

Power Panel
“Ethics and Corporate Governance: Lessons Learnt”
Thursday, September 17, 2020



IICA in association with IMT, Ghaziabad jointly organized a Power Panel on September 21, 2020 titled “Ethics and Corporate Governance: Lessons Learnt”. The programme aimed to orient the Independent Directors (IDs) about the important legal provisions relating to Independent Directors and also the lessons that they can learn from ethics and corporate governance.

Dr. Rashmi Agarwal, Professor, IMT Ghaziabad, who is the moderator of the Power Panel welcomed all the participants and started the session by stating that Independent Directors (IDs) should not display any conflict of interest. Therefore, to avoid that, the IDs should not have any familiarity with the promoters; all the decisions which the IDs are privy to should be on arm’s length basis; there should not be any pecuniary relationship with the company – that is the reason why no stock option is available to the Independent Directors and finally, there should not be any professional relationship with the company also. She then describes about the various tenets of good governance that the IDs have to observe, for instance, they have to be fair, transparent, and accountable to the stakeholders for what they are doing. They should also handle the ethical dilemmas by displaying integrity. And, most importantly, there should be proper disclosures and that should be conveyed to the stock exchanges on a regular basis.

In this backdrop, she invited the first co-panelist, Dr. Niraj Gupta, Head, School of Corporate Governance and Public Policy, IICA to give an idea about the Code for Independent Directors which enable them to perform good Corporate Governance, duties of Independent Directors and the ethical framework pertinent for them to abide and perform duties to the best of their abilities. Dr. Gupta started his session by stating that everybody knows about the company being an artificial person to be created by law to execute contract, appoint directors, and approve

financial decisions and so on. However, in this respect, board oversight is very important as it places responsibility to the management to execute the various decisions. He also emphasized that the requirement is to stay away from frauds and conduct in an ethical manner as propagated by law. By throwing light on Schedule IV of the Companies Act, 2013 which is the Code for Independent Directors, he emphasized that it is the guiding rule that enable the IDs to act more professionally and urge them not to take advantage of their position. He further stated that ethics is a matter of behavior, mindset, and courage. In this backdrop, he pointed out that the initiative of instituting the Independent Directors' Databank is to help IDs to become more efficient and discharge their duties effectively. However, ethics can help them in situations when their personal interest conflict with their professional duties. The IDs have to display integrity and conduct ethically, and be bold and courageous to correct anything which appears to be wrong. Further, understanding the culture of an organization is also very important. Hence, his overall view is that decisions have to be looked at from the ethical point of view.

To move the discussion forward, Dr. Rashmi invited the second co-panelist Mr. Lalit Kumar, Partner, J. Sagar Associates who started his session by quoting the legal and compliance issues with relation to Independent Directors. He stated that a private company need not appoint an Independent Director. However, public companies are required to appoint independent directors if they reach a certain threshold limit. And, listed public companies are compulsorily required to appoint independent directors by following the SEBI (LODR) Regulations. In this respect, LODR provides that if the board has an executive chairman, half of the board shall include Independent Directors. On the other hand, if the board has a non-executive chairman, one-third of the board shall consist of Independent Directors. He further urged the Independent Directors to follow the letter and spirit of law. And if they are having any kind of conflict they should not take the ID position. So, more importantly, their role is towards the company and its various stakeholders.

After the initial remarks of the panelists, the power panel was followed by a question & answer session in which the queries of the participants were satisfactorily answered.

Program Link:

<https://www.youtube.com/watch?v=ZHts0kVkVbI&t=4s>