

Virtual Power Talk
“Dynamics of the Independent Director Profession” by Dr. Chris Pierce
Tuesday, 21st July 2020

Independent Director's
DATABANK

IICA | Indian Institute of Corporate Affairs
Partners in Knowledge, Governance, Transformation.

Director's Colloquium

POWER TALK SERIES ...1

TOPIC > Dynamics of Independent Director Profession

DATE: 21ST JULY 2020 | 4:00 PM TO 5:30 PM

>> Dr. Chris Pierce
CEO Global Governance Services Ltd

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Independent Directors' Databank with its initiative on Directors' Colloquium propose to engage Independent Directors in dialogue with experienced professionals around the world for learning from their experiences while working with the boards and transforming the tacit knowledge for the betterment of the practice of the emerging professional in India.

With this aim, a Power Talk titled “Dynamics of the Independent Director Profession” was delivered by Dr Chris Pierce, CEO Global Governance Services Ltd on July 21, 2020. It oriented them about the dynamics of the profession while exposing them to their role in accordance with the regulatory framework and also towards the key aspects independent directors could focus for emerging as a true professional in the boards. The discussions straddled across various challenges the professional face amidst radically changing corporate governance eco system.

The Power Talk was moderated by Dr Niraj Gupta, Nodal Officer, Independent Directors' Databank and attended by more than 350 directors of various public and private sector companies.

The speaker structured the talk covering the three key areas - Law and its relationship with Independent Directors; Role of Professionalism and Profession of Independent Directors; and Future trends for the profession in India. The excerpts of the talk and discussions have been captured as under:

(1) Independent Directors and the law

Dr. Chris Pierce continued the discussion by mentioning that as per the data provided by the International Finance Corporation (IFC), a member of the World Bank Group, India is doing well by being the top ten improvers in doing business for the third straight year and is ranked 63 among the 190 countries. He also said that India is at the forefront of the governance development as a result of Companies Act, 2013 and SEBI though a lot still to be done in terms of implementation and execution.

Taking the discussion forward, he pointed out that Companies Act, 2013 codified the duties of directors and there are two duties specified in section 166 of the said Act which stand out because they are unique in the world and not yet been adopted by any other country. These duties are:

- (i) The directors should act in the best interests of the company, its employees, the shareholders, and the community and for the protection of environment.
- (ii) The directors should exercise Independent Judgment.

He also emphasized the importance of section 149 of the Act where there are 14 requirements associated for being an independent director and also the Code of Conduct for Independent Directors as given in Schedule IV to the Companies Act, 2013. He also heaped praise on the uniqueness of the Code.

Moving the discussion forward, he threw light on the reasons for the importance of Independent Director by stating that both the Companies Act, 2013 and SEBI made provisions regarding them. The law has also prescribed the liabilities of Independent Directors. Further, Independent Directors have to declare that they meet the criteria of independence. SEBI (LODR), Regulations says that the Independent Directors should also give a declaration that they are not aware of any situation that could impact their ability to discharge their duty.

(2) Independent Directors and Professionalism

The speaker also specified some of the characteristics of a profession and pointed out that the Independent Directorship is indeed a profession in India in terms of the following:

- (i) **Establishment of a National Association** – Independent Directors Databank under the initiative of the Indian Institute of Corporate Affairs.
- (ii) **Complex body of knowledge and skills** – This is also true as the laws in India have highlighted certain technical skills/experiences or behavioral competencies and attributes which are expected in case of an Independent Director.
- (iii) **Code of Conduct** – Schedule IV of the Act contains provisions regarding code of conduct.
- (iv) **Training** – Forty Two E – learning Modules are there as a part of the learning management system to those Independent Directors who register themselves on the database.
- (v) **Assessment** – The Online Proficiency Test which was started in 1 March, 2020 has been a platform to assess the competency of an Independent Director.

(vi) **Continuing Professional Development** - It is also important as several initiatives has been taken recently by conducting Webinars, Master Classes and Power Talks to imbibe and strengthen the culture of continuous professional development and growth on the part of Independent Directors.

(3) The Future

The discussion was made more thought provoking by delving into the future and emphasizing that effective board requires Independent Directors to deal with the impact of Covid. Moreover, in view of the present pandemic, various relaxations were given to the Corporates by the Regulators such as relaxation from attending physical meeting, extension of time for various regulatory filings, giving an opportunity to the company to hold Board Meetings and General Meetings through video conferencing etc.

He further pointed out the following areas which needs a rethinking on the part of Independent Directors:

- Business Model and Strategy Revisions
- Responsibility for health in workplace
- Supply Chain Management
- Liquidity and Solvency Management
- Relationship Management with the shareholders
- Relationship with other key stakeholders

A positive aspect which has been witnessed recently and also pointed out by the speaker is that the boards are meeting more frequently and pressurizing the management to disclose more information. At the same time, Independent Directors are also advised to ignore micromanagement and willing to contribute and maintain relationship with the management.

The speaker concluded the session by stating that there has never been a better time to be an independent director. The opportunities to make a difference and add value to the company are immense.

Finally, with an objective to engage with the participants more effectively, the program conducted a question-answer session. The questions were addressed by the speaker to the satisfaction of the participants.

Program Link:

<https://youtu.be/jHUM58wOPRg>