since such conversations tend to be on operational areas, it was good to relate to the ground realities of the business. My final conversation happened at the head office with a board member (member of the NRC) and the Chairperson. This helped me understand the vision and values of the company and reassured me on the fit. This entire process took 3-4 weeks.

Through all these conversations, I internally kept ascertaining that I could bring value to the table besides the statutory functioning of the Board. This is important as it adds to your confidence when you participate in board discussions and you know that your point of view is appreciated.

Of course, you must do a thorough research of the company through their website, their filings, about the quality of their governance etc. If you can, speak to other Directors or people in the know, to ascertain the integrity of the company

Compensation

There was no negotiation around this. I was made aware of the sitting fees and commission structure, and frankly, given that this would be my first board position, I was comfortable with their terms. Compensation was not a deal breaker.

I can well imagine that this may be important to many people, and it is best to broach the subject directly so that you can make a fully informed decision. Compensation terms don't really vary within Boards and so your ability to secure different terms is very limited, if at all possible.

BIGGER ROLEPLAY FOR BOARD SEARCH FIRMS IN APPOINTMENT OF INDEPENDENT DIRECTORS

IN TALK WITH TEAM BOARD STEWARDSHIP **MS ASHWINI PRAKASH** – MANAGING PARTNER, INDIA AND BOARD DIRECTOR, SINGAPORE AT STANTON CHASE, AND **MR SRIPAD KN RAO** – MANAGING PARTNER, INDIA AND BOARD DIRECTOR, SINGAPORE AT STANTON CHASE SPOKE ABOUT THE ROLE OF BOARD SEARCH FIRM IN MEETING THE DEMAND FOR ESG READY AND HIGH PROFILE INDEPENDENT DIRECTORS BEING SOUGHT BY NUMBER OF FIRMS IN INDIA AND MORE SO FOR THE UPCOMING DEMAND IN 2024.

Q What is the value proposition of Board Search firms in appointment of Independent Director?

Ashwini: The Executive Search firms, specialising in Board hirings add significant value in the appointment of Independent Directors. The expertise they bring on the table, is an access to a broad pool of potential candidates including Executives, Entrepreneurs, Academicians, subject matter experts, Professionals and more. This allows them to cast a wide net and identify a diverse range of candidates with the appropriate skills, experience, and qualifications.

Sripad: Secondly, they assess candidate suitability through rigorous and objective process to evaluate the skills, experience, track record, reputation, and the culture fit with the company. As a neutral body, they are better equipped to conduct thorough due diligence and background checks, which helps in mitigating risks. This facilitates a smooth appointment process and ensures that the appointed candidates have the necessary qualifications for the role.

Q Do you find rise in demand for Independent Directors in India?

As: Yes, there has been a rise in demand for Independent Directors in India in the recent years. This is due to a growing focus on good corporate governance, regulatory requirements, shareholder and stakeholder awareness, and a recognition of the critical role that independent directors can play in promoting transparency, accountability, and long-term value creation.

In India, the Companies Act, 2013 mandates that certain classes of companies must have at least one-third of their board members as independent directors. This has led to an increase in demand for independent directors, as companies seek to comply with the regulatory requirements.

In addition, shareholders/ investors community has become more vocal about good governance and other larger issues for e.g. ESG and thereby pushing for greater transparency and accountability.

Finally, with companies realising that effective governance can help to build trust with stakeholders, enhance reputation, and drive long-term value, independent directors are seen as a key element of good governance, as they bring fresh perspectives, diverse skills, and independent judgment to the board.

Q Are Indian Boards planning any better now in regard to succession planning?

Sr: The answer is, Yes. Succession planning is becoming an increasingly important issue for Indian boards, and many companies are starting to take this seriously.

There are several factors driving the increased focus on succession planning in India. One is the need to ensure that companies have a strong bench of talent to draw from. Another is the increasing emphasis on good corporate governance and the need for boards to be proactive in managing risk and ensuring long-term sustainability.

In recent years, the Securities and Exchange Board of India (SEBI) has introduced several regulations aimed at improving corporate governance and encouraging companies to focus on succession planning. For example, SEBI requires that all listed companies disclose their succession plans for key managerial personnel, including the CEO and CFO.

Many Indian companies are now implementing formal succession planning processes that involve identifying key positions, assessing internal talent, and developing plans to address any gaps or weaknesses in the talent pipeline. Some companies are also engaging external search consultants to help them identify and develop talent, as well as to provide guidance on best practices for succession planning.

Overall, while there is still room for improvement, Indian boards are taking succession planning more seriously than in the past and are working to build stronger, more resilient organisations for the future.

Q- 4 Do you see rising role for D&I (Diversity and Inclusion) in Indian boards?

As: Yes, there is a growing recognition of the importance of diversity and inclusion (D&I) on Indian boards. Companies are realising that a diverse and inclusive board can bring new perspectives and insights, which can lead to better decision-making and improved performance. The companies are taking steps to improve D&I by setting diversity targets to hire, train and develop, embedding D&I in corporate culture by providing unconscious bias training, implementing inclusive policies and practices, etc.

There are several reasons why D&I is becoming more important for Indian boards. To name a few:

- **Regulatory Requirements:** The Securities and Exchange Board of India (SEBI) has made it mandatory for the top 1000 listed companies to have at least one-woman director on their board. This has helped increase gender diversity on Indian boards.
- **Stakeholder Expectations:** Stakeholders, including investors, employees, and customers, are increasingly expecting companies to be more diverse and inclusive. This is putting pressure on boards to take action to improve diversity and inclusion.
- **Business Imperatives:** Companies are recognising that a diverse and inclusive board can provide a competitive advantage by bringing new ideas and perspectives to the table. This can lead to better decision-making and improved performance.

Sr: Stanton Chase has solidified its position as a leader in promoting gender diversity through our membership in the 30% Club, an international affiliation of businesses who are taking voluntary steps towards the goal of placing 30 percent of women on corporate boards and senior leadership roles. As a signatory to the 30% Club "Voluntary Code of Conduct", we acknowledge and embrace the important role executive search firms play in guiding their clients as they seek to increase the proportion of women on boards and in the C-Suite.

Q What are Stanton Chase plans on its boards search offerings?

Ashwini: Stanton Chase maintains a collaborative partnership with Nasdaq Corporate Solutions International, as its preferred partner for board governance solutions. This collaboration brings together the Nasdaq Governance Solutions with Stanton Chase executive search expertise, adding more value to an already extensive portfolio of corporate governance and board leadership services. Nasdaq Governance Solutions have now been combined with Stanton Chase executive search and assessment capabilities, allowing us to deliver highly tailored services that will help bring your board to a new level.

Q What is your message for aspiring Independent Directors?

As: It's imperative for Board aspirant to stay on top of things to increase their chance of success.

To begin with, build relevant experience for eg, a deep understanding of your industry, as well as in areas like governance, strategy, risk management, and financial matters, sustainability, Etc.

Sr: Secondly, expand your professional network and focus on continuous learning to stay up-to-date on the latest developments, emerging trends and best practices in governance. Consider taking courses, attending conferences and workshops, and seeking out mentorship and coaching opportunities.

Lastly, one must remember, being an Independent Director comes with deep commitment and responsibility. Patience and perseverance are the key. It is a challenging yet rewarding role that can have a significant impact on the success of the organisations you serve.

Team Board Stewardship wishes Stanton Chase all the success in their board practice, also to the advantage of our readers!

FORENSIC AUDIT FOR BOARDS

A SPECIALISED TOOL FOR BOARD STEWARDSHIP-POWERED BY **DIGITAL FORENSICS**

by **RAHUL DWIVEDI**

With the increase in complex financial transactions and sophisticated financial instruments, the risk of fraud has also increased. Companies today are subject to the ever-increasing demands to meet legal and regulatory frameworks. By identifying potential risks before it becomes bigger problem, companies can take proactive measures to address them.

Forensic audits are performed for boards of directors to provide them with a thorough overview of the company's financial situation and to spot any potential dangers or vulnerabilities in the financial management systems. The auditor will seek for proof of intentional misconduct, such as fabricated financial statements, unauthorised transactions, or deliberate misrepresentations. Then, using this data, internal controls can be strengthened, fraud risks can be reduced, and legal and regulatory compliance can be ensured.

The need

In 2013, an exchange had been running a fraudulent trading scheme where it sold commodities that did not exist whereas investors on the other hand were offered huge returns for their investment. It was carrying out illegal trading practices, misusing funds, and manipulating accounts to inflate profits.

Similarly, in 2020, a bank was found to have engaged in financial irregularities and underreporting of bad loans. As a result, the RBI took over the management of the bank, and a forensic audit was conducted to investigate the fraud, the damages, and the consequences. The audit revealed that the bank had been indulging in illegal practices including misreporting of bad loads, inflating profits, underreporting non-performing assets, and offering fraudulent loans to companies

that were unable to pay.

In 2019, a chain of private hospitals received complaints about irregularities in the company finances involving certain executives and promoters. An internal investigation revealed several violations of corporate governance norms and regulatory guidelines. It was followed by a forensic audit which revealed irregularities and fraudulent transactions including diversion of funds, overcharging of patients, and financial mismanagement.

A number of the company's top executives and promoters were forced to resign as a result of the forensic audit, and legal action was started against them. Also, the lawsuit resulted in the company's governance and compliance systems being strengthened and new independent directors being appointed.

Cryptocurrencies and traditional financial systems

Cryptocurrencies do not integrate easily with traditional finance systems which makes it challenging for auditors to connect crypto transactions with traditional financial records. Moreover, the lack of central authority that can see and regulate transactions in cryptocurrencies is a challenge for auditors to verify the accuracy and completeness of the transactions. The anonymity and privacy of cryptos make it difficult to trace transactions as well as identify the parties involved in that transactions.

There are security risks associated with the hacking and theft of cryptocurrencies. Auditors must be able to assess and mitigate those risks to ensure the integrity of financial data.

Forensic Audit- powered by Digital Forensics

Digital forensics equipment can be used to support these financial audits for data acquisition and data recovery where deleted or corrupted financial records can be retrieved which would have otherwise been lost. Forensic imaging solutions allow digital forensic experts to make a bit-by-bit copy of the memory storage devices which is then analysed by forensic auditors. Digital forensics can verify the authenticity of financial data by examining the metadata of the existing files. It can help in finding documents that are admissible in legal proceedings should there be a need.

Company databases will always have massive amounts of emails and chats that need thorough analysis so that communications related to financial transactions can be better understood and correlated. Large amounts of financial records and social media posts can be analysed to identify fraudulent activities using big data analytics tools. Visual link analysis helps extensively to corroborate information coming from different sources or devices and can massively reduce the time taken to analyse these evidence files.

