BOARD STEWARDSHIP

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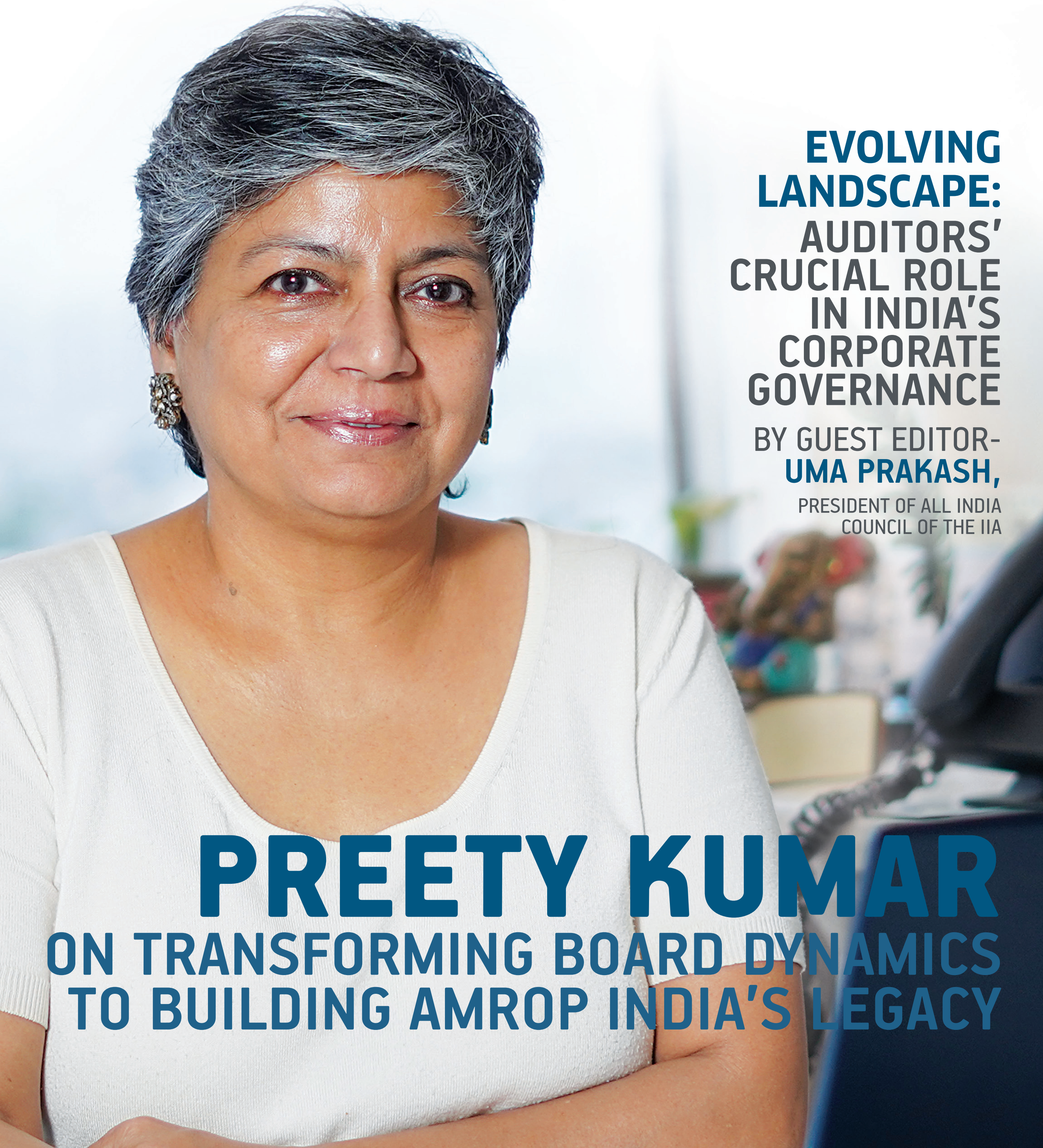

EVOLVING LANDSCAPE: AUDITORS' CRUCIAL ROLE IN INDIA'S CORPORATE GOVERNANCE

BY GUEST EDITOR- **UMA PRAKASH,**
PRESIDENT OF ALL INDIA COUNCIL OF THE IIA

PREETY KUMAR

ON TRANSFORMING BOARD DYNAMICS TO BUILDING AMROP INDIA'S LEGACY

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EV and data-driven economy needs a board to drive ESG

The India story has become dynamic and compelling now and shall remain the same in the future. In my opinion, India will soon become a more data and EV-driven country. Not only does it have the world's largest digital population, but it is also the most democratic data nation. The poorest users can access the same amount of data at the same cost as the richest users. India will probably reach the milestone of half a million electric vehicles in 2023, up from a total of 3.3 lakhs in 2021. Also, 2.8 million EVs have been registered so far in the first seven months of 2023! The number of 500,000 is not far away. While the government will be under less pressure to use fossil fuels as a result, the relaxation in the INR/US dollar exchange rate is also related to UPI's expansion into nearby nations. In light of the new legislation and the need to secure data coming from nearby countries, boards will need to boost their ESG initiatives. Boards are currently dealing with the challenge of abundance as a result of a booming economy and a skyrocketing stock market. To make the most of these two possibilities now is the moment to strengthen the boards and address any holes in the strategy. Both must be addressed with an effective ESG strategy.

Our viewers eagerly read and clicked on our last issue of July 2023 with Mr.Ravi Dhariwal on the cover to learn more about his successful, awe-inspiring transition from the FMCG sector to powering the high echelons of various Boardrooms. The issue also highlighted very important aspects of the segment such as the inclusion of women directors on boards, corporate governance principles, and proxy advisors.

Our readers eagerly anticipated Mr. Shailesh Haribhakti, our Guest Editor of the Month, and his thoughts on IRFS. Our readers received an insightful update from the London conference, which covered the first two Sustainability Standards—S1 and S2—that were just released at the conference in London by IRFS.

Geetika Anand, a CS, LLB with nearly 20 years of experience in compliance and governance, was our Chief Compliance Officer of the Month. Geetika is on a fast track within the Birla Group and is currently the Joint President of Hindalco, a Nifty 50 company. Her experience was incredibly motivating. Our readers also enjoyed some of our other articles as well; apparent from the positive feedback we received.

We gladly present our edition of August 2023, which features Ms. Preety Kumar on the cover. Interaction with the head of a search agency overseeing board postings was more frequently requested by our readers. They will undoubtedly find tremendous value in Preety's advice to current and aspiring Independent Directors on how to do better on their CV and board interview. Ms. Preety has made a significant contribution to building Amrop India as founder and Managing Partner. Her previous work as a board member for various businesses has also been helpful in her board search.

One of India's most admired businesses in terms of compliance and moral behaviour is Marico Ltd, a family-owned business that serves as an example in India, where Mr.Vinay MA serves as the Compliance Officer. A conversation with him provides valuable insights into how to deliver compliance by creating an environment that allows for self-delivery. It goes without saying that Chairman Harsh Mariwala and the board of Marico do the rest for him.

This month, we also launched a brand-new column named 'From Chairman's Desk' by Mr. Shailesh Haribhakti, which is particularly very insightful and meaningful to us all. We are grateful to Shailesh Haribhaktiji for agreeing to do this regularly, and we know that our readers will find his thoughts, which come from a board veteran, to be very enlightening.

For a more satisfying reading experience, this edition is infused with articles from many more experts on the subject matters!

Your comments are always welcome and they assist us in further improving the e-magazine.

Enjoy reading Board Stewardship August 2023 Issue!

