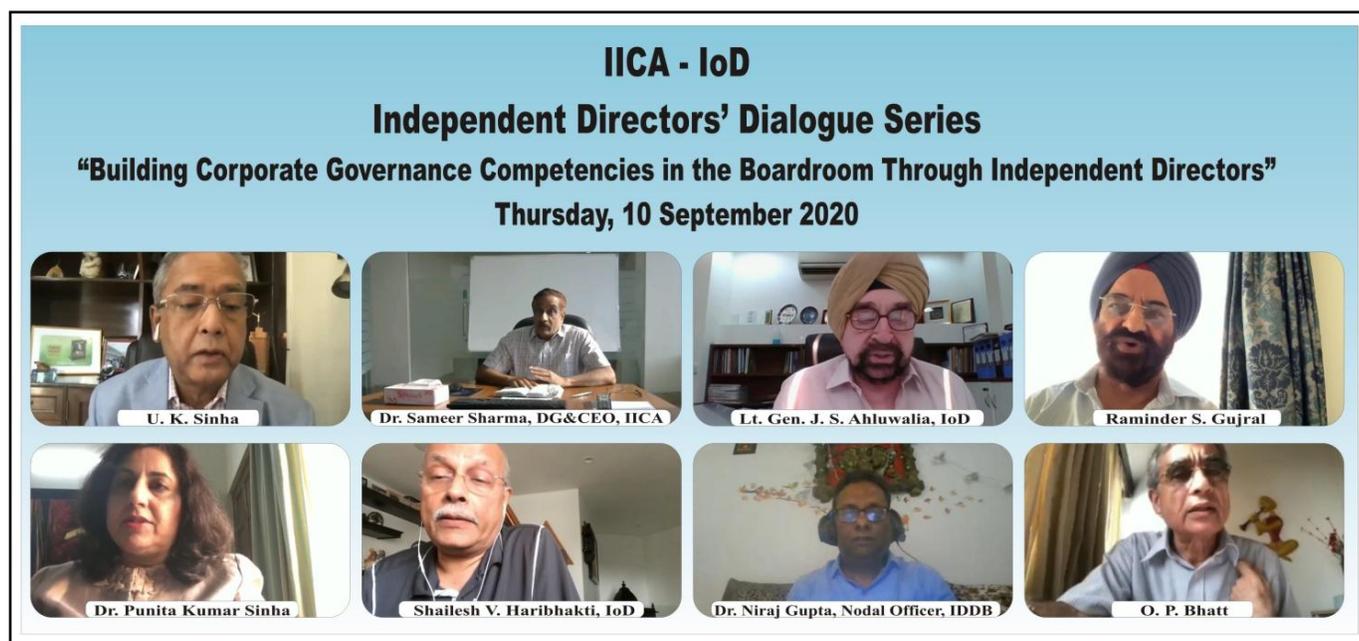


Independent Directors' Dialogue Series

Thursday, 10 September 2020



IICA in association with IoD, Delhi jointly organized Independent Director's Dialogue Series on September 10, 2020 titled "**Building Corporate Governance Competencies in the Boardroom through Independent Directors**". The program aimed to orient Independent Directors (IDs) on various skill sets they should possess to enhance the quality of functioning of corporate boards in India.

Lt. Gen. J. S. Ahluwalia, in his welcome address, stated that Independent Directors are the real guardians, custodians & gatekeepers of Corporate Governance and maintains the interest of various stakeholders of a company. However, a caution needs to be exercised by Independent Directors on retaining their independence level.

Dr. Sameer Sharma, Director General and CEO, IICA in his speech expressed that the Independent Directors need to demonstrate high levels of competencies and professionalism while discharging their roles. In view of this, IICA has instituted an Independent Directors (ID) Databank with the basic purpose to infuse professionalism among the independent Directors. With an aim to achieve various components of professionalism, he summarized ... "IDs are a group of individuals who adhere to ethical standards, possess specialized knowledge and skills which it derives from research, training & education of highest standards and applying these skills in the interest of all".