Moreover, organisations can track illegitimate activities with the help of artificial intelligence and machine learning-enabled tools where one can customise and set specific thresholds to give a red flag in case of any activity that requires immediate attention.

Forensic Auditing for Boards

Looking at the examples above, the boards should have forensic audits regularly in India for several reasons:

- Identifying and addressing financial irregularities and frauds that will reduce the risk of financial losses and reputational damage to the company.
- Compliance with regulatory guidelines issued by the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), and others. The Companies Act, 2013 also requires companies to maintain internal controls and conduct audits to ensure compliance with applicable laws and regulations. It will help to identify and rectify non-compliance issues thereby reducing the risk of penalties and legal action in the long run.
- Strengthening internal controls by identifying gaps in the company's internal controls and processes.
- Improving financial reporting by ensuring the company's financial statements are accurate, reliable, and robust. It will also ensure that the company's practices are in line with the best practices in the industry.

- Enhancing transparency and accountability by addressing conflicts of interest, related-party transactions, etc which leads to the protection of interests among the stakeholders.

The findings and recommendations made by the forensic auditor should maintain objectivity with complete accuracy and unbiased views. They should have no conflicts of interest with the company or any of its stakeholders.

Overall, it is important to have an independent element in the forensic audit process. Companies like Pelorus Technologies are working beyond their capacities to curb crime with an accomplished team of professionals. We use advanced digital forensics tools and techniques to collect, preserve and analyse electronic data and financial records followed by detailed reports and recommendations.

Rahul Dwivedi
CEO Pelorus Technologies Pvt Ltd
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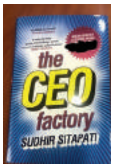
BOARD QUIZ

15 questions to test your knowledge on Boards, business and management

Prof G.Mohan (59) is a Management Consultant and Management Trainer. He has 35 years long experience in industry and academia. He was a Professor at Administrative Staff College of India (ASCI), Hyderabad. Prof Mohan conducts Business Quizzes as a hobby. He maintains a popular quizzing web-site http://indiabusinessquiz.com His twitter handle is @go_mohan . He lives with his family in Hyderabad.

Q1 Which Indian company is being referred as "the CEO Factory" in this book by Sudhir Sitapati?



A. Hindustan Unilever
B. Procter and Gamble
C. ICICI Bank
D. State Bank of India

Q2 In 1991, a committee was set up under the Chairmanship of Adrian Cadbury in the UK. This committee submitted a report popularly known as the Cadbury Report, which is a worldwide guide on the subject.
What is the subject of this report?
A. Food Standards
B. Advertising Standards
C. Corporate Governance
D. Environmental and Safety standards

Q3 ______ , founded by Kasturbhai Lalbhai in 1947, was the first private sector company of Independent India to be inaugurated by Jawaharlal Nehru. Fill in the blank
A. Atul Ltd
B. Arvind Mills Limited
C. Nutan Mills Ltd
D. Swadeshi Cotton Mills Ltd

Q4 Dhirubhai Ambani left India at 16 for livelihood to a foreign country. He worked in a petrol pump, and became a distributor of Shell company's products. He made a small fortune by melting the country's coins.
Name the country. Clue: Mukesh Ambani was born there.
A. Yemen
B. Saudi Arabia
C. Uganda
D. Malaysia

Q5 When foreign companies raise yen denominated bonds in Japan they are referred to as?
A. Suzuki Bonds
B. Samurai bonds
C. Shinkansen Bonds
D. Sushi Bonds

Q6 An examination and evaluation of a firm's or individual's financial information for use as evidence in court, usually conducted in order to prosecute a party for fraud, embezzlement or other financial claims.
This is called a
A. Statutory Audit
B. Legal Audit
C. Systems Audit
D. Forensic Audit

Q7 Indian-American Jayshree Ullal is the President and CEO of a leading technology company in Silicon Valley, USA. She was recently awarded Global Indian of the year by Economic Times. She is currently the CEO of which company ?

A. Zoom Communications
B. Arista Networks
C. Intel
D. Deloitte

Q8 What is the term used by Bill Gates in his latest book " How to avoid a climate disaster" for the extra cost or investment required to choose a technology or alternative that is less polluting and more appropriate to fight climate change?
A. Eco Penalty
B. Climate Premium
C. Green Premium
D. Green Fine

Q9 Identify this business woman who transformed her family business in sugar by making Balrampur Chini the most profitable sugar company in India. Her hands on management like a typical home-maker's approach was seen as atypical but effective. She passed away in 2020.

A. Rajshree Birla
B. Sarla Bajaj
C. Madhu Neotia
D. Meenakshi Saraogi

Q10 In India wine accounts for just 1% of all alcoholic beverages. One company, promoted by Stanford graduate Rajeev Samant has been developing this market. It has even promoted wine tourism in Nashik, India's version of Napa Valley. It had an IPO recently. Name the company
A. Amrut
B. Jagdale Distilleries
C. Sula Vineyards
D. Independence Vineyards

Q11 Kapil Sharma plays a frustrated food delivery boy in a film directed by Nandita Das...The name is clearly inspired by the existing food delivery companies. Name it

A. Zwigato
B. Zundo
C. Swomato
D. Modino's

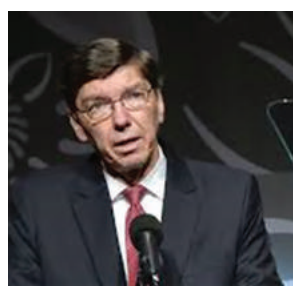
Q12 This is the new logo of which old company?
A. Reliance Jio
B. Raymond
C. Raytheon
D. Reckitt

Q13 Which publication produces a list of billionaires by estimating the wealth of the industrialists and businesspersons on the basis of their shareholding and ruling share prices of their investments?
A. Fortune
B. Forbes
C. Bloomberg Businessweek
D. The Economist

Q14 This 84 year old fitness fanatic started his career as an IAS. He later became the first Chairman of GAIL, He then worked in top jobs in private sector at HCL, Tech Mahindra. He was appointed Vice Chairman of the IL &FS board in 2019 after the government reconstituted the board. He resigned in 2020. Name him.

A. G C Chaturvedi
B. G N Bajpai
C. Vineet Nayyar
D. R C Bhargava

Q15 Identify this management thinker. One of the foremost influencers of this era , his book 'Innovator's Dilemma' is essential reading in all Strategic Management courses. He originated the popular term 'disruptive innovation ' that is used widely



A. Clayton Christensen
B. Michael Porter
C. Thomas Davenport
D. Gary Hamel

ANSWERS
Here are all the answers .
1 A. Hindustan Unilever **2** C. Corporate Governance **3** A. Atul Ltd **4** A. Yemen **5** B.Samurai Bonds **6** D. Forensic Audit **7** B. Arista Networks **8** C. Green Premium
9 D. Meenakshi Saraogi **10** C. Sula Vineyards **11** A. Zwigato **12** D. Reckitt **13** B. Forbes **14** C. Vineet Nayyar **15** A. Clayton Christensen

by **ANUPAMA VAIDYA**

MY JOURNEY TO MAKING A REAL DIFFERENCE: MY FIRST BOARD

From an eclectic corporate career of 25 years, I stepped into the world of entrepreneurship driven by my purpose "to make a real difference" as a Business & People Strategist with real-time implementation experience.

During one such assignment, one of the co-founders saw me in action with my strong sense of overall business understanding, understanding the market, customers, and being able to translate to holistic actions for top leadership. He reached out to me to understand my interest in joining their Board. We had met just a couple of times and this definitely came as a pleasant surprise since it was a great acknowledgment to my experience and expertise. His pitch to me was so motivating - This proposition to be an "Independent Director" with the Company was due to my vast general management experience in diverse fields and functions; and not just because I was a 'woman'. The proposal did not have the convenience but a tone of talent recognition to strengthen their Company Board performance.

To be able to give a concurrence, it was important to meet the Executive Board and I accepted the invitation to explore further. A formal meeting with the CEO and Chairman was organised. I wondered what it would be like, and believe me, it was a great conversational meeting to understand what I bring to the table and how I can add value. I could sense from the questions that they were looking out for the ability to integrate business objectives across various business dimensions; a multi-dimensional outlook while having a great depth to the subject matter; and a holistic strategic thought process that is critical at the Board level. The questions led me to understand that they were keen to make a "Capable

Board" that challenged them and that excited me to look at the position much more actively (not a tick mark board for sure).

In a couple of days, I got the confirmation of being on the board for this Company. I also had requested simultaneously to do due diligence from my end and draw up a detailed understanding of their business, plans, and compliances. I ensured that I was doing my independent assessment of the company, its liabilities, working practices, leadership, business potential, and my own market assessment of the leadership (corporate intelligence!). To be able to assess the company, I requested financial statements, business plans, compliance statements, and how they have maintained the calendar as well as doing my search with the Registrar of Companies, google searches on the company to pick up abnormalities. Reached out to my network to get insights on the executive leadership team (their reference checks in a discreet manner). Studied the management strength through this information to be able to make a decision to be on the Board.

With being equally liable as an Independent Director, it is important that we just don't rush to take the position. This further strengthened my trust in taking up the position and gave my confirmation to the CEO and the Co-founder. There was a realistic proposal of the sitting fees that came from the CEO and appreciate them being able to value contribution. When looking at the package, there were sitting fees for Board and for the various committees in which I had to participate. The fee for Board was higher than that of the committees with the time investment required. The perspective that I kept was for the time and expertise that I will be sharing, do I feel respected and valued? That gave me confidence that this was a satisfactory package as sitting fees!

Prior to the first board meeting, there was a detailed onboarding meeting conducted. I along with the other Independent Directors members was taken through an orientation of the Company, its businesses, service lines, challenges, business plans, etc… This formal orientation was very critical and very well handled to get insights on the products, industry, markets, operating model of the company as well as what their aspirational plans were.

Simultaneously, I registered myself with the Ministry of Corporate Affairs and got myself certified under the aegis of MCA. Through self-studies and an e-learning course by the Ministry of Corporate Affairs, came out with flying colors in my first attempt and became a "Certified Independent Director".

I today head the Audit Committee for this Company and with a great sense of responsibility drive the Board discussions. With regular evaluations as Board Members, we are also subject to performance and contribution evaluations. So while opportunities come through reference or network, maintaining this through actively being able to contribute to the multi-dimensional front is a critical quality, especially in the role as an Independent Board member. I have been able to further strengthen this capability of mine through Board membership and now serve a few Boards as a "Capable Independent Director" with the additional benefit of being a Certified Woman Director.