Vikesh Wallia
Managing Director & Editor Board Stewardship

AUGUST 2023

Vikesh Wallia
Managing Director & Editor
vikesh@boardstewardship.com

Mayura Shanbaug
Executive Editor
edit@boardstewardship.com

Deepak Kumar
Director-Ad Sales
directoradsales@boardstewardship.com

Meenal Zende
Director- Brand Development
directorbrand@boardstewardship.com

Shantanu Rege
General Manager - Board Engagement
gm@boardstewardship.com

Roopa Pant
Senior Writer
edit@boardstewardship.com

Baseer Ansari
Manager - Board Engagement
sd@boardstewardship.com

Rashmi Chavan Jaiswal
Manager Board Research
research@boardstewardship.com

Hiten Chadha
Management Intern
hitenchadha78@gmail.com

For Reader Feedback
info@boardsterwardship.com

For Advertising Enquiries
directoradsales@boardstewardship.com

For Content Contribution
edit@boardstewardship.com

Contact
B-602, Rustomjee Central Park, Andheri
Kurla Road, Andheri East, Mumbai 400 059
+91 9321758759

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GUEST EDITOR

EVOLVING LANDSCAPE: AUDITORS' CRUCIAL ROLE IN INDIA'S CORPORATE GOVERNANCE

Uma Prakash
President of All India Council of the IIA

In the ever-evolving landscape of corporate governance in India, auditors play a pivotal role in ensuring transparency, accountability, and sustainability. As regulators tighten their grip on financial reporting and corporate ethics, the responsibilities and expectations placed on auditors continue to grow. In this editorial, we delve into the changing roles and trends of auditors in corporate governance in India, focusing on how Independent Directors can draw learning and support from internal auditors to bolster corporate integrity.

The Global Internal Audit Standards emphasises the Board's Role in Governing the Internal Audit Function and their responsibilities. There is a paradigm shift in the role of internal auditors and their responsibilities towards corporate governance. This also requires auditors to develop a diverse skill set.

Gone are the days when auditors were mere watchdogs, tasked with checking financial records. Today, they play a "value-add" function, guarding against fraud, financial mismanagement, and unethical practices. Auditors have become trusted advisors, providing valuable insights to boards and management for effective risk management and control systems.

In the recent regulatory changes, the auditor's role also encompasses on providing assurance and advisory over non-financial information, such as environmental, social, and governance (ESG) matters. As stakeholders demand greater accountability in areas like environmental sustainability and social responsibility, auditors are being called upon to assess and report on implementation.

In parallel, Independent Directors hold a critical position in corporate governance. Charged with safeguarding the interests of shareholders and promoting ethical conduct, they face the challenge of obtaining accurate and reliable information to make informed decisions. This is where internal auditors come into play as a valuable resource.

Corporate directors bear the responsibilities of safeguarding the assets and reputation of a corporation and overseeing its leaders. They need to understand the organisation's business model, culture, geography, industry sector and incentives and its risk profile and the actions that must be taken to mitigate such risks. The Directors frame the ethical tone of management.

The role of the audit committee has significantly expanded over the years. Realising this, the board of directors has shifted some of the audit committee's responsibilities to separately chartered committees to create a balance of duties and ensure that they are effectively executed.

Internal auditors, functioning independently within the organisation, provide a comprehensive evaluation of the company's operations and risk management processes. By leveraging their insights, Independent Directors can gain a more nuanced understanding of the organization's internal controls, risk exposure, and potential areas for improvement. Collaborating with internal auditors, Independent Directors can access a second line of defence. An internal auditor essentially serves as the eyes and ears of the company's senior leadership and board of directors.

By reporting to executive management on the health of the organisation, the internal auditor helps executive management and boards to demonstrate that they are managing the organisation effectively on behalf of their stakeholders. To foster a stronger partnership between Independent Directors and internal auditors, open lines of communication must be established. Furthermore, continuous professional development and training opportunities for Independent Directors are essential to enhance their understanding of auditing processes and methodologies.

***Uma** boasts over twenty years of expertise in Internal Audit, Risk Management, and related fields. She has served key roles in multinational companies like Valeo, Red Pill, and Ernst & Young. Starting as a Board of Governor in the Chennai Chapter of the Institute of Internal Auditors in 2003, she progressively climbed the ranks to become the President of the Chennai Chapter in 2014. Her contributions led her to represent the Chennai Chapter at the National Council in 2015 and later secure roles as Vice President and Senior Vice President in the All India Council of the Institute of Internal Auditors. Today, Uma holds the prestigious position of President in the All India Council of the IIA.*

NAVIGATING GOVERNANCE IN DIVERSE ORGANISATIONAL LANDSCAPES: A CHAIRMAN'S PERSPECTIVE

Shailesh Haribhakti
Non Executive Chairman & Independent Director on multiple boards

In the ever-evolving world of business, the role of a chairman is often akin to that of a captain steering a ship through turbulent waters. As I reflect upon the multifaceted tapestry of organisations in India, each facet presents its own set of challenges and opportunities. With great enthusiasm, I share my insights into how we navigate governance through these distinct organisational landscapes.

Family owned and managed businesses

At the core of such an organisation lies the cherished heritage of being fully family-managed businesses. There must exist a sense of role clarity, guiding us to work harmoniously toward common goals. Our vision and objectives, not just at the organisational level but also on every operational front, stand as the pillars of our success. Employ OKRs (Objectives and Key Results) and KRAs (Key Result Areas) as guiding stars, leading us toward sustainable growth. The legacy of succession planning underscores the commitment to longevity and progress, ensuring that our journey extends far and wide. Amidst this, our dedication to ESG principles acts as a moral compass, directing businesses to create a positive impact.

Multinational joint ventures

In the realm of multinational joint ventures, the art lies in managing diverse partners while enhancing the quality and depth of these relationships. Compliance becomes our shield as we navigate special legislations, ensuring our actions are always above board. In this digital age, we guard it against the threats of data privacy breaches and cyberattacks. Our commitment to integrity serves as an armour against the spectre of insider trading, reinforcing our dedication to equitable dealings.

Indian companies with a global footprint

As Indian companies expand their reach to a global canvas, they emerge as pioneers of adaptability and resilience. Consolidation strategies bring together the strengths of diverse geographies. Legal compliance becomes the signature in the myriad jurisdictions they operate in, and the approach to transfer pricing and related party transactions embodies a commitment to fairness.

Public sector undertakings

Engaging with PSUs and Government entities comes with its unique set of responsibilities. Compliance, policies, and procedures are not mere formalities; they exemplify our dedication to serve with integrity. Remuneration policies mirror the value and maintain equilibrium with government servants' salaries. Sensitivity guides through super audits and the vigilant oversight of the Comptroller and Auditor General (CAG). As the board DNA and structure is established, resilience of principles and the depth of commitments must be reflected.

NGOs and purpose-driven enterprises

Here, the pursuit of profit takes a backseat to the pursuit of positive change. Raising resources encompasses more than just funds – it involves nurturing trust. Accountability, transparency, and communication are not just buzzwords; they are the cornerstones upon which we build. By inviting volunteers to join the board and the workforce, impact and fresh perspectives are amplified.

Diverse though, organisational landscapes may be, a common thread runs through all: an unwavering commitment to excellence and ethical governance. Organisational strategies must be tailored to the shared vision of progress and impact. Together, as a country, India is poised to make a mark, led by path we tread.

***Shailesh** is a distinguished professional, holding certifications as a Chartered and Cost Accountant, Internal Auditor, and Certified Financial Planner & Fraud Examiner. He serves as a Board Chairman, Audit Committee Chair, and Independent Director in renowned organisations. With expertise in the Indian Economy and Public Policy, he is a thought leader. He advocates for Exponential Technologies (ExTech), ESG (Environmental, Social, Governance), and Integrated Reporting (IR). Mr. Haribhakti is also an author of two books and actively shares his insights at various forums.*

Key Appointments & Resignations - July 2023

R. Seshasayee Appointed Chairman Of Asian Paints

Asian Paints Limited appointed R. Seshasayee as the Chairman of the Board with effect from 1st October 2023 up to the conclusion of his term on 22nd January 2027. Seshasayee has been a part of Asian Paints' board as an Independent Director and serves as the Chairman of the Investment Committee. He is also a member of the Audit Committee and the Nomination & Remuneration Committee of the Board. He will replace Deepak Satwalekar, a veteran from the HDFC group who is due to retire on 30th September 2023.

Seshasayee served as the Managing Director of Ashok Leyland Limited and as the Non-Executive Chairman of IndusInd Bank. He has also served on the boards of ICICI Bank and Infosys Ltd.

Kirloskar Electric Appoints Vijay R Kirloskar As Executive Chairman

Kirloskar Electric Company Ltd has appointed Vijay R Kirloskar as the Executive Chairman. Vijay Ravindra Kirloskar, 72, the promoter of the company earlier served as its Managing Director from 1985 onwards. He also served as the Chairman of the Kirloskar Group between 1994 and 1998. He has held various important positions in the industry including Vice President of the Confederation of Indian Industry (CII) in 1998. He holds a master's degree in Management Science and and is an engineer from Worcester Polytechnic Institute, Worcester, MA, USA.