Mr. U.K. Sinha, former Chairman of SEBI in his speech expressed that in view of present pandemic situation, though disruptions in business have taken place, we have to go to the old normal. He stressed few areas like transparency in ID selection process, trustworthiness of financial

statements and more efficient functioning of Audit Committee. He also cautioned the Independent Directors to be very careful regarding the recently introduced Standards for Business Reporting in the name of National guidelines for responsible business conduct as issued by Ministry of Corporate Affairs.

In his keynote, Mr. O.P. Bhatt, a professional ID and Former Chairman, State Bank of India, stated before joining the board, professionals need to check if they are competent enough to be a director, ability to gel appropriately into the board and the culture of the organization. The new directors on board need to familiarize themselves with the Key Managerial Persons (KMPs). It is important to be familiar with the company and related processes through regular factory or site visits, looking at the supply chains and other relevant processes to understand the business functions of the company. He emphasized on agenda management by prioritizing the topics in the board meetings. He added the importance of evaluation of directors and the board for making the processes and performance meaningful relating to complete engagement of IDs with the ecosystem of the company.

Mr. Raminder S Gujral, Former Secretary, Ministry of Finance, Govt. of India in his note expressed that the IDs come from outside the company and hence in order to contribute better, IDs require better understanding of the company and the related industry through the dynamics of opportunities, challenges and risks that particular industry face. He emphasized training requirement of IDs for a fair level of understanding especially the financial statements, ratios, CARO etc. Periodic questioning of impairment of assets and investment, contingent liabilities not accounted for, any change in policy; its implications should also take place. Further, minority shareholders interest should also be taken care of.

In the third keynote, Dr. Punita Kumar Sinha, Investment Professional & an experienced board member discussed the key changes in the corporate and board governance regulatory framework in India when compared with global developments. She indicated that the regulatory changes on introduction of Women Directors, Business Responsibility Report, Scrutiny of Related Party Transactions, provision for lead Independent Directors are at either par or exceeding the global best practices in the regulations space. She discussed about the long-term impacts of such changes that can help the company in raising the bar of corporate governance and change the perception of global investors towards the corporate governance practices in India.

In the closing address, Dr. Niraj Gupta, Head, School of Corporate Governance & Public Policy, IICA explained that for better board governance it is important to consider two key aspects (a) readiness of the directors for enhanced performance and (b) readiness of the boards for present and upcoming unforeseen challenges for the company. The companies are looking for diversifying their boards with professionals from diverse professional and cultural backgrounds. The action is to equip the boards with a variety of skills for managing any sort of crisis which comes on way for the company or the business eco system. He explained how the initiative of ID databank is helping professionals with diverse skills, understanding of regulatory practice and issues to equip them with skills to serve the companies in the best possible manner.

In conclusion, Mr. Shailesh Haribhakti, a renowned personality and Independent Director of multiple boards in India expressed that for good corporate governance, a company has to capitalize three capitals to be future ready. These are Knowledge Capital, Intellectual Capital (i.e. ability to criticize, challenge and take a stand when it is necessary) and Moral Capital. He shared his views on ways to enhance performance of Independent Directors by engaging with the corporation, its executives and the entire ecosystem. He added importance of being innovative in the board practices and introduced the concept of 'Board Tech' by using digital technology and related adoption right from developing board agenda to conducting board meetings and its discussions. He expressed that a holistic view is useful to take important decisions. As per Mr. Haribhakti besides 'Postmortem' one should engage with 'Pre-mortem' i.e. encouraging the company to think advance before making any decisions and 'Re-mortem' i.e. what is being proposed should be transformative. He compared IDs to have AAA Certification attributes (Attentive, Action Oriented and Appraisal Oriented (giving feedback on slack performance) during board meetings.

The Dialogue Series had a QA session followed by a brief overview from Dr. Sameer Sharma, DG&CEO, IICA and lastly from Lt. General Surinder Nath, IoD, Delhi.

Link of the recorded session:

https://www.youtube.com/watch?time_continue=42&v=Oizj7nemaQE&feature=emb_title