To all my fellow members who are aspiring to be Independent Directors, its important to note that getting a position may seem easy, but maintaining it requires you to contribute at a strategic and holistic level – not only in one function but cross-functionally and bring in diverse experience, recommendations, being able to connect the business performance to global as well as local dynamics, the overall socio-economic-legal dimensions, cultural nuances. It requires you to study, read, research, and remain relevant to be able to contribute at a Board level. It's not an executive operational position, it is how you can challenge the management to look at driving the vision at a higher-order level.

This has been a wonderful path to get on for me in line with my vision to make a real difference!

↓

Anupama Vaidya, is a Business & People Strategist, and a thought-provoking speaker who encourages organisations, teams, and individuals to explore their potential and look beyond the obvious. She assists organisations in developing sustainable and scalable business models, while also serving as a certified Independent Director for Boards.

by **SUNIL DESHMUKH**

NAVIGATING THE BOARDROOM
MY FIRST BOARD APPOINTMENT

I have been associated with corporate boards for three decades, initially as a CFO and later as a Managing Director/CEO. However, my involvement in these board positions was more focused on my role as employee or key managerial personnel (KMP), rather than serving as an independent director.

Let us explore my first board appointment as an independent director.

Your Network is your net worth

From my corporate network, a contact from the private equity industry called me and asked if I would be interested in joining a company board as an independent director. Later he connected me with the managing director of the company.

My first phone call with the managing director lasted 15 minutes, where I insisted for a physical meeting. Finally, we agreed to meet for breakfast on a Sunday morning in Mumbai.

I had forty-eight hours to prepare for my meeting.

Due diligence is not a substitute for common sense

Before accepting a board appointment, it is essential to do due diligence on the organisation. Due diligence is the process of gathering information to evaluate the risks and benefits associated with the appointment.

When conducting due diligence for a board appointment, following steps should be taken:

- **Research the organisation:** Start by researching the organisation's history, mission, and goals. Review the organisation's website, annual reports, and public documents.
- **Review financial documents:** Analyse the organisation's financial statements to understand its financial health.
- **Assess governance practices:** Review the organisation's governance practices, including its bylaws, board structure, and committee charters.
- **Legal and regulatory compliance:** Review

the organisation's compliance with legal and regulatory requirements.

- **Speak to current board members:** Reach out to current board members, as well as key managerial personnel (KMP), to gain insight into the organisation's challenges

"The purpose of due diligence is not to find a perfect company, but to make an informed decision." - *Anonymous*

At my breakfast meeting with the managing director, I was ready with the list of thirty questions based on my due diligence. Several questions were answered satisfactorily. However, I also wanted to experience and observe the sincerity, honesty, and chemistry between the two of us to ensure that I was comfortable working with the board at large.

The purpose of due diligence is not to find a perfect company, but to make an informed decision

Fortunately, we developed a good rapport and trust during the meeting. This process reminded me of an old Dutch proverb, 'Trust arrives on foot and leaves on horseback.'"

Tips for Aspiring Board Directors

Develop a strong understanding of corporate governance. Cultivate your network. Enhance your skills and expertise. Gain experience in leadership roles. Prepare for board meetings. Maintain independence and objectivity.

Breaking the glass ceiling - Women on Board

Board diversity, India is the only country where the Companies Act has made statutory provisions for the appointment of women directors on the board of listed companies. This is a unique opportunity for women in India to break the glass ceiling and make their mark in the corporate world.

Specific Tips to Women Directors on board

- Build a strong network: Develop a strong professional network, and don't be afraid to reach out to mentors and colleagues.
- Seek out board-ready training: Many organisations offer training and development programs specifically to prepare women for board service.
- Advocate for yourself: Don't be afraid to advocate for yourself and let people know that you are interested in board service.
- Speak up: Women can sometimes be hesitant to speak up in male-dominated boardrooms. Remember that your unique perspectives and experiences are valuable.
- Support other women: Be a mentor and advocate for other women who are seeking board positions.
- Network outside your industry: Expand your network by attending events and connecting with professionals outside your industry.

What will be included in a Board Induction program of a Listed Company

- Board induction or onboarding programs for listed companies typically include the following components:
- Company Overview: Company's history, vision, mission, and values.
- Governance Framework: An understanding of the company's governance framework, roles and responsibilities of the board, committees.
- Regulatory Environment: The regulatory environment in which the company operates.
- Financial Reporting: An understanding of the company's financial reporting and risk management practices.
- Board Operations: An understanding of the board's operations, board and committee meetings, preparation of board materials etc.
- Stakeholder Engagement: An overview of the company's stakeholder engagement
- Strategic Planning: An overview of the company's strategic planning process and how the board can contribute to it.

Negotiate the package for an Independent Director

Negotiating the package for an independent director of a company requires careful consideration of time commitments and various other factors.

The package ideally consists of:

- Board sitting fees paid to each director for attending board meetings as well as committee meetings.
- Reimbursement of out-of-pocket expenses: Travel expenses, lodging, boarding, etc.
- Commission or percentage of profit as per the company policy and as approved by shareholders.

"OP Bhatt and Sutapa Banerjee are my role models for Independent Directors: Arun Lal"

Mr Arun Lal is a veteran in building brands, businesses and people. His core competency is in FMCG and nutraceuticals, and he has also made his mark in marketing, corporate affairs and corporate communication. An MMM, who specialised in marketing and finance from NMIMS, Mumbai is a Certified Corporate Director trained in corporate governance and board management by Institute of Directors, and is ready to chart a board journey as an Independent Director.

INTERVIEW WITH
ARUN LAL

Kindly share your life journey so far- academics, experience, expertise, and awards

I am a B.Com, MMM Marketing and Finance ,and loved building my professional career in marketing and communication areas with best known companies like Murphy Richards, Eureka Forbes, Jockey India, EVIAN (Natural Spring Water), Himalayan Natural Mineral Water, and now for the last 15 years as a President – Corporate Affairs and Communications at Hexagon Nutrition Ltd and as Managing Director of their group company called Sunrise Nutrition Private Ltd.

I am also a Certified Corporate Director from IOD, on IICA Data Bank for Independent Directors. I have also cleared my Self Attested Proficiency Test for Independent Directors from IICA. I am also privileged to be Co-Chairman of ASSOCHAM National Committee on Food Processing and Value Addition. It helps me to give back to the industry and society at large. I have been recognised for my work through awards such as 'Youth Icon' from Star Congress and 'Entrepreneur of the Year' from ASSOCHAM, an apex industry body.

What inspired you to become an independent director?

My role as President –Corporate Affairs and Communication of a listed entity Hexagon Nutrition Limited and additional responsibilities as MD of SNPL , inspired me to explore more about boards and Independent Director opportunities.

How did you prepare for the board?

I learnt a lot about boards being a support to board committees of a listed company and later as managing director of a Pvt Ltd company, participating in board meetings, signing and finalising annual reports etc. Later I trained myself at IOD and IICA on corporate governance, ESG, board practices and processes with due certifications by these two reputed institutions.

What board committees are of your natural choice and why?

Having first-hand experience of supporting board committees of a listed entity, on CSR and stakeholder relations, along with my qualification and experience in corporate affairs and corporate communication, I feel confident of doing justice to ESG, stakeholder relation and NRC committees.

Who are your role model Independent Directors - male and female and why?

I love to read about the success of Mr O P Bhatt and Ms Sutapa Banerjee as Independent Director.

What skills do you bring that can contribute to the success of the board?

I consider myself to be a good listener and analyser, with the skills and knowledge to reposition people in ways that boards of directors need. I gel well with people of different cultures, functions and backgrounds. My style of collaboration is loved by people who work with me. In addition, my knowledge on corporate governance and ESG would be a great asset to any board.

> I am experienced in developing corporate financial budgets, analysing financial records from the past few years to plan for the future and introducing systems and procedures that are accepted on a board level

What strategies on corporate governance do you plan to improve the stakeholder relations and deliverables?

I would like to focus on sharpening the corporate strategy, understanding the needs of executive board members, empowering them with resources so that board delivers great value to all stakeholders and not just the shareholders, in a transparent and compliant manner.

Board Stewardship wishes Mr Arun Lal a successful board journey

FINANCIAL FAILURE AND ITS CAUSES

by **DR ANIL LAMBA**

Finance management is the ability of independent directors to understand the financial consequences of all their actions and ensure that each person only does those things that enhance profitability and avoid those that hurt it. An effective board plays a crucial role in ensuring this happens and to be vigilant not to approve financially deficient decisions and plans.

Not many are aware that financial mismanagement is responsible for over 90 per cent of business failures the world over. Nine out of 10 businesses that fail do not fail because their marketing was inefficient and not due to labour problems or the use of outdated and obsolete technology, but because of bad finance management. And this happens because of a widely held belief that finance management is the job of the finance department alone.

The truth is that finance management or mismanagement happens in every department of an organisation. Most decisions taken by various so-called non-finance managers/executives are in fact financial decisions. A decision taken by a salesperson, who is offered a large order at a substantial price cut, to accept or to refuse the offer is a financial decision. A decision as to the levels of inventory to be maintained by the store's manager is a financial decision. An HR decision as to the size of the 'bench' to be maintained is also a financial decision. In fact, what happens in the finance department is largely accounting related. Finance management or lack of it, takes place in all the other departments. Every manager is a finance manager.

What is Finance Management?

Good finance management is the result of the ability on the part of every individual to understand the financial consequences of all their actions.

Let us compare running a business to playing a game of cricket or soccer. What is the objective of playing the game? Simple – it is to win. What is the objective of the game of business? Just as simple – it is to make profit!

Now, whose actions win the game for you: is it the actions of the players on the field or the scorekeeper's?

An accounts person is like the scorekeeper in a cricket match. It's not the scorer who will win the match for his team but rather the players – the bowlers, the batsmen, the captain, and the coach who will do it. And yet, without the scorer, the match loses all meaning.

In much the same way, it is the actions of each individual in every department that will help an organisation to succeed. If their actions are financially intelligent, the organisation will make profit; if not, it may suffer losses. You must never do anything without understanding how it will affect the organisation's profitability!

What is the board's role?

If the cause of most business failures can be traced to bad finance management, then it is the board's foremost duty to ensure the practice of good finance management.

In this piece let me touch upon a few crucial aspects which if neglected can lead to disastrous results.

As a responsible member of the board what you must always ensure is:

Never to approve any outlay of investments unless the projected returns from the investment match or exceed the organisation's cost of capital.

This presupposes knowledge on your part about the organisation's WACC (Weighted Average Cost of Capital).