MM Financial Shareholders Confirm Rebello As New CEO

Mahindra & Mahindra Financial Services Limited's shareholders approved the appointment of Managing Director and Chief Executive Officer Raul Rebello in an AGM on 28 July 2023. He was appointed on 1st May 2023. Rebello is a career banker with extensive experience in rural banking and financial inclusion. Prior to joining the Company, Rebello was with Axis Bank as EVP & Head – Rural Lending & Financial Inclusion. In his 19-year stint with Axis Bank, he led key businesses including rural lending, farmer funding, gold loans, MSME lending, commodity loans, tractor & farm equipment lending, Agri-value chain deposits, payment & insurance. Rebello is a post-graduate in Management from the Goa Institute of Management.

Krithivasan Picks Up A New Leadership Team

New TCS CEO K Krithivasan announced his senior leadership team by designating six key executives as new Senior Management Personnel (SMPs). The organisation structure has also been changed for better reporting and customer relations. Among the new SMPs TCS Fellow and Chief Services Innovation Officer Harrick Vin has spent more than 30 years working in academics and industry. Shankar Narayanan, Sr VP has more than 30 years of experience with TCS. V Rajanna, Sr. VP oversees the company's media, communications, and technology divisions. Siva Ganesan, Sr. VP is the Global Head of the Microsoft Business Unit. Ashok Pai, Sr. VP is the worldwide head of TCS's Cornitive Business Operations (CBO). Reguraman Ayyaswamy, Sr. VP oversees the IoT and Digital Engineering divisions globally.

Shishir Joshipura Reappointed MD & CEO Of Praj Industries

Praj Industries Limited has reappointed Shishir Joshipura as the MD & CEO. Joshipura has over 35 years of experience in varied fields of engineering. Before joining Praj, he served as Managing Director of SKF India Ltd from 2009 to 2018. He began his career with Thermax Ltd and held several key positions to become Executive Vice President and Global Head of Cooling & Heating business. Shishir is a Mechanical Engineer from the prestigious Birla Institute of Technology & Science (BITS) Pilani and an Advanced Management Graduate from Harvard Business School.

Rajiv Gandhi Appointed Company Secretary And Compliance Officer Of Bajaj Auto

Bajaj Auto Limited appointed Rajiv Gandhi as the Company Secretary and Compliance Officer on 25 July 2023. He replaced J Sridhar who was part of the company for more than 20 years. Before Joining Bajaj, Rajiv Gandhi spent 15 years of his career at Ambuja Cement as a Company Secretary and Compliance Officer. In his three-decade-long career, Rajiv has worked for companies including Zenith Birla, Ford Credit Kotak Mahindra, and Deepak Nitrite Group. Rajiv holds a Bachelor of Commerce degree from Mumbai University and is a Fellow member of ICSI.

Key Corporate Governance News – July 2023

A Record 82,628 Companies And LLPs Incorporated In Four Months

Opportunities for the corporate governance community are rising in India. The Ministry of Corporate Affairs (MCA) reported this month that a record-breaking 82,628 companies and limited liability partnership (LLP) organizations were incorporated on the MCA21 platform in the first four months of this fiscal year. This means many more entities will be looking for qualified Directors over time. MCA also claimed that these registrations were done on the latest version of the MCA21 (Version 3, or V3) portal. Problems were resolved and forms were gradually rolled out on the new version following a directive of the finance minister.

Companies Struggle To Comply With SEBI's New ESG Reporting Standards

The top 150 Indian companies will undergo the initial ESG audit process in FY23–24. Reports suggest that these firms are struggling to compile ESG-related data as mandated by SEBI. The non-financial data scattered across various internal systems is difficult to integrate. The companies also need to assess the impact of disclosing private data on sensitive governance issues. New rules will be applicable to the top 250 listed companies in FY 24–25, the top 500 in FY 25–26, and the top 1000 in FY 26–27.

Sebi Establishes A Regulatory Framework For Listed Companies' Value Chain ESG Reporting

SEBI's recently released legal framework for listed firms regarding ESG (Environment, Social, and Governance) disclosures on supply chain and assurance would also include upstream and downstream partners. Sebi established BRSR Core, a subset of the BRSR (Business Responsibility and Sustainability Report), in an effort to address the requirement for ESG disclosure assurance. BRSR Core contains nine Key Performance Indicators (KPIs) for various E, S, and G elements that need to be ensured. A few new KPIs, such as job creation in small towns, company transparency, and gross wages provided to women, have been identified for assurance while keeping in mind the applicability to the Indian market setting.

The NFRA Penalizes And Bans Cafe Coffee Day Auditors

National Financial Reporting Authority (NFRA) has taken stern action against two auditors and the audit firm of Cafe Coffee Day Global for "professional misconduct" and failing to report irregularities in the company's books in 2019–20.

While chartered accountant Madhusudan UA has been given a five-year practice restriction and must pay a penalty of Rs 5 lakh, chartered accountant A S Sundaresha has been given the maximum penalty of Rs 10 lakh and is prohibited from practicing for ten years. In a 44-page order published on Friday, the NFRA stated that the audit company, ASRMP & Co, had also received a Rs 2-crore fine and a four-year ban.

Byju's Matter Referred to The ICAI's Disciplinary Committee

The Institute of Chartered Accountants of India (ICAI) sent the subject concerning ed-tech firm Byju's to its disciplinary committee for further action. The ICAI's Financial Reporting Review Board (FRRB) scrutinised the company's balance sheet, profit-and-loss account statement, notes on the account, and auditor's report. It is understood that the disciplinary committee will look into three or four areas of concern.

If the disciplinary committee deems the auditor guilty of professional misconduct, it can impose a maximum penalty of Rs. 5 lakh as well as debar the auditor. The ICAI can only take action against the auditor, not the audit firm, under the current Chartered Accountants Act.

COVER STORY

Preety Kumar on transforming board dynamics to building Amrop India's legacy

PREETY KUMAR, FOUNDING MANAGING PARTNER IN INDIA FOR THE GLOBAL LEADERSHIP AND BOARD SEARCH FIRM AMROP SC, FUELS AMROP INDIA'S EXPANSION. UNDER HER LEADERSHIP AMROP HAS GROWN TO A TEAM OF TEN PARTNERS, A MULTI PRACTICE PORTFOLIO OF SERVICES, CLIENTS AND CREDENTIALS WITH DISTINCTIVE POSITION IN THE INDUSTRY. PREETY OVERSEES BOARD AND CEO SELECTIONS AND PROVIDES GUIDANCE ON EXTERNAL SUCCESSION AND BOARD ISSUES. SHE SERVES ON THE GLOBAL BOARD OF AMROP AND IS CURRENTLY A MEMBER OF THE NRC COMMITTEE. SHE HAS CHAIRED FICCI'S CORPORATE GOVERNANCE TASK FORCE. AN MBA IN HUMAN RESOURCES AND A PSYCHOLOGY HONOURS UNDERGRADUATE, SHE HAS ALSO BEEN AN INDEPENDENT DIRECTOR ON THE ADVISORY BOARDS OF THE SANMAR GROUP AND TERI. PREETY SHARES HER TRANSFORMATIVE JOURNEY WITH TEAM BOARD STEWARDSHIP IN AN EXCLUSIVE INTERVIEW AND OFFERS ADVICE FOR INFLUENCING THE NEXT GENERATION.

Could you please share with us your remarkable journey in the field of board search and your experience in building up Amrop India?

I founded Amrop in 1995, and since then, I've had the privilege of playing diverse roles both within Amrop India and globally. The first board appointment we made was in 1999. Initially, our primary focus was on board search, identifying Independent Directors, and gaining a deeper understanding of director dynamics and board operations in the Indian context.

Later, our engagements extended to aiding multinational corporations entering and scaling up in the Indian market through advisory board setups. The advisory boards provided an effective platform for them to gather pertinent market and external environment insights. Comparing then to the present, our focus has shifted. Board searches are now a regular practice for us. Although advisory boards have remained integral, they have evolved in complexity and significance. The contemporary challenges faced by boards demand a sophisticated approach.