Your responsibility

As an important member of the board you have a responsibility to ensure that good finance management practices are followed and that the company becomes a financially intelligent organisation.

The price paid for violating finance management principles is heavy and rewards of practicing good finance management are many.

Board Caution

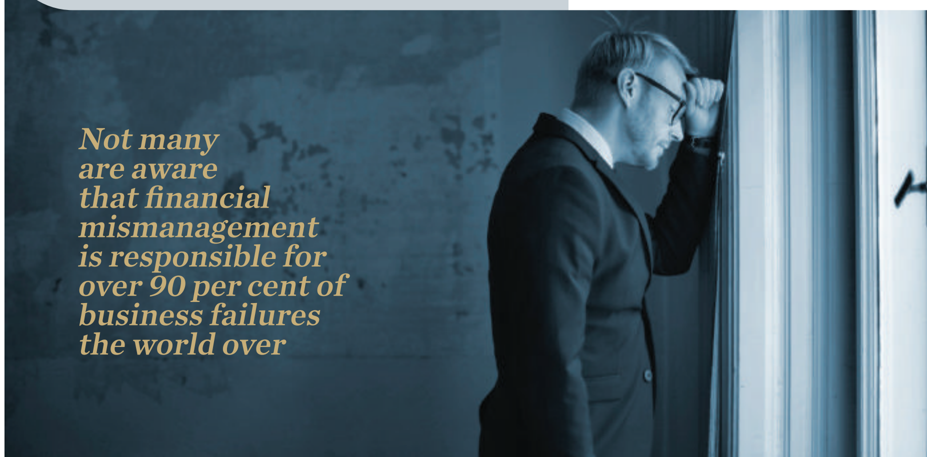
If you are ignorant about it, then the earlier you get that worked out the better.

1 Never to approve any outlay of investments unless the projected returns from the investment match or exceed the organisation's cost of capital.

This presupposes knowledge on your part about the organisation's WACC (Weighted Average Cost of Capital).

If you are ignorant about it, then the earlier you get that worked out the better.

2 Try and avoid approving any investment into assets that are non-performing by nature (unless these are essential non-performing assets). Also take efforts to convert non-performing assets into performing ones and if that is not possible then the decision should be to liquidate such assets.



3 Never forget the importance of effective cash flow management.

You must remember all sources of money are classified as liabilities. A liability by definition is something that will have to be paid back. Where will the money come from when it is time to pay back?

If liabilities finance assets, the same assets will have to generate the cash flow to pay back the liabilities.

Before sanctioning any investment in assets, please ensure that the projected cash inflows from the investment will be sufficient and timely to meet the cash outflow to pay the liabilities.

4 And most important of all, ensure to never use short-term funds to finance long-term assets.

Of all the businesses that fail due to bad finance management, most of them fail due to this reason.

If there was a cemetery of failed companies, the tombstones in front of most would have read, 'Here lies a company that used short term money to acquire long-term assets.'

Dr Anil Lamba is a practicing chartered accountant, financial literacy activist and an international corporate trainer. He is the author of the bestselling book 'Romancing the Balance Sheet'. He can be contacted at anil@lamconschool.com

by **POONAM BARUA**

WOMEN ON BOARDS IN INDIA: RETROSPECT AND PROSPECT

We are standing at a sharp "tipping point" – where nations will have to decide how they will lay the future of their business, communities, stakeholders, and governance of wealth creation. It will not be possible to draw this future, without considering the aspirations, opportunities, and talents of half of our population, that consists of women. With several decades of women being kept out of the hallways of corporate governance, board director positions, board stewardship – it is time to assess what corporate India and global communities have lost in terms of leadership, innovation, competitive edge, profits, and sustainable business – and why it is important to bring women into this "Next Frontier."

There is a vast amount of data to indicate that the number of women on corporate boards in India – has risen from a dismal 5-6 % to about 15-17 % over the past decade. While this may be seen as good progress, it is way below the largest world economies that have listed women directors at 35% of boards and above. Further, the rise in women directors' numbers is clearly the result of the Indian Companies Act, mandating that every listed company with a certain paid-up capital or sales, must have at least one- woman director on their board. Inspite of this regulation, many companies are still hard-pressed to appoint a women board director, and many still have "no women" on their boards, including many public sector companies – which are seen as "Navratnas" of business, but perhaps lacking in best practices.

So, how do we account for a country where less than 20% of the total number of Board directors are women, which means that nearly 80% of the board director seats are occupied by men. To simply say that there is a lack of qualified women for boards, or women don't have the experience, or women are not board-ready – is misleading the problem to the "supply-side" of the equation. We have surveyed hundreds of senior women executives across corporate India -- who are board certified, have the corporate experience, are not shy and most aspiring – and simply do not get tracked by Board Nominating Committees or Search Firms for board seats

The reality is that the problem lies on the "demand-side" of the equation. There is clearly a visible "trust-deficit" when it comes to appointing women board directors – due to the different leadership style of women -- that is public-spirit-

ed, risk-averse, rationale, compassionate, high on trust, and flexible. These stellar qualities of leadership are often seen as limiting for board directors – that have built an unsubstantiated weightage of board director's skills that are leaning heavily on the qualities of finance, accounting, legal skills, networks in high places, and a dominating presence. Boards have further opted for appointing "comfortable, safe and invisible" women, and recycling the same women through 4-6 board seats – thus giving no opportunity to the other smart and very talented women, who may ask a lot of bright questions.

There is enough evidence to show that companies with the highest percentages of women board directors outperformed others by at least 53 percent return on equity, at least by 42 percent return on sales, and with at least by 66 percent on invested capital. More recently, a 2020 Women on Boards analysis found that 55 percent of companies that fell off the Fortune 1000 index had one or fewer women on their boards.

In the coming years, large Investors and international regulations driven by ESG disclosures and SDG 5 mandates of gender equity— will be applying new tools, codes, and indexes to a company's oversight and management of risk, and asking new questions addressing board diversity, director independence, and compensation-related matters. Nasdaq has proposed amending its listing standards for companies to have "at least one female director" or explain why their board lacks them. Leading Investor Funds like Blackrock continue to advocate that new Board Directors and executives need to better reflect the societies within which their companies operate.

In India, though SEBI has also mandated the BRSR index for top 1000 listed companies – it has failed to put out any further mandate for women on boards and gender equity in this index, which may be a lost opportunity for enhancing the number of women on boards via the ESG route.

Many bright women are also now increasingly passing the IICA directors test and getting listed on the Independent Directors Databank. However, out of 6,888 listed directors, only 1,292 or about 18% are women listed on the director's database. This is another area where more incentives can be given to women – to promote them to enrol on the Directors Databank and qualify for the test. But even for the 18% women who have qualified – it remains difficult for them to get past the all-male networks that still exist and prosper, and we must consistently structure a robust way for these listed women to become more visible, articulate and be on the desktop of search firms.

It Is time for corporate India to understand that Women on Corporate Boards are key to Balanced Boards --that are inclusive, resilient, innovative, agile, and sustainable – for best rewards to business and society. And that there is no shortage of talent and no aspiration-deficit for women who want to get board positions. All we need is an ecosystem of 'Equal Opportunity' for women to get a chance to prove their vision and contribution as board directors, and this is the only way forward for corporate India in the "New Era & New Age'' -- – that continuously aspires for best corporate governance standards.

Poonam Barua is the Founder and CEO of WILL Forum India, Forum for Women in Leadership—and has been a pioneer in driving the global agenda for women in leadership and corporate boards for over a decade.
She is an Economist, business Entrepreneur, and Author of the much-acclaimed Book "Leadership by Proxy," and serves as Independent Director on corporate boards. She is a Salzburg Global Seminar Fellow, Visiting Fellow at SAIS, Johns Hopkins University, and Advisor on several forums in USA, Europe and APAC region.

FUTURE OF & FOR
CORPORATE BOARDS

by **DR. SRINATH SRIDHARAN**
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The corporate boardrooms are transforming. Evolving regulations, newer policies, technology as a disruptor, data as governance tool, investors who are engaged, media playing their role as a mirror to corporate actions, social pressure, consumption patterns, changing demographics and consumer adoption of social media and business needs are all pushing the corporate sector towards higher accountability, and better standards of consistent behaviour towards all stakeholders.

The Boards are expected to be the ultimate gatekeepers of high moral and ethical behaviour, and to bring wisdom in balancing long-term corporate objectives and short-term outcomes. All in a completely volatile and uncertain world. Imagine flying a plane in a storm without any navigation tool, except a compass. Boards at times face a similar situation, with only their own moral compass. This storm across the corporate world is also impacting how boards are put together, board composition and expertise, changing and increasing expectation of the Board role.

Volatility & Values

The businesses of the 21st century have become complex, large, and globally disbursed with different regulatory lens on their operations. This shines spotlight on the traditional concept of centralised leadership. The width and span of a single leader's attention is now worrying. This is where Boards are expected to be engaged. Their role in leadership succession planning expands to steering for a contemporary organisation design, where the organisation is flat, and with sufficiently delegated authority at every level of leadership.

This has not been easy or smooth journey. Except for outlier Boards, many still struggle with even understanding the organisation design and the need for empowered leadership development across the organisation. Worse still, Boards don't even involve themselves in building cascading layers of leadership for robust succession planning.

Today's society has every manager being a 'Leader-CEO' at the role-level. They have to demonstrate Leadership behaviours, including empathy and inspire their colleagues. The best of organisations uses the tool of developing their managers into leaders, across organisations. The need to build a talent-moat is a form of leadership resilience that Boards need to build. Sadly, we have much of insipid leadership than inspirational. Thanks to shorter tenure of CXOs, and wrong performance metrics to judge for quality of leadership, we seem to have lesser examples of leaders who inspire.

Leaders are expected to lead by personal example, and to demonstrate the behaviour they want to see in their employees. This means demonstrating the values and behaviours that are important to the organisation, such as honesty, integrity, and accountability. The Boards are expected to have a simple FIAT: Fairness, Integrity, Accountability & Transparency. If the embedded culture of ethics and compliance is not embedded well, and if the value system is weak, it can be misused by "smartest person in the room". Most of in-trouble entities start as ethical and legal business. In absence of emphasis on ethics, human greed shapes "edge of the envelope" business practices which yield short-term lucrative gains but destroys the business in the long run.

Purpose & technology - the North Star

Boards of the past had shareholders' welfare in mind. Today's society expects businesses to care for more than just that. Core purpose of enterprises should bring profit, people and planet together. Balancing them, without compromising one another is the leadership that Boards are expected to provide to the enterprises.

But then, the purpose should be reflected in corporate actions, and not just being a communication initiative internally. In general, businesses need to spend time and planning to think this through - how can their purpose be aligned to overall societal welfare? This would need them to align their team incentives, organisational policies, decision making processes with the appropriate culture, talent and leadership style.

The purpose of business and its actions will be questioned by those who argue that enhancing shareholder value is the ultimate goal of enterprises. The argument that without generating financial value, societies through the markets, won't benefit is unidirectional. This is where the need to have open and detailed conversations on the purpose of enterprises and to include ESGness into the organisational imperatives.

Here is where Technology would be an enabler and a tool for the Boards. With emerging technologies, Boards have an obligation in ensuring that the digital technologies used by the enterprises are not misused. Issues and worries about cyber risks, cyber security breaches, data privacy, consumer protection, management overreach etc continue. With emerging technologies such as AI, big data and blockchain, much of the fiduciary roles of directors can be done by the machines and algorithms. So, what will the boards be expected to do? This is where the future role of boards could become that of advisors. Each of the regulators have to put an effective plan to steer this fiduciary to advisory role change, without Boards being involved in day-to-day or executive roles. The Boards have to disrupt themselves faster than their businesses are disrupted. Boards have to understand their role of ensuring good corporate governance, for it is the engine of social development and economic progress for any nation.

Boards have to be alert, agile and efficient. While they are not involved in day-to-day business, they are expected to be in loop of essential aspects that impact the business integrity. That's the balance that Boards have to achieve - without stepping into CXO shoes, nudge and guide the enterprises for its value judgement in each of its actions or inaction.

***Srinath Sridharan** — Strategic counsel for over 26 years, with leading corporates across diverse sectors including automobile, e-commerce, advertising and financial services. Independent Director across multiple sectors. Advises organisations on the intersection of finance, digital, 'contextual-finance', consumerism, Urban studies, GEMZ (Gig Economy, Millennials, gen Z) & ESG. Prolific media columnist across topics he works with. He is also the Editor and co-author of 'Time for Bharat' (book on public governance).*

ETHICAL CONVERSATIONS FOR BOARDS

Dr. Anita Shantaram

It is often considered that it is a few bad apples that spoil the organisation/boards. Organisational ethical failures are not only caused by so-called 'bad apples', but in fact committed by people generally considered good apples (Bazerman and Banaji, 2004).

In today's fast-paced and competitive world, there is increasing pressure on the boards to perform and present the numbers and more often boards succumb to the pressure and ignore ethical considerations. In a recent publication by Ethisphere, 'Infosys' was the only Indian company mentioned in the list of 100+ ethical companies around the globe. This does not mean other Indian companies are unethical. Though most organisations and boards would want to operate ethically, we all have our ethical blind spots and biases, which causes boards around the globe to experience 'ethical fading'. Ethics has taken a backseat and it is no longer expected that board conversations will be driven on the anvil of ethical decision-making.

At the recent conference by CII- the president of the ICAI said – that non-financial reporting is more important than financial reporting. I recall in 2011 when I was collecting data for my thesis on Business Ethics and there was a question about Triple Bottom line accounting, most were unaware of what this term meant. Similarly, each new day brings with it new business challenges and crafts new concepts every couple of years to attempt to bring ethics into board conversations. At least, the intent seems to be in that direction. For eg., ESG is the current buzzword – a concept that is closely connected with ethics. However, since the introduction of ESG Score the concept has reduced to mere numbers and 'Green Washing' has become a norm. I believe there should be an addition of 'E' for 'Ethics' to realign the concept and to place Ethics at the center.

Research shows that the top management and boards think that the ethics in the organisation is better than it actually is, whereas the employees tend to often think that it is worse than it actually is. This gap needs to be bridged and the board needs to reduce its over-optimism and work on building an ethical culture. Additionally, hastily implementing ethical programs and /or reforms or addressing ethical concerns will be counterproductive. Research has also established that ethical organisations outperform the market in the long term.

There is an increasing trend amongst millennials to not work for companies that are not doing enough for the planet, society and community. Therefore, the motivations for making ethics and compliance the core of the board conversation should not prevail because the regulators expect it or because the investors want it and the best boards are doing it but because the future generations will demand it. Ethics has to be internalised and realised by the top management to ensure value-driven growth. The top bottom approach is needed to set the culture and tenor of the company; as it increases the morale of employees and encourages them to deliver performance ethically.

Dr. Anita Shantaram is a leading Ethics professional with over 3 decades of experience in Training, Consultancy, Research and Community Work. Founder of EthicsIndia (now part of Legasis) contributing to fields of compliance and ethics. She inspires young minds by teaching Business Ethics at IIT Bombay

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BoardPAC

EMBRACING DIGITAL TRANSFORMATION:
THE KEY TO FUTURE-PROOFING YOUR BOARD

In today's rapidly evolving business environment, the role of the board of directors has become more critical than ever before. A well-functioning board is essential to the success of a listed company, and its effectiveness can make or break the company's future. However, the challenges facing boards have never been greater, with a complex array of regulatory requirements, shifting stakeholder expectations, and disruptive technological innovations all putting pressure on directors to be proactive, agile, and forward-thinking. Therefore, future-proofing a company's board is crucial, requiring a strategic approach that prioritises diversity, resilience, and agility. This article will explore some key strategies companies can adopt to future-proof their boards, including the need to focus on long-term sustainability and the value of leveraging emerging technologies to drive innovation and growth.

As companies in India seek to stay ahead of the curve and maintain their competitive edge, adopting a board automation solution should be a top priority. A board automation solution involves using technology to automate various tasks related to managing a company's board of directors, including creating and distributing agendas and meeting minutes, managing appointments and attendance, and facilitating communication and collaboration. Some board automation tools have separate software for video conferencing, e-signatures, board management, document storage, and document sharing, but an effective board automation platform should be a single platform that consists of all features required to completely automate the entire board meeting process, from agenda creation to tracking the action points until completion. This ensures that the board's activities are transparent and the trail of actions is evident, promoting better accountability among the board members and strengthening the company's corporate governance.

Effective corporate governance is crucial for listed companies to maintain their reputation, attract investors, and meet regulatory requirements. Here are some of the ways in which a board portal can support and improve corporate governance:

Enhancing Board Communication and Collaboration: A board portal provides a secure digital platform for members to communicate and collaborate on essential governance matters. With a board automation solution, board members can easily access and share documents, create and update agendas, and communicate in real time. This enhances transparency and helps ensure that all board members are informed and engaged in decision-making.

Improving Information Management: An efficient board portal allows boards to centralise their information and securely store important documents and data. This helps to ensure that information is accurate, up-to-date, and easily accessible. Board portals should also provide version control so that board members can track changes to documents over time, even if it's archived, and ensure that they are working from the most recent versions.

Streamlining Meeting Management: A board portal can streamline the meeting management process by allowing board members to access meeting agendas, review and approve minutes, and submit feedback and questions before meetings. A future-proof board automation tool ensures that the platform's interface is intuitive and user-friendly so that board members can seamlessly switch from physical board materials to digital ones without any complications. This helps to ensure that meetings are well-prepared, efficient, and effective.

Enhancing Board Accountability: A board portal can provide a clear record of board activities and decisions. Board members can review meeting minutes, agendas, and other documents at any time, and the platform can also provide audit trails and reports to help boards meet regulatory and compliance requirements.

Enhancing Board Security: A board portal provides secure access to confidential board materials, reducing the risk of data breaches and unauthorised access. Board portals typically use encryption and other security measures to protect data, such as AES 256 Encryption, Two-Factor Authentication, biometric authentication, and others based on ISO 27001 standards. The platform would also allow boards to set permissions and access levels to ensure that only authorised board members and pre-approved devices can access sensitive information. Additionally, an advanced board portal will foresee all the possible security risks and provide possible solutions, such as Remote Wipe Out in case a device is lost or stolen or offering clients to back up all their data on the cloud in the case of physical damage to the vendor's servers.

By leveraging these features and benefits, boards can improve their decision-making processes, enhance their oversight responsibilities, and ultimately improve their overall governance practices. However, corporate governance has evolved beyond the responsibility toward the company and its stakeholders. It also involves the responsibility of the company towards sustainability and the environment. Globally, regulatory boards are starting to force the listed companies to disclose their environmental, social, and corporate governance (ESG) data, spearheaded by the SEC in the United States of America. ESG reporting is an essential tool that tracks sustainability, identifies risks, and reports on the organisation's performance.

A board automation solution may not seem inherently related to sustainability; however, it can play a significant role in promoting better sustainability practices within an organisation. Here are some ways in which a board portal can contribute to better sustainability:

Reduced paper usage: Advanced board portals allow not only for digital documentation and file sharing but also for the board members to annotate, highlight and add their comments on the board papers digitally, a paper-like experience that eliminates the need for physical paper documents. These annotated papers could also be shared with other board members within the app or via an integrated email platform rather than the traditional means of printing and mailing. This reduces the amount of paper used and the environmental impact of paper production. While the physical document with alterations and comments could be misplaced or impossible to find, the annotated digital board paper can be archived and found again using a few search keywords with no loss of annotations.

Efficient collaboration: A sophisticated board automation solution would promote collaboration through an integrated video conferencing app that can be opened within the board portal. It would include an intuitive in-app chat feature that allows board members to message each other privately or in a group to hold discussions. By enabling board members to collaborate more efficiently and effectively, board portals reduce the need for travel to physical meetings. This means less energy consumption and fewer carbon emissions associated with travel.

Better decision-making: Board portals provide a centralised location for information and documentation, and even if there are changes in the documentation, they can be shared instantaneously through the application, which can lead to better & quicker decision-making, in contrast to the time-consuming traditional method of re-printing and resharing with all board members. Being more informed and efficient decision-making, organisations can adopt more sustainable practices.

Increased transparency: Board portals can improve transparency by giving stakeholders easy access to information about an organisation's sustainability practices. This can promote accountability and encourage organisations to adopt more sustainable practices. An ideal board portal would allow the users to view these shared sustainability-related documents on the platform's dashboard due to their importance in the current social climate.

A board portal can promote better sustainability practices by reducing paper usage, increasing collaboration efficiency, facilitating better decision-making, promoting transparency, and enhancing reporting. By adopting a board portal, organisations can become more sustainable and environmentally responsible, allowing them to be closer to achieving their ESG goals.

By adopting a board automation solution, companies can improve their overall effectiveness and demonstrate their commitment to transparency, accountability, and sustainability, allowing boards to focus on strategic decision-making and better serve the interests of the organisation and the environment. However, the challenge is to find a holistic board automation solution that provides all of the above features & more effectively future proof the board and, consequently, the company. The most preferred solution that can provide the above is BoardPAC.