A decade ago, we introduced the board evaluation practice in India, which has since evolved into a comprehensive board effectiveness initiative. Notably, we launched the best boards platform in collaboration with the Economic Times, a pioneering effort in assessing and benchmarking boards in 2021. This platform, which assessed Nifty 500 companies, has provided invaluable insights into benchmarking and best practices among top-tier boards. Building upon this experience, we are in the process of transforming our benchmarking expertise into a tangible product. We also aim to create a pre-assessed director database to support our clients in identifying and selecting suitable directors.

I have been privileged to be a part of the Amrop Global Board Practice. Our distinctive offering involves a five-year cycle of sustained board evaluation for advanced markets. This comprehensive approach entails multiple assessments over five years, reflecting a commitment to continuous improvement.

On a personal note, I have also ventured into serving on the boards of other Indian companies and have remained involved in advisory boards. In essence, my journey has been one of continuous growth and adaptation to the evolving landscape of board dynamics over the past two decades.

With the emergence of Data Banks, do you think that dependence on Board Search Firms has come down?

While these databases indeed exist, I cannot definitively confirm their utilisation by companies. Based on our interactions with large companies, it seems that they prioritise leveraging networks and insights over these databases. These databases offer limited assistance beyond name searches. Our clients seek to tap into our deep comprehension of the requisite calibre of board directors, often not readily available in these databases. Moreover, it is crucial to consider factors such as individual attributes and alignment with the board's culture, databases are just one facet of the entire engagement.

Categorising board directorship as a career option might be too simplistic. The growing number of individuals enrolling in these databases, obtaining certifications, and hoping to find opportunities are likely to face disappointment. Nevertheless, it remains uncertain whether this approach will yield the desired outcomes i.e., qualified and suitable board directors.

Aspiring Independent Directors seek seasoned experts like you for guidance. What advice would you give to those seeking to embark on a journey as Independent Directors?

Certainly, when you assume a position on a company's board, you become part of a collective responsibility, transcending your individual background. While expertise, particularly in areas like technology and digital, is increasingly valued, it's crucial to recognise that your role extends beyond these. Boards deliberate on a wide range of important issues, including governance, risk, company strategy, sustainability, and succession planning. As a cohesive unit, the board must contribute meaningfully, make informed decisions, and drive the overarching agenda.

Then one needs to function independently, independence isn't merely a formality; it hinges on your personality, courage, and your ability to assert an unbiased standpoint. This entails skilful communication—going beyond basic language proficiency to exhibit sophisticated and mature communication aptitudes. This encompasses respectfully challenging senior management when necessary and navigating disagreements with finesse.

A Director's role revolves around guidance, reflection, and advisory. It's paramount for aspiring directors to comprehend this distinction and cultivate the essential skills. One key trait is the 'T capability': a blend of in-depth knowledge within your specialisation (the vertical line of the 'T') and a wider understanding of governance, risk, strategy, finance, and other interconnected disciplines (the horizontal line of the 'T'). My advice to this group would be to broaden their scope. If they are still in executive roles and have several years ahead of them, they should focus on expanding their skill set. For example, a current CFO or finance expert could look for cross-functional roles, leading horizontally. Furthermore, diversifying into different industries would also enrich perspective.

Delving into the intricacies of corporate governance is indispensable — embracing the complexities of real-world governance dilemmas, such as related party transactions, transparency, and minority shareholder protection.

Furthermore, seeking opportunities with smaller company boards can be quite enlightening.

Lastly, I stress the seriousness of this role. Undertake it with dedication and purpose. Regrettably, some individuals pursue board positions for superficial reasons like prestige, when in fact, the role entails significant responsibilities. Large

One key trait is the 'T capability': a blend of in-depth knowledge within your specialisation (the vertical line of the 'T') and a wider understanding of governance, risk, strategy, finance, and other interconnected disciplines (the horizontal line of the 'T')

corporations intensify these responsibilities. A board director isn't exempt from accountability; errors might lead to liabilities and pronounced accountability. Thus, it's a role demanding the utmost seriousness and commitment.

When reviewing the CVs of potential Independent Directors, what specific keywords or qualifications do you consider to be particularly important?

Certainly, we prioritise certain key aspects as mentioned in my previous answer. Apart from that we focus on the individual's leadership acumen, seeking accomplished leaders who possess a nuanced understanding of effective governance. This entails examining their professional background, especially within listed and well-governed companies. We value experience in organisations that have demonstrated notable growth in terms of scale, complexity, performance and global benchmarks.

Furthermore, a pivotal criterion is the candidate's involvement in executive roles, such as being a CXO. A robust grasp of cross-functional matters and the ability to contribute meaningfully to decisions across various functions are attributes we actively seek and also global exposure. Alongside established Independent Directors, we also focus on identifying promising candidates who may not have prior board experience but exhibit the potential to excel in such roles.

Do you have some favourite questions to ask during the interview process for Independent Directors?

Certainly, one of my favourite questions is about understanding the governance dilemmas that individuals have faced in their leadership roles. I go through a very structured dialogue across various areas of corporate governance. This entails looking into their direct interactions with these dilemmas, their solutions, and the underlying values and decision-making approach. I routinely investigate their tactics for resolving instances of poor governance, looking for evidence of both courage and adept issue resolution over time.

Another crucial aspect I investigate is their influencing skills and effectiveness in shaping scenarios. My inspection goes spotting signs of excessive ego, as this trait can be a hindrance to board congeniality. When such indicators appear, I incorporate my findings into advice sessions for our board clients. While prominent names are enticing, they frequently come with their own set of baggage. As a result, our responsibility includes drawing attention to any baggage that a potential board leader may bring along.

I rarely look at their executive leadership track record because that is a given. I won't be meeting a board leader unless he/she has had an impressive leadership track record. My focus is hence on their board-related competencies and experiences. Because of the depth of these discussions, the assessment conversation is wide-angled but structured.

How do you believe board search firms can play a role in helping the nation build the capacity of Independent Directors?
Our contribution to enhancing the capacity of Independent Directors encompasses three key aspects. Firstly, we bring forth the "unusual suspects" who may not be actively sought by clients but possess exceptional qualities. Secondly, we advocate for an open-minded approach within companies, encouraging them to consider these distinctive candidates over conventional choices. Lastly, we consistently compile a roster of high-quality potential directors who are yet to serve on boards. In essence, the role of search firms is to facilitate this capacity-building journey.

The approaching mega cooling period in 2024 - do you view it as an opportunity for aspiring Independent Directors to enter the boardroom, or does it resemble a game of musical chairs with limited opportunities?
I think it is a golden opportunity for boards to do a genuine refresh. Yes, for sure it's a real opportunity for aspiring Independent Directors. However, having seen boards so far majority will play safe and market rotation is more likely to happen.

How would you assess the performance of our Independent Directors vis a vis their global peers?
In India, we have high-quality board talent. However, the dynamic between the board and management appears to be distinct. Internationally, boards have more thorough deliberations and actively challenge management and CEOs. This differs from the Indian setting, where CEO is less challenged by the board. To be clear, this disparity is not fundamentally linked to legal duties but rather rests on understanding and properly completing their designated roles. Furthermore, the prominence of promoter-led firms within the Nifty500 index contributes to this differentiation. This tight alignment has the potential to complicate the role of the board in challenging management/CEO. While corporate governance principles have existed in India for a long time, Boards were not traditionally viewed as aggressive entities. Only in the last five to eight years has the paradigm changed towards stronger boards.

While prominent names are enticing, they frequently come with their own set of baggage

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

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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.

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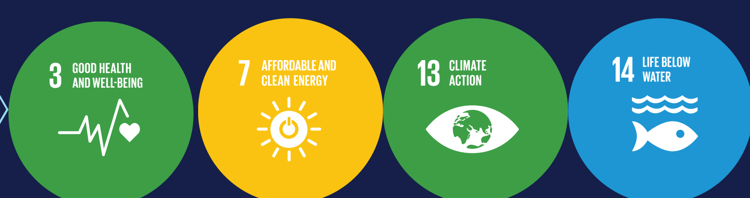

Registered Office Address:
DNV Business Assurance India Pvt. Ltd., Equinox Business Park Tower 3, 6th Floor
Off Bandra-Kurla Complex, LBS Marg, Kurla (West) 400070 Mumbai

Website: www.dnv.in
Email: marketingscpa@dnv.com
Contact Number: 022 6176 9000
Mobile Number: +91-9167323711

BECOMING A THOUGHT LEADER: VINAY M A SHARING INSIGHTS IN CORPORATE LAW

With your impressive background and experience in corporate law, could you share the highlights of your journey in the field and the pivotal moments that shaped your career as a Company Secretary and Lawyer?

Early on in my career, a significant inflection point was achieving the role of Company Secretary at a well-established listed company at the age of 25. This milestone provided me with the invaluable opportunity to actively participate in boardroom discussions and gain insights into the thought processes and actions of leaders. Witnessing and learning from these experiences at such a formative stage played a crucial role in my professional development.

Throughout my career, I have consistently drawn upon my personal strengths and attributes to excel and grow in the profession. Upholding high ethical standards and maintaining integrity have been my fundamental values that align seamlessly with the governance role. Being an enthusiastic learner has enabled me to stay abreast of the dynamic corporate landscape, allowing me to plan ahead and prepare for multiple scenarios, which is particularly relevant in today's rapidly changing regulatory environment.

I have always embraced every opportunity presented by the organisations I have been a part of, demonstrating perseverance in challenging situations and an innate ability to identify shifts in the regulatory landscape. These qualities have contributed to the consistency of my thought process and approach to decision-making, regardless of the circumstances.

Over the past 15 years, one of my most profound realisations has been that governance transcends mere compliance; it is

VINAY M A, COMPANY SECRETARY & COMPLIANCE OFFICER AT MARICO LTD., IS A SEASONED COMPANY SECRETARY AND LAWYER WITH 15+ YEARS' EXPERTISE IN CORPORATE GOVERNANCE. HE ASSISTS MARICO'S BOARD AND SENIOR MANAGEMENT, OVERSEEING COMPLEX TRANSACTIONS AND GOVERNANCE REQUIREMENTS AND OFFERING COUNSEL ON COMPLIANCE. IN HIS CAREER, VINAY HAS SPEARHEADED SEVERAL KEY CORPORATE ACTIONS—FCCB RESTRUCTURING, SHARE BUYBACKS, CROSS-BORDER MERGERS—AND MANAGED INDIAN CORPORATE LAW ADHERENCE. HIS ADEPTNESS SPANS CORPORATE AND COMMERCIAL LAWS, DOMESTIC AND CROSS-BORDER M&A, AND GLOBAL LIABILITY INSURANCE. A MENTOR AND SPEAKER, VINAY'S IMPACT ON COMPLIANCE AND LEGAL LANDSCAPE IS WELL-RECOGNISED. IN A CANDID CONVERSATION WITH TEAM BOARD STEWARDSHIP, VINAY REFLECTS ON HIS JOURNEY AND SHARES INSIGHTS INTO HIS EXCEPTIONAL CAREER AS A COMPANY SECRETARY AND LAWYER.

a way of thinking and acting. Organisations like Marico, where I have the privilege to work, exemplify this philosophy by embodying governance in their culture and behaviour, far beyond mere box-ticking exercises. This understanding has been a critical learning and has deepened my commitment to upholding high governance standards.

Additionally, the privilege of working in renowned and reputable organisations, many of which are industry giants, has further enriched my professional growth. Being part of workplaces where governance is at the heart of the culture and witnessing leaders who consistently prioritise doing what is right has been instrumental in shaping me into well-rounded governance professional.

As the Company Secretary and Compliance Officer of Marico Limited, you have played a significant role in guiding the governance practices. Could you elaborate on the challenges you've faced in ensuring compliance and governance in a dynamic FMCG company like Marico?

I have enjoyed taking on challenges in ensuring compliance and governance in our dynamic FMCG Company. Adapting to frequent regulatory changes, keeping our governance philosophy as the guiding principle, has required significant efforts to implement amendments in the right spirit, alongside creating awareness within the organisation. Addressing potentially conflicting legal requirements has warranted finding holistic solutions that comply with applicable laws.

Maintaining a consistent level of discipline and rigor has been vital, given the changing nature of our stakeholders within the organisation. Internally, we've undertaken several key initiatives to reinforce our commitment to governance and integrity. Notably, we have a deep focus on Environmental, Social, and Governance (ESG) practices, and have embarked on our ESG 2.0 journey. Being part of cross-functional initiatives that drives ESG practices within Marico has been a fulfilling experience. Furthermore, we have approached compliances on prevention of insider trading as a culture-building exercise, emphasising awareness through various channels like one-on-one sessions, e-learning modules, quiz, and periodic refreshers.

We have also taken considerable efforts to comply with SEBI's strengthened regime on related party transactions, implemented controls, automation, and raised awareness among stakeholders and board members. These initiatives highlight Marico's dedication to governance excellence, making a positive impact on our values and practices.

Corporate laws, SEBI, and FEMA matters are essential aspects of your expertise. How do you stay updated with the ever-changing regulatory landscape, and what advice would you give to fellow professionals on continuous learning in this domain?

As professionals, be it company secretaries or lawyers, our essence lies in being knowledge-driven individuals. Cultivating an innate curiosity and a steadfast commitment to learning is pivotal to our identity, and it's imperative that we recognise this facet. I have adopted a trio of effective methods that have consistently empowered me to keep pace with regulatory shifts.

Firstly, I believe in the philosophy of learning on the go. While conventional scheduled learning certainly has its place, I have discovered that seamlessly integrating learning into our work routine is a potent strategy. Capitalising on moments to glean insights from new amendments, legislations, or pertinent case laws as they come our way has proven immensely advantageous.

Secondly, being an absorbent observer has significantly contributed to my growth. Appreciating diverse perspectives and analysing cases, regardless of their immediate relevance, has proven invaluable.

> *Adapting to frequent regulatory changes has required significant effort to understand and implement amendments in the right spirit, alongside creating awareness within the organisation*

Corporate laws exhibit intricate overlaps, and the ability to synthesise multifaceted viewpoints can be readily transposed to various aspects of our work.

The third approach I endorse centres around structured team learning. Leadership entails fostering an environment conducive to concentrated learning endeavours. This is best achieved through focused learning sessions at periodic intervals. These initiatives allow for a deep dive into specific subjects, diverging from broader, less impactful discussions.

Lastly, embracing technology is a linchpin in staying attuned to the regulatory ebb and flow. In today's landscape, amendments and updates abound from myriad sources. The key lies in discerning the most reliable sources and proactively subscribing to pertinent updates. This discernment ensures that we remain well-informed without getting inundated by extraneous information.

As a regular speaker on corporate law matters, you have shared insights with various audiences. What motivates you to actively contribute as a thought leader in this field, and what topics do you find particularly rewarding to address during your speaking engagements?

Since the beginning of my profession, I have had a great inclination to share and impart knowledge, particularly practical insights and learning gained from real-life situations.

I began teaching in the Institute of Company Secretaries of India during my first year of employment and gradually progressed to other speaking sessions, etc. This has also aided me in sharpening the intricacies of law and my comprehension of the law, among other things. This is undoubtedly one of the primary motivations.

Second, I believe that during my career, I've been fortunate to have wonderful mentors who took time and effort to shape professionals like myself, and I'd like to spend some of my time and effort, at least, to do the same for younger professionals. In terms of things I prefer to speak about, SEBI and FEMA-related matters are of great interest to me, and one aspect that I find distinctive is the frequency with which these laws are amended. As a result, as professionals, we must take up the task of implementing that internally, which opens up a lot of possibilities for making a difference in processes and practices. Wherever feasible, I take the opportunity to meet with younger professionals in order to share insights on the function of a corporate secretary, the mindset we must have, and other such topics.

Mergers and acquisitions are complex processes that require meticulous planning. Based on your experiences, what key factors do you consider crucial for a successful M&A transaction, especially when dealing with cross-border deals?

Mergers and acquisitions encompass multifaceted procedures demanding meticulous strategising. Drawing from my experience in the legal aspects within corporate law, I will highlight three key factors in M&A, particularly those spanning international borders.

Firstly, identifying specific and precise areas for due diligence that hold legal implications in the target country is of paramount importance. Upon completing this diligence, it's imperative to employ a Pareto filter, pinpointing key risk indicators. Subsequently, an effective mitigation strategy for these high-risk areas becomes vital. This practice is particularly indispensable in the realm of cross-border M&A.

Secondly, negotiating a balanced win-win outcome during deal-making is crucial. Often, the inclination is to fiercely advocate for all points favourable to one's side. Yet, a more pragmatic approach reveals common ground between the parties. Striving for a harmonious win-win resolution proves instrumental, steering clear of the pitfalls associated with an all-or-nothing stance. This dynamic is especially pertinent in strategic acquisitions, where post-acquisition collaboration is essential.