BoardPAC is the leading provider of Digital Board Meeting Automation Solutions, recognised for driving simple, secure, sustainable, and experiential communications for Board and Executive members. BoardPAC serves a host of Forbes Global 2000 companies worldwide, with over 50,000 users across 40 countries, who benefit from enhanced corporate governance and improved sustainability.

BoardPAC's clientele includes the Reserve Bank of India (RBI) - the Monetary Board of India, Bank Negara Malaysia - Central Bank of Malaysia, Bursa Malaysia – Stock Exchange of Malaysia, OCBC Banking Group, Petronas, Bank of Singapore, Mercedes, Maybank, Deloitte, Kotak Mahindra, HDFC, Yes Bank, IDBI India amongst many others. With its 9 Global Offices, BoardPAC, a global award-winning company, currently provides 24/7 local support in the leading economies, including India.

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BoardPAC proudly ranks number one by Gartner Capterra as the Board Management System with the 'best ease-of-use', as a global award-making Board Management System with the best experience for users by the renowned Gartner Inc agency.

Should you wish to learn more about how your company too can enhance its corporate governance and reach its sustainability goals contact your local, regional BoardPAC representative for a personalised demo at india@boardpac.co or 098 2069 2101.

DIRECTORS AND OFFICERS INSURANCE

by **A S MANOJ**

Directorship of a company is accepted by choice. A person who accepts the directorship is supposed to know the duties assumed by him along with the position. Minimum expectations are, firstly to act in good faith complying all statutes and regulations to protect the interest of the company. Secondly, he should not make personal gains compromising his directorial duties. It is better to disclose his interest in any transaction to the board when he is in doubt. Thirdly, as a member of the board he assumes responsibility for the board's collective decisions.

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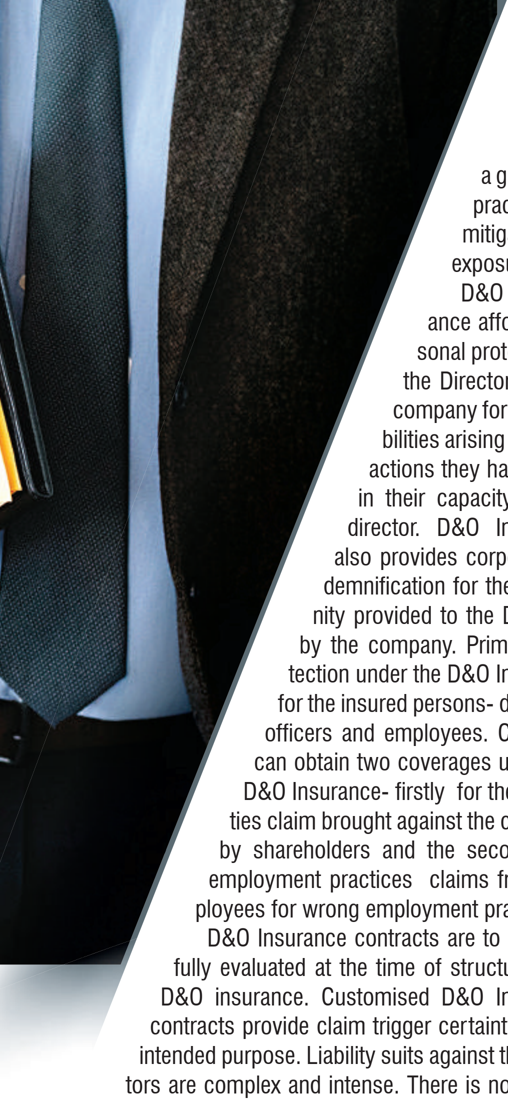
Directors may face liabilities on account of their breach of duties. It can be either civil or criminal depending upon the cause of allegations. Directors will be held liable if the wrongful act had occurred with their knowledge or if they had not acted diligently. However, companies should provide a conducive premise for the directors to perform their functions without any fear of liabilities from mere allegations of any breach of duties. Directors and Officers Insurance (D&O Insurance) is a good immunity tool to provide sufficient comfort for Directors to prove their innocence through good defence in a legal process.

Over the years, liability claims against directors increased in frequency and severity. Causes of liability claims are breach of contract, corporate governance issues, poor performance, change in control, insolvency, environmental non-compliance, etc. Companies are indemnifying the directors against the cost of defending the litigations in the court of law. Many companies are maintaining a D&O Insurance as a good risk man-



agement practice to mitigate this exposure.

D&O Insurance affords personal protection to the Directors of the company for their liabilities arising from the actions they have taken in their capacity as the director. D&O Insurance also provides corporate indemnification for the indemnity provided to the Directors by the company. Primary protection under the D&O Insurance for the insured persons- directors, officers and employees. Company can obtain two coverages under the D&O Insurance- firstly for the securities claim brought against the company by shareholders and the secondly for employment practices claims from employees for wrong employment practices.

D&O Insurance contracts are to be carefully evaluated at the time of structuring the D&O insurance. Customised D&O Insurance contracts provide claim trigger certainty for the intended purpose. Liability suits against the directors are complex and intense. There is no pre-defined process of defence strategy. D&O Insurance contract should be structured keeping in mind the issues in defence strategies.

Standard D&O Insurance contract provides defence and damage. Understanding the D&O Insurance contract and the importance of the disclosures in the proposal form is very important. D&O Insurance provides the defence to the Directors when they are prosecuted for any breach in their capacity as the director of the company. Insurance may pay the damage if he is found short of fulfilling his duties. However, the policy will trigger subject to lots of factors. Understanding of those factors are the key for the effectiveness of a D&O Insurance protection.

D&O Insurance contract essentials are to be understood by the insured. Essentials such as -what are the triggers of the contract, how to trigger the contract, what is covered, what is excluded and what are the conditions to be complied as per the policy contract.

Basic coverage is to protect the personal liability of directors which is not indemnified by the company and the indemnified part to be reimbursed to the company. Company per se is protected under the policy for securities related claims and claims arising out of employment practise breaches. Many other coverages are built in and more can be endorsed based on the exposure and requirements.

Insureds must pay attention to the following important clauses under the D&O Insurance contract:

- Claim- triggers of the contract.
- Loss- what components of compensation and expense is getting covered.
- Wrongful Act- what are the breaches will enable the trigger.
- Investigation- is it an independent trigger not tied to any breaches.
- Notification- how it is to be complied to trigger the contract.
- Consent & Cooperation- needs to be understood for the defence and settlement.
- Allocation- how the cost is to be processed for the covered causes.
- Conduct exclusion- when will the fraud exclusion will stop the cover and what are elements in a fraud exclusion.
- Prior claim exclusion- how this exclusion is worded and please examine all outstanding claim circumstances if any.
- Proposal form- please look into the disclosures made in the proposal form and it is the basis of the contract and will play a major role in all claims.

D&O Insurance is a good immunity for Directors from all liability actions against them. Breach of duty allegations are on the rise against directors. Good defence is required to prove their part. Insurance is also a good risk management tool for the corporates to mitigate the cost of indemnity provided to its directors. D&O Insurance is recognised by the regulators and laws. Executives should pay immense attention at the time of structuring an insurance contract and providing risk information. Claim will be processed on the strength of the insurance contract and proposal form subject to the compliance of all conditions stipulated in the contract. Every director should be briefed about the D&O Insurance and what are the obligations from them at the time of any liability claim against them. Good contract and prudent compliance will make the insurance an efficient protection tool.

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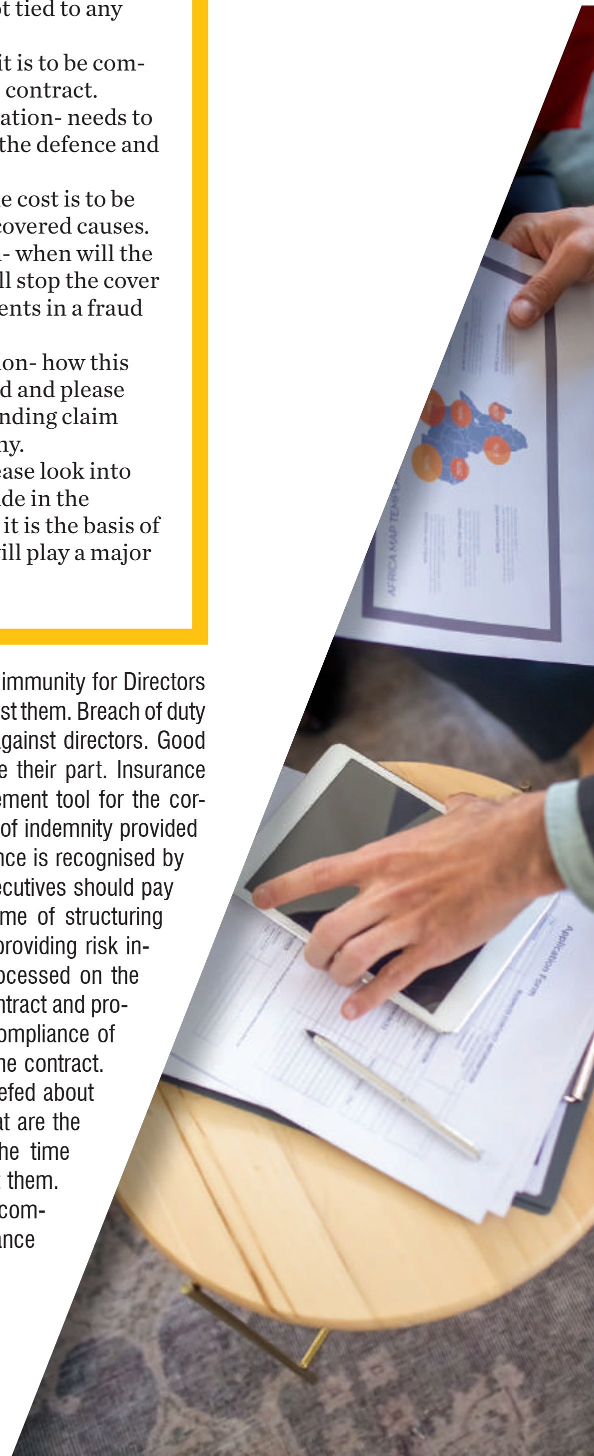

ONBOARDING PROCESS FOR THE INDEPENDENT DIRECTOR

by **NIRMALENDU MOHAPATRA**

As one joins as an Independent Director (ID), he/she needs to get familiar with the company quickly. Many a times, he is required to participate in the board meeting within days of his appointment, even before a formal program of company familiarisation has not taken place. The quickest way to get ready is to take steps of self-development and go through some vital documents proactively. The following list can be used for the purpose.

1 Memorandum of Association (MOA)

This document contains the fundamental conditions under which the company is allowed to operate and is an important document to be referred as soon as an ID joins. This most important legal document is used in the incorporation application.

2 Articles of Association (AoA)

It is the document that specifies the regulations for a company's internal operations and defines the company's purpose. It lays down the roles of the directors, the nature of business of the company, and the method by which the shareholders exert control over the

board of directors.

3 Profile of Directors

Directors usually hail from diverse backgrounds of education, experience, and affiliations. One should be aware of the profiles of all the directors. This will enable to assign weighted value of suggestions of any Director on any subject.

4 Company Website

Website of the company is its window to the outside world. This resource is normally found to contain up to date data on various aspects of company's corporate governance and business operations.

5 The organisation structure

The organisation structure of a company comprises of the hierarchy, the span of control, lay out of departments and system of communication, coordination, and integration of significant activities. This awareness helps while dealing with execution of various board decisions.

6 Financial results of last five years

Financial metrics are the foundation of any company. Other metrics carry meaning only when the financial results are positive over a period of time. Generally, the balance sheet, the income statement, the cash flow statement are three documents which need to be studied.

7 Annual reports of last two years

The ID must meticulously go through three Annual Reports especially the chapters on corporate governance, management discussion and business responsibility. Two consecutive reports provide hints on the trend of things.

8 Reports of the credit rating agencies

If you search on the internet, you may find the observations of any of the well-known credit rating agencies like CRISIL, ICRA, CARE or Fitch. Third party reports like these reveal many unknown facts on a company.

9 Business ecosphere

What is the business model the company uses? What is the technology and what are the benchmark practices in the same field? Having an idea about all these set right contexts when deliberating about strategy and policy.

10 The competitors' story

Accessibility of such information is difficult but not impossible. But such information can possibly be used for strategy updating.

11 Minutes of the last two board meetings

It would help to go through the minutes of the Board meetings held on last two occasions. This may provide a glimpse of the burning problems encountering the company.

12 Unimplemented decisions

The ID must be aware of what board decisions are lying unimplemented and for what reason. It would be useful to raise select issues for review during the board meetings, either to drop the points or to explore ways to implement it.

13 Penalties and court cases

Ask for these details explore their implications. ID has the option of studying the root cause in depth and corrective action taken in this regard.

14 People related metrics

Pulse of the employees is an important indicator of long-term health of the company. The ID must go through studies conducted in the areas of employee engagement and turnover trends in the company.

15 Fresher's perspective

Every company provides such a manual for the freshers providing vital technical and functional details. Consider yourself as a recruit and internalise these.

***Nirmalendu Mohapatra** worked as Functional Director in the board of SAIL (Steel Authority of India Ltd), New Delhi and as Independent Director in KIOCL (Kudremukh) Ltd, Bengaluru. He is a Human Resources practitioner with more than three decades industry experience in mining and steel sector including Head of HR in steel plants of Bhilai, Bokaro and IISCO. He has published two books and a third book titled "Independent Director's Workbook" is soon to be published.*

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ATTRACTING OPPORTUNITIES WITH PERSONAL BRANDING

Dr Amit Nagpal

What Builds a Brand

- Knowledge / Skills: Education / Certification, Experience
- Achievements: Awards, Testimonials, Honours
- Association: Leveraging other brands (people, organisations)
- Consolidation: Collage, Media gallery, Journey milestones/ timeline
- Passion: Communication your passion

As you are likely to have experienced by now, becoming an independent director is all about attracting the right opportunity. No vacancies are advertised for independent directors after all, so you need to use a combination of pull marketing to create the serendipity.

Before you begin your journey, identify your target audience (TG) and the positioning you would like to create for yourself. Here the target audience is primarily board committees and primary positioning is “prospective independent director with expertise in ___”.

4 Ps of Your Brand

Let us understand the concept of personal branding, by using the simple and popular 4P approach of marketing. If you are the product, then how will you play the game.

Product

As a product, not only your first impression is important, Google has created “Zeroeth Impression” also. Before people meet you, they Google you.

Learn, preferably under a mentor. Get certified and keep learning. Disruption and change have become faster, thanks to technology and being updated with new developments in our field is critical to survive and thrive both. Stay updated with your domain as well as critical domains for directors such as ESG, CSR, Digital transformation etc.

Promotion

Indians (and easterners) are usually shy of self-promotion. So you need to practice soft marketing through storytelling. Show not tell , as the saying goes.

Let your network know that you stay updated. Being visible on social and offline media is useful for creating serendipity and attracting the right opportunity. Keep updating your profile with your achievements (woven into stories), your new learning & experiences (including certifications). For an independent director, it is even more important to create credibility through social and offline media. Showcasing your achievements through stories, testimonials & recommendations etc is very useful.

Placement

Once you have built the desired credibility, your own confidence and conviction goes up. You can then proceed with the “dance of seduction” to attract the right opportunity for directorship. Building a brand gives you higher visibility thus creating right networking opportunities. Find out who are the people who are on different board committees such as audit committee, social and ethics committee, remuneration committee, nomination committee and the risk committee. By letting these people know that you are available for independent directorship, you are in a way placing / distributing your services.

Price

Price is closely related to positioning. Whether you want to target blue chip companies or SME enterprises, tells the market whether you are a product with class appeal or mass appeal. Set your positioning correctly, as it is going to decide your price or the fee you are going to fetch.

- Here are some practical tips to attract the right opportunities:
- Network with people who are on the board committees.
- Create a strong LinkedIn and PDF profile for sharing with the right people.
- Create a personal website / portal and look for speaking opportunities. Teaching is the best way to learn and co-learn.
- Initially you have no option but to talk about yourself and your achievements. Tell your story and then let other people validate it.
- Remember the difference between personal and product branding, “You don’t build a personal brand. People do, when they see excellence & have pride in associating with you.”
- Collaboration can never happen in the ‘I, Me, Mine’ mode, be it love or personal branding. It can only happen by shifting to, ‘You, We, and Us’ mode.
- Don’t search, Be found. If your LinkedIn profile is optimised for the right keywords, you will be found by the right people.
- Corporate world loves numbers. Sometimes we need gentle nudges and reminders. Keep a track of your numbers (LinkedIn profile views or number of TG people met in a month) and showcase your achievements through numbers.
- Request the right people for recommendations. Do not forget to recommend the right people.

So it’s high time to stop the job hunt. And let the job “hunt you instead”.

Dr Amit Nagpal is a personal branding and storytelling coach. He has co-authored Amazon bestseller, “Personal Branding, Storytelling and Beyond”. He believes “Digital is Magical” and stories are the most powerful tool to build both brands and bonds. To know more visit www.dramitnagpal.com.

POSITION YOURSELF WITH NON-EXECUTIVE CV

GET INTRODUCED TO THE BASICS OF AN EXECUTIVE AND NON-EXECUTIVE CV AND LEARN HOW TO CREATE ONE THAT STANDS OUT FROM THE REST

Securing a Board seat is a job, albeit a different kind of job. It is therefore imperative to have profiles of yourself ready, in case of such scenarios. On your journey to secure a board seat, you will have to introduce yourself on various occasions for different Board opportunities. You may have to introduce yourself over an email to a potential fellow board member, at a conference in front of industry experts, or maybe even on a social media platform for the sake of networking. It is essential to have four documents in your personal kitty that highlight your Certified Directorship, board experience or your connection with Board Committees and related keywords.

What Is an Executive Board CV?

An Executive Board CV is for an Executive Board position. People aiming to land a senior management leadership position should have an executive CV. It should highlight your leadership qualities, industry-related skills and management capabilities. It should also include your involvement in boards and board committees. It should demonstrate your ability to collaborate, delegate

Please continue to include your involvement in non-governmental organisations or as an advisor. These are indicative of your leadership abilities in a variety of areas and showcase your macro-economic views, identify business opportunities, monetising opportunities, collaboration, and delegation skills.

What Is a Non-Executive Board CV?

When you are applying for the position of a non-executive director (NED), you must remember what a company looks for in a NED. Companies want a 'critical' friend in a NED appointee. Your CV should be able to demonstrate that you are an all-rounder, that you have the capability of engaging and promoting governance at various levels, that you have an entrepreneurial bent of mind and that you have a passion for business.

In a NED CV, it is important to emphasise the board experience you have gathered over the years. Include positions held in board committees and in the consultancy capacity. Each of these positions must be substantiated by mentioning the problems you may have faced at the time of taking your position and the steps you took to overcome these problems.

You should also include your competencies and your achievements; especially those that indicate how suitable you are for the position you are applying for.

Key takeaways for independent directors

- When you are aspiring for a board seat, it is crucial to have the necessary documents at your disposal.
- Apart from a Personal Profile and Speaker Profile, a LinkedIn Profile and Covering Letter are also important.
- You must also understand the difference between the roles of an Executive Director and a Non-Executive Director, as well as have good CVs for both roles.
- For an Executive Board CV, emphasise your leadership qualities, industry-related skills, and management capabilities.
- Include your involvement in boards and board committees and make sure to include any awards or recognitions you have received.
- For a Non-Executive Board CV, focus on your board experience, achievements that demonstrate your strengths, and your capability to collaborate with others. Make sure to add relevant keywords such as macro-economic views, identify business opportunities, monetising opportunities and so on.
- When writing your CV, take the time to research the company and what they need. Identify your own strengths and weaknesses and highlight them in a way that appeals to the employer.
- Finally, create a common ground between what the company needs and what you are trying to sell.

ASK THE BOARD EXPERT

MR SUHASS VAIDYA
CS, LLB, Partner-
S V & Partners,
Law Firm

Q What is the limit on the maximum number of members in case of a private company as per Companies Act, 2013?

(Dr. Harsh Sachadev, *Delhi*)

A Pursuant to Section 2 (68) of the Companies Act, 2013 the maximum number of members in case of a private company is 200. While determining the number of members, joint shareholders shall be counted as one and employees and those ex-employees who acquired shares while in the employment of the company shall not be included.

Q Is it right for my friend's listed company to have 18 Directors? What is the limit on the maximum number of Directors in case of a Public Company as per the provisions of Companies Act, 2013?

(Laxmikant Halwe, *Pune*)

A Pursuant to Section 148 (1) (b) of the Companies Act, 2013 the maximum number of Directors a company can have are 15. The company can appoint more directors by passing a special resolution. In addition the listed company is required to make disclosures as per SEBI (LODR) Regulation, 2015.

Q In How many days draft of the minutes of the meeting of the board of directors should be circulated to all the directors, either in writing or in electronic mode?