Lastly, post-acquisition integration strategies warrant careful attention. This aspect occasionally gets overshadowed in the transaction timelines. Crafting an integration strategy holds significant importance, particularly in terms of compliance procedures and post-acquisition operational synergy. This becomes even more pronounced when the acquiring entity may have a more rigorous approach to compliance. Establishing a comprehensive framework for post-acquisition collaboration and operational alignment is indispensable.

Upholding integrity, ethical business practices, conscious capitalism, and responsible growth serves as the bedrock for cultivating a sustainable, profitable business in the long run

Developing organisation-wide compliance management systems and governance processes is a significant responsibility. How do you strike a balance between adherence to regulatory requirements and facilitating business growth and innovation?

To begin, it's crucial not to view business and regulatory requirements as conflicting forces. Instead, it's more productive to adopt a mindset that sees them as complementary. Upholding integrity, ethical business practices, conscious capitalism, and responsible growth serves as the bedrock for cultivating a sustainable, profitable business in the long run. Robust governance and compliance practices actually serve as catalysts for fostering business growth. Rather than opposing forces, they act as facilitators. This is reinforced by numerous instances within the corporate landscape, where Indian companies have embraced this approach over extended periods. Furthermore, investors consistently place a premium on well-governed companies, underscoring this well-established fact.

Within this framework, I have centred my attention on implementing value-enhancing checks and balances, that contribute positively to the governance objectives. Simultaneously, these mechanisms cater to the exigencies of the business, all while adhering to legal parameters. To achieve this, it is important to recognise the right levers for driving compliance, as some areas may require more awareness/capacity building within teams, others may require a higher degree of process controls, while others may also require alignment at a senior management/Board level. Another pivotal approach is maintaining an external perspective, which serves as a guiding principle for balancing regulatory and business demands. As professionals, active participation in the regulatory consultation process is invaluable. By sharing insights and possibly novel concepts, we contribute to shaping regulations more effectively. In amalgamating these strategies, we can effectively strike the delicate equilibrium between regulatory prerequisites and business imperatives.

As someone with a multidisciplinary educational background, how do you leverage your commerce, legal and business laws knowledge to enhance your decision-making and problem-solving abilities in your current role?

Certainly, my choice to pursue a multidisciplinary education has proven to be a strategic advantage throughout my journey. It enables me to adopt a 360-degree perspective, navigate a variety of factors and appreciate the diverse demands at play. To illustrate, a situation may involve intricate accounting, tax considerations, or have broader business implications. Recognising that these factors are pivotal to effective decision-making, and I strive to strike a balanced and well-informed conclusion that aligns with the organisation's goals, while also ensuring compliance.

Moreover, beyond the academic foundation itself, my practical experience has been that collaboration with various internal stakeholders is equally important for compliance officers to learn and grow. Engaging with these teams often provides insights on implementing specific compliance measures from those directly engaged in business operations. This reciprocal exchange is invaluable, as it brings together both the regulatory understanding and the operational realities. Consequently, this multidisciplinary approach not only aids in decision-making but also allows me to incorporate real-world perspectives, culminating in a mutually beneficial outcome.

He can be reached at **Vinay.MA@marico.com**

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ROLE OF A COMPANY SECRETARY TOWARDS INDEPENDENT DIRECTORS VIS-A-VIZ ROLE OF *SANJAY* TOWARDS *DHRITARASHTRA*

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

Companies Act, 2013 (hereafter referred to as 'the Act'), has replaced the nearly sixty years old Companies Act, 1956 and has begun a new era in the way the companies are to be governed and regulated. The main objectives of this enactment were to meet the changes and challenges in the national and international economic scenario and the growth of Indian corporate sector to consolidate and align with the other legislations.

This Act has incorporated several new initiatives to enhance the Corporate Governance norms and has substantially raised the bar of Corporate Governance. This Act has introduced a new concept of Independent Directors. 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 of stock exchanges. Conceptually, the institution of Independent Directors is designed to ensure that they play a pivotal role in enhancing and maintaining the 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.

For the first time the Act has provided the duties of directors and the director of a company shall act in compliance with the following:

1) Subject to the provisions of the Act, a director shall act in accordance with the articles of the company.

2) A director of a company shall act in good faith in order to promote the subjects of the company for the benefit of its members as a whole and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

3) A director of a company shall exercise his duties with due and reasonable care, skill, diligence and shall exercise independent judgment.

4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts or possibly may conflict with the interest of the company.

5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

6) A director of a company shall not assign his office and any assignment so made shall be void.

7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

The aforesaid duties clearly indicate the role which a director is expected to play and to ensure this, the Boards must create and establish a compliance culture and a robust Corporate Governance structure where everyone be made accountable and responsible for their acts and behaviour while performing their duties.

In '*Arthashastra*', *Kautilya* has explained the ethical conduct of the king while governing the kingdom. *Kautilya* mentions that an ideal king is the one for whom

- In the happiness and well-being of the subjects, lies the well-being of the king
- In the welfare of the subjects, lies the welfare of the king
- what is desirable and beneficial to the subjects and not his personal desires and ambitions, are desirable and beneficial to the king

The essence of the above is that 'public good should be ahead of private good.'

While acting and discharging his duties as a director, one should keep the above as a guiding factor and to ensure that the directors must avoid conflict of interest. The directors also have to ensure the welfare of the shareholders and their interests are safeguarded. Further the directors are expected to discharge their duties with a degree of care and diligence and they must act in good faith and to promote the objectives of the company.

In case of Independent Directors over and above they have to also abide by the 'code for Independent Directors' as prescribed under Schedule IV of the Act. As per this code the Independent Directors shall have some additional duties as under:

- to undertake appropriate induction and regularly update and refresh their skills and knowledge and familiarity with the company
- strive to attend all board, committee, and general meetings of the company
- participate constructively and actively in the board and committee meetings
- ensure their concerns are appropriately addressed and resolved and to the extent unresolved concerns are properly recorded in the minutes of the meeting
- not to unfairly obstruct the functioning of board or committee meetings
- ensure adequate deliberations while approving related party transactions
- report concerns about unethical behaviour, actual or suspected frauds or violation of code of conduct of the company
- to maintain confidentiality of the company information

To ensure efficient discharge of the above duties the directors and Independent Directors in particular, must have an insight into the affairs of the company. The efficiency of the Board and of the Independent Directors depends upon the quality of information being provided to them. Since the Independent Directors are not in the executive position, they have to depend upon someone who may handhold them to develop such insight about the affairs of the company. They need a person like *Sanjaya* in *Mahabharata* who gave king *Dhritarashtra* an insight about the *Kurukshetra* war.

Role of Sanjaya in Mahabharata

Dhritarashtra was a *Kuru* king, and the father of the *Kauravas* in the epic *Mahabharata* and *Sanjaya*, was *Dhritarashtra*'s advisor and charioteer. *Sanjaya* was a disciple of sage *Krishna Dwaipayan* and *Veda Vyasa* and was immensely devoted and loyal to his master, King *Dhritarashtra*. Before the great war of *Kurukshetra* broke out, *Sanjaya* had gone to *Yudhishthira* as the ambassador of *Kauravas* to negotiate on behalf of them and advised both *Yudhishthira* and *Dhritarashtra* against the war.

When the war was inevitable and the armies of the *Kauravas* and the *Pandavas* pitched their camps on either side of the battlefield, Veda Vyasa came to *Hastinapur* and on the request of *Dhritarashtra* gave the *Divya Dristi* to *Sanjaya* who can see all the events of the battle and can narrate the happenings at the war zone to king *Dhritarashtra*.

During the war, Sanjaya had the unpleasant duty of breaking the news to *Dhritarashtra*, of the fall of all his army commanders-in-chiefs Bhishma, Drona, Karna and Shalya, as well as the death of Dhritarashtra' s hundred sons including Duryodhana at different points of time in the battle, and offers the sorrowing king solace in his darkest hours. Despite *Sanjaya's* devotion to *Dhritarashtra*, he is known to be brutally frank in his recital of the day's battle events and his own opinions, which usually would predict the utter destruction of the *Kauravas* at the hands of the *Pandavas*.

In the *Bhagavad Gita*, passages often start with the Sanskrit words "*Sanjaya uvācha*:" ("Sanjaya said:"). The entire *Bhagavad Gita* is Sanjay's recital to *Dhritarashtra* of the conversation between *Arjuna* and Krishna. *Sanjaya* was the first person apart from *Arjuna* to listen to the *Gita* as it was being instructed.

Conclusion

The Company Secretary of the company can play the role of Sanjaya as far as the Independent Directors are concerned. He can be their friend, philosopher, guide, advisor and finally a charioteer to them to take them through the corporate nuances and complex compliances. The way Dhritarashtra has ensured that Sanjaya got the 'Divya Drishti', the Independent Directors have to ensure that the company secretary is empowered enough to play such an active and efficient role in enabling them to discharge their duties, responsibilities and accountabilities. It is also the responsibility of the company secretaries to raise themselves to the stature of Sanjaya in advising and guiding the Independent Directors. They have to provide quality and timely information and guidance to the Independent Directors, so that they can discharge their duties and play their role for the benefit of the company and of the shareholders of the company.

Sudhakar, *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.*
sudhakarcacs@outlook.com

THE BOARD SHOULD PARTNER WITH CSO
IN DRIVING THE ORGANISATION TO A SUSTAINABLE FUTURE

SANTHOSH JAYARAM
Global Head - Sustainability, HCL Technologies,
Ex. Partner, KPMG

Intent to do good is not enough to deliver justice to society. The intent has to be channelised through appropriate actions, processes, and institutions to ensure the outcome. I am sure every board and every board member has the intention of creating an impact toward a more sustainable world. But that intention can be channelised to an outcome only through a collaborative relationship they establish with a competent Chief Sustainability Officer (CSO).

In a very recent HBR publication titled “The evolving role of Chief Sustainability Officers”, the line below the title was on target. The role of CSO which used to be more focused on optics and reputation is evolving to drive strategy and engaging with investors. This change is significant and it gives a clear direction to companies as to who they should engage as the CSO. In my article last month “Who is your CSO?”, I look at the top 100 companies in India and look at who is their CSO. The background of the CSO will give a good insight as to how the company plans to focus on sustainability. I conclude in that article by stating that every CSO will bring in a bias to the position which they will have to overcome through improved competence and capacity building. The role of CSO is fast

evolving and it is moving into a position equivalent to other C-Suite positions which will have a direct channel of communication with the board.

While the boards are improving their expertise on the topic of sustainability, their close coordination with CSO will help fast-pace this. This article will explore a frame for the coordination between the board and the CSO. The board structure to have oversight on sustainability can vary, it can have a separate ESG/Sustainability Committee or it can integrate ESG/Sustainability into all the committees or it can also have an external advisory council or even a combination of this. This can be the starting point, the board and the CSO should determine as to what is the right governance framework that will ensure the best strategy, controls, and oversight.

The role of the CSO should be independent of execution. This independence is crucial for the transformation that is desired. In simple terms, if the CSO is responsible and accountable to reduce the carbon footprint of the organisation, the operational challenges will cloud the strategic direction that may be required. I have maintained that the position of CSO is perishable once sustainability is

integrated with every function. But that is an ideal state of affairs, something like nirvana.

The board either directly or through the committees should have a direct interaction with CSO without the involvement of any other executive member to get feedback on the progress. This can help bring out any challenges the CSO is facing either in the allocation of resources or the lack of focus by the management on any material sustainability issues. This interaction once institutionalised will send the right kind of signals across the organisation on the board focus on sustainability.

Each of the board committees should seek input from the CSO. The Risk Management Committee should seek from the CSO regarding the sustainability risks and opportunities for the organisation through the short, medium, and long term. This should form the background of establishing the right kind of controls and should feed into the strategic direction of the organisation. The audit committee should be seeking inputs from the CSO to establish a sustainability-integrated internal audit process. The new BRSR amendments now require the board to engage an assurance agency for conducting reasonable assurance on the “Core” indicators. The audit committee should apply the independence criteria which is put forward by the amendments to suggest the assurance agency along with CSO to the board to seek approval. The nomination and remuneration committee should in consultation with CSO integrate sustainability as part of the performance evaluation and remuneration determination of senior leadership. This helps drive the progress with the intended urgency.

To function at that level, in consultation with the board, the competence of the CSO is very critical. The board should discuss its expectation of the CSO’s role with the executive management. It is not just a competent CSO, but also the position of CSO inside the organisation that becomes more important. The board should also have the say as to where the position of CSO should report into. Whether the CSO reports to CEO, COO, or CFO, is a decision that should be taken with the appreciation that each of these options brings in a different opportunity and intention.

The symbiotic relationship between the CSO and the board will help place sustainability at the heart of the value system of a company. The dynamics between the board and CSO not just elevates the role of sustainability inside the organisation, but also helps the board to better visualize the sustainable future of the company.

Santhosh *is the Global Head- Sustainability at HCL Technologies Ltd, previously Partner –KPMG; Global speaker on ESG and Sustainability*
santhosh.jayaram13@gmail.com

by **DR. SRINATH SRIDHARAN**
Author, Policy Researcher, Corporate Advisor

RETHINKING RETIRED DIRECTORS: **MOVING BEYOND THE OPTICS**

It is understood that the role of Independent Directors in corporate governance is critical for ensuring transparency, accountability, and responsible decision-making. However, the effectiveness of retired individuals serving as directors has come under scrutiny in recent times. In the world of board governance, the role of Independent Directors is undeniably critical, ensuring transparency, accountability, and responsible decision-making. However, it's essential to acknowledge that only a few directors truly make a significant impact. Many retired individuals hold directorships, but their genuine value-addition and commitment to driving change are often questioned.

The concerns surrounding retired directors who prioritise personal glory and optics over true independence and genuine leadership must be addressed. While their years of experience bring valuable insights, the boardroom also needs directors who can challenge the status quo, bring fresh ideas, and drive innovation. Unfortunately, some retired directors may choose to maintain the status quo rather than advocate for necessary governance changes. Often, retired directors may be more inclined to maintain the status quo rather than actively pushing for necessary governance changes. Living in the past serves no one.

Many retired directors, lured by the allure of remuneration, may choose to stay on boards without actively participating in shaping outcomes. This behaviour undermines their independence and dilutes the effectiveness of the board. When directors prioritise personal financial gain over their fiduciary duty to act in the best interest of the company and its stakeholders, the very essence of governance is compromised. By remaining silent on crucial board matters, they fail to fulfill their responsibilities and contribute meaningfully to the decision-making process. This concerning trend highlights the importance of reevaluating director selection processes and fostering a culture that values genuine commitment to board effectiveness and independence, rather than mere monetary gain.

The Optics vs. True Independence

Many retired individuals take up directorship roles to enhance their brand or project an image of continued relevance. They may engage in public speaking engagements, give lectures, and position themselves as bold and Independent Directors. However, true independence goes beyond rhetoric and requires a genuine commitment to challenging existing norms and advocating for meaningful governance reforms. Merely using the directorship position as a platform for personal optics undermines the true purpose of Independent Directors.

One of the concerning observations regarding retired directors is their general reluctance to take a stand on critical governance matters. While not all retired directors fall into this category, a significant number have been observed to remain silent observers rather than proactive leaders. Understanding the reasons behind this reluctance can

True independence goes beyond rhetoric and requires a genuine commitment to challenging existing norms and advocating for meaningful governance reforms. Merely using the directorship position as a platform for personal optics undermines the true purpose of Independent Directors

shed light on the challenges faced by retired directors in asserting their independence and making a meaningful impact. It is disheartening to observe that some retired directors, who claim to be champions of good governance, have been silent observers of governance lapses. Most of them (have) rarely contributed to many discussions in their prime too. Their inaction during critical moments raises questions about their effectiveness in driving positive change. Boards need directors who are proactive, vigilant, and willing to address governance challenges head-on, rather than those who passively witness and fail to advocate for necessary reforms.

It is a valid concern that some retired directors may be perceived as mere paper tigers, providing their services in exchange for remuneration without actively challenging the status quo or making substantial contributions to governance. This perception stems from instances where retired directors have been accused of being silent observers or rubber stamps, failing to exercise their independence and fulfill their fiduciary duties effectively.