(Richa Arora, *Mumbai*)

A Pursuant to Section 118 (1) of the Companies Act, 2013 the minutes of all board and member meeting shall be maintained by the company. The Secretarial Standard – 1 (SS-1) for the board meeting prescribes the time limit of 15 days for circulation of draft minutes of board meeting to all directors.

Q Is Directors' Report part of Financial statements?

(Shaalu Bhardwaj, *Jaipur*)

A Pursuant to Section 2 (40) of the Companies Act, 2013 the financial statement includes, balance sheet, profit & loss statement, cash flow statement, statement on change in equity and notes but does not include director report

Q My friends' company board has five directors. One Director learnt of a chance to acquire a related business and wanted the board to consider and approve the deal. A notice was sent to the directors for a special meeting to happen in three days, but not to director A. The meeting was attended by three directors (but not A), two of them by Skype. The three at the meeting, all approve the acquisition. Is their action valid?

(Pawankumar Das, *Mumbai*)

A Though the answer is not straight it appears that Pursuant to Sec 173 (3) of the Companies Act, 2013 the Notice of meeting shall be served on all the Directors and further as per SS-1 (Secretarial Standard) the notice shall be issued by the company secretary or a director. In this case since the notice was not sent to all directors, there is potential invalidity of the meeting held and decision taken at the meeting.

Q One Mr X shareholder in my friends' company has only paid a part of the face value of the amount of shares allotted to him and has failed to pay the balance amount due from him and six months have lapsed from the last day fixed for payment of the call. Can Mr. X be appointed as director of the company?

(Sumitra Goenka, *New Delhi*)

A Since Mr X has not paid the calls on shares held by him and more than six months has elapsed from the last date of payment of calls fixed by the company, he is ineligible to be appointed as director of the company pursuant to the requirement of Sec 164 (1) (f) of the Companies Act, 2013.

Minal Talwar

BE BOARD READY

TAKE A MOCK TEST

1. The minimum number of members that required while you are registering a public company is___

a) 2
b) 6
c) 7
d) 5

2. ________________means a company having the liability of its members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them.

a) Company limited by guarantee
b) Company limited by shares
c) Both (a) and (b)
d) None of these

3. Where the company to be formed is to be One Person Company that is to say, a _

a) Public Company
b) Private company
c) Both (a) and (b)
d) None of the above

4. A company may adopt all or any of the regulations contained in the model articles applicable to such a company.

a) True
b) False
c) (c)Partly True
d) Partly False

5. The company shall furnish to the Registrar verification of its registered office within a period of _________ of its incorporation in such manner as may be prescribed.

a) 60 days
b) 45 days
c) 30 days
d) 15 days

6. Abridged prospectus means__________

a. The standards of accounting or any addendum thereto for companies or class of companies referred to in section 133
b. The articles of association of a company as originally framed or as altered from time to time or applied in pursuance of any previous company law or of this Act
c. A memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board by making regulations in this behalf
d. The standards of auditing or any addendum thereto for companies or class of companies referred to in sub-section (10) of section 143

7. Which section of The Companies act 2013 deals with the Effect of registration?

a. Section 12 of The Companies act 2013
b. Section 9 of The Companies act 2013
c. Section 14 of The Companies act 2013
d. Section 20 of The Companies act 2013

8. Company Liquidator, in so far as it relates to the winding up of a company, means a person appointed by—

a. The Tribunal in case of winding up by the Tribunal;
b. The company or creditors in case of voluntary winding up,
c. Both (a) and (b)
d. None of these

9. The minimum number of members that required while you are registering a private company is___

a. 5
b. 7
c. 4
d. 2

10. Section 25 of The Companies act 2013 deals with_______?

a) Alteration of memorandum
b) Document containing offer of securities for sale to be deemed prospectus.
c) Advertisement of prospectus
d) Service of documents

11. KMP may be any person on whose direction the Board is accustomed to act with permission of the ______.

a) CG
b) ROC
c) Board
d) Shareholders

12. The minimum capital of the company for which the whole-time company secretary is required to be appointed as per Companies Act is ________.

a) Rs. 2 crores
b) Rs. 5 crores
c) Rs. 10 crores
d) None of above

13. The................ undertakes the guarantee of buying the whole of shares or debenture place before public in the event of non-subscription.

a) Share transfer agent
b) Del Cruder Agent
c) Underwriter
d) Analyzer

14. Securities Premium cannot be utilised towards:

a) Reduction in Share Capital
b) Buy Back of Shares
c) Issuing fully paid up Bonus Shares
d) Writing off the expenses or commission paid.
e) MCQs On Companies Act 2013

15. Sweat Equity share means equity shares issued by a company to its directors or employee:

a) At a discount
b) For consideration, other than cash, for providing their know-how.
c) For making available rights in the nature of intellectual property rights or value addition.
d) All of the above

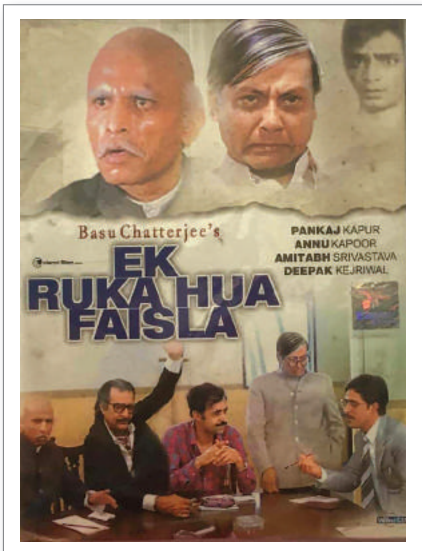
Answers to the Mock Test

1. c
2. b
3. b
4. a
5. c
6. c
7. b
8. c
9. d
10. b
11. c
12. c
13. c
14. a
15. d

Ms. Minal Talwar is a Company Secretary and a law graduate. She also holds many certifications from prestigious institutes w.r.t. Corporate Governance, Ethics, Data Privacy, etc. She has been associated in the fields of Corporate Governance and Ethics for 10+ years

UNCOVERING LESSONS FOR INDEPENDENT DIRECTORS FROM *EK RUKA HUA FAISLA*

FROM THE IMPORTANCE OF ETHICAL DECISION-MAKING TO THE POWER OF TEAMWORK, DISCOVER THE CORPORATE GOVERNANCE LESSONS FROM BASU CHATTERJEE'S CLASSIC COURTROOM DRAMA



***E**k Ruka Hua Faisla*, a 1986 courtroom drama directed by Basu Chatterjee, is a thought-provoking movie that presents a unique take on the age-old question of justice versus morality. Not only does it raise interesting questions about the human condition, but it also provides valuable lessons in corporate governance.

RESPECT THE OPINION OF OTHERS:

Ek Ruka Hua Faisla highlights the importance of respecting the opinions of all stakeholders in the decision-making process. The film demonstrates that no single individual should have too much power over the decision-making process. All stakeholders should be given an equal say in the process and their views should be taken into account.

MAKE DECISIONS BASED ON FACTS

The film emphasises the importance of making decisions based on facts and not on emotions or personal opinions. It is important for organisations to have a system in place which encourages the consideration of facts before making decisions.

OPEN COMMUNICATION

Open communication is essential for effective corporate governance. The film demonstrates the importance of allowing open dialogue between all stakeholders in order to ensure that all points of view are taken into account before making decisions.

ACCOUNTABILITY

Ek Ruka Hua Faisla highlights the importance of holding individuals accountable for their actions. It is important for organisations to have a system in place which ensures that individuals are held accountable for their decisions and actions.

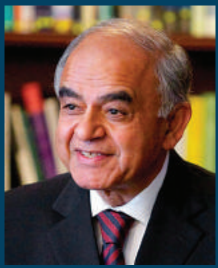
TRANSPARENCY

The film also emphasizes the importance of transparency in the decision-making process. All stakeholders should be aware of the decisions that are being made and the reasons why those decisions

The movie *Ek Ruka Hua Faisla* teaches independent directors many valuable lessons. One of the most important lessons is to ensure that they always use their own discretion and judgment while making decisions that affect the organization. Additionally, they should recognize their responsibilities towards shareholders and make sure that their decisions do not compromise the organization in any way. They should also maintain their integrity and keep everyone's interests in mind.

~ BOOK **REVIEW** ~

MORAL COURAGE AND **IMPARTIALITY**

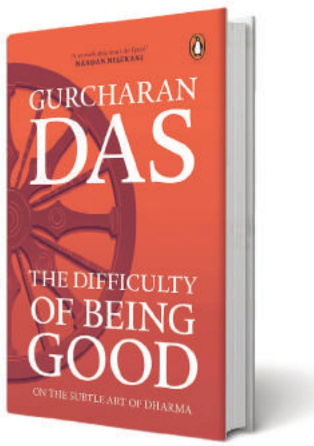


THE TRUE LESSONS FROM MAHABHARATA, ACCORDING TO GURCHARAN DAS IN **'THE DIFFICULTY OF BEING GOOD: ON THE SUBTLE ART OF DHARMA'**

Team Board Stewardship

In his acclaimed work, 'The Difficulty of Being Good: On the Subtle Art of Dharma', renowned Indian author and public intellectual Gurcharan Das examines the classic Hindu epic Mahabharata to examine why B. Ramalinga Raju, founder of the highly successful software company Satyam, committed one of the greatest corporate frauds in history.

Das argues that Raju had no need for financial gain, as he had already achieved success, wealth, fame, and power. Rather, it was partly due to his sense of filial duty that pushed him to engage in unethical activity with real estate and infrastructure companies by utilising the revenue from Satyam. When the real estate market dipped, however, Raju was unable to reimburse the company, leaving him spiralling into ruin.



Das interprets this as a classic example of the moral failure exhibited by Dhritarashtra in the Mahabharata, suggesting that while it is important to nurture and care for one's family, there is an inherent danger posed by allowing sentimentality to overcome impartial behaviour.

He argues that Yudhishthira succeeds in the epic due to his ability to adopt the new, universal 'sadharana-dharma' over family and caste, proposing that this is the true lesson to be learned from the story.

Today, with the global economy facing numerous uncertainties, particularly concerning the banking industry following the collapse of two US banks, it is important to take a step back and analyse the moral failures of society that have ultimately led to these problems.

After all, as Das urges us in The Difficulty of Being Good, impartiality and moral courage are more crucial than ever before in a world of increasing complexity and change.

About the author

Gurcharan Das is an Indian author, commentator and public intellectual known for his best-selling international book India Unbound and his critically acclaimed work The Difficulty of Being Good: On the Subtle Art of Dharma.

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