TOKENISM AND OPTICS: In certain cases, the appointment of retired directors may be seen as tokenism, aimed at creating an illusion of independence and expertise on the board. These directors may be handpicked to fulfill regulatory requirements or to appease stakeholders, without genuine intent to harness their experience and insights. This approach diminishes the value of their role and undermines the potential impact they could have. Retired directors may fear potential backlash or retribution if they openly challenge the status quo or voice dissenting opinions. They might worry about damaging their reputation or facing personal consequences for rocking the boat. This fear can lead to a culture of silence, where retired directors opt for self-preservation over advocating for necessary governance changes.

LACK OF ACCOUNTABILITY: Retired directors who are perceived as paper tigers often operate in a system that lacks robust accountability mechanisms. They may be appointed based on personal connections or influence considerations, rather than their ability to drive governance reforms. The absence of clear performance evaluations, term limits, and consequences for underperforming directors contributes to the perception that their services are merely bought without genuine expectations.

INFLUENCE OF POWER STRUCTURES: In some cases, retired directors may have personal connections or affiliations with those in power within the organisation or the broader business landscape. This alignment can create conflicts of interest, compromising their ability to act independently and advocate for governance changes. The desire to maintain relationships and protect vested interests may lead retired directors to remain passive, rather than risk jeopardising their connections. In some instances, retired directors may face pressure from powerful entities that control the organisation or its board. This influence can limit their independence and willingness to challenge the status quo. As a result, they may prioritise maintaining relationships or protecting vested interests over actively leading governance changes. This dynamic reinforces the perception of retired directors as figures who are bought rather than agents of change.

LIMITED EXPOSURE AND EXPERTISE: Retired directors who lack up-to-date knowledge or expertise in evolving governance practices may struggle to make substantial contributions. While their experience may be valuable, they might not be well-versed in contemporary governance challenges, emerging trends, or best practices. This limitation can lead to a passive approach, where their presence on the board becomes more symbolic than transformative.

COMFORT AND COMPLACENCY: After a long and successful career, retirement can provide a sense

> To combat the perception of retired directors as paper tigers, there is a need for greater transparency, accountability, and a culture that encourages active engagement and independence

of comfort and complacency. Some retired directors may prefer to enjoy their well-earned rest and avoid conflict, particularly if they do not perceive an immediate personal benefit from challenging existing governance practices. This comfort zone can result in a lack of motivation to actively champion reform or take a stand on critical issues.

RESISTANCE TO CHANGE: In some cases, retired directors may be resistant to change due to their familiarity with the existing system. They may have been part of the same power structures and decision-making processes during their active careers. This familiarity can hinder their ability to question established practices and champion necessary reforms. Consequently, their role may be reduced to maintaining the status quo, further reinforcing the perception of being mere paper tigers.

Acknowledgment

While it is important to acknowledge these concerns, it is equally crucial to recognise that not all retired directors fit this description. Many retired directors bring valuable insights, expertise, and leadership to the boardroom, actively driving governance improvements. However, to combat the perception of retired directors as paper tigers, there is a need for greater transparency, accountability, and a culture that encourages active engagement and independence. By re-evaluating the selection process, enhancing board dynamics, and fostering an environment that values expertise and integrity, retired directors can regain their credibility and contribute meaningfully to governance practices.

The corporate landscape is rapidly evolving, driven by technological advancements, changing consumer expectations, and global economic shifts. Retired directors may find it challenging to keep pace with these rapid changes, which can limit their ability to contribute meaningfully to boardroom discussions. Embracing diversity in directorship, including a mix of experienced and younger, forward-thinking individuals, can ensure a better balance of perspectives and help navigate the ever-changing business landscape effectively.

To enhance the effectiveness of directorship, it is crucial to establish clear expectations and criteria for retired directors. Merely relying on past experiences and reputations may not be sufficient to gauge their ongoing value addition. Regular performance evaluations, mandatory training programs, and opportunities for professional development can help retired directors stay relevant, continuously update their knowledge, and contribute meaningfully to the board's deliberations.

Succession planning is a crucial aspect of board governance. Proactive measures should be taken to identify potential future directors who can bring fresh ideas and perspectives to the boardroom. By encouraging a seamless transition between retiring directors and new, diverse talent, companies can foster a culture of effective leadership, innovation, and adaptability.

***Srinath** — 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).*
srinath75@gmail.com

IRA AGARWAL, IS A DISTINGUISHED BUSINESS AND TECHNOLOGY LEADER WITH OVER 20 YEARS OF EXPERIENCE IN IT. SHE HAS MADE SIGNIFICANT CONTRIBUTIONS TO PRESTIGIOUS ORGANIZATIONS SUCH AS TCS, HCL AMERICA, TECHSPAN, HEADSTRONG, AND GENPACT. IRA EXCELS IN AREAS OF EMERGING TECHNOLOGY, GLOBAL DELIVERY, CLIENT MANAGEMENT, ESTABLISHMENT OF INNOVATION CENTRES, AND ESG. CURRENTLY, SHE SERVES AS THE CHIEF MARKETING OFFICER FOR VEERSA TECHNOLOGIES AND PROVIDES ADVISORY SERVICES TO ORGANIZATIONS INCLUDING AAPNA INFOTECH AND MALLAWA VENTURES. IRA IS CERTIFIED BY IICA AS AN INDEPENDENT DIRECTOR AND AN ESG IMPACT LEADER.

‘EMERGING TECHNOLOGIES PLAY A CRUCIAL ROLE IN FORTIFYING ESG INITIATIVES,’ SAYS IRA AGARWAL

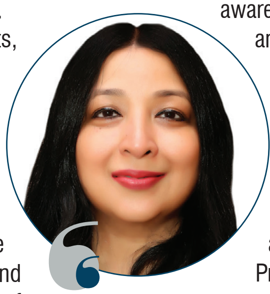
Kindly share your key career milestones with our readers.

With a career spanning over two decades in the Information Technology (IT) sector, I have established myself as a proficient global business and technology leader, as well as a strategic board advisor. My track record showcases consistent visionary guidance at the executive level, driving substantial business expansion, adeptly leveraging emerging technologies, and successfully establishing innovation hubs. I have achieved notable progress in driving meaningful business and societal transformations through my resolute dedication to Environmental, Social,

and Governance (ESG) initiatives, along with a strong commitment to fostering Diversity, Equity, and Inclusion (DEI) principles.

Currently, I hold the position of Chief Marketing Officer at Veersa Technologies, a pioneering firm in innovative healthcare technology. Beyond this role, I serve as a distinguished member of the Advisory Boards at AAPNA Infotech Pvt Ltd and Mallawa Ventures, USA.

Adding to my professional accomplishments, I am an IICA-certified Independent Director and ESG Impact Leader. I have earned a certification from WILL Women on Boards and am part of the Board Effectiveness programme, a joint initiative by EY and the Indian School of Business (ISB). This diverse and extensive repertoire of experience empowers me to provide substantial value and exceptional leadership across a myriad of business challenges and contexts.



I have achieved notable progress in driving meaningful business and societal transformations through my resolute dedication to ESG initiatives, along with a strong commitment to fostering DEI principles

How did your interest in ESG evolve from a technological perspective?

ESG initiatives serve as a powerful driver for driving positive global change. This involves utilising technology to reduce carbon emissions, expand digital access, promote social impact, and improve transparency in corporate governance. These ESG efforts resonate strongly with my personal values. Moreover, they align with my desire to innovate and make meaningful contributions through emerging technologies. The growing need for professionals who can effectively connect technology and sustainability underscores the significance of this expertise across industries. I am confident that my distinct skill set can consistently create value for the organisation.

What is the role of emerging technologies in ESG?

Emerging technologies play a crucial role in fortifying Environmental, Social, and Governance (ESG) initiatives. They provide solutions to track and reduce environmental impact, bolster social equity, and elevate governance standards. Clean technologies significantly lessen a company's environmental footprint, while big data analytics processes vast ESG data to facilitate informed decision-making. Artificial intelligence (AI), machine learning (ML), and internet of things (IoT) provide additional layers of data analysis and real-time environmental monitoring. Blockchain technology boosts supply chain transparency and traceability, supporting companies in showcasing their products' sustainability and ethical production. Drone and satellite imaging enhance environmental monitoring, aiding in tracking activities such as deforestation and assessing climate change's regional impact. Finally, virtual reality (VR), augmented reality (AR), and digital twin technology offer interactive platforms for ESG-related training, awareness, and energy optimisation. Harnessing these technologies can assist organisations in improving their ESG performance, enhancing transparency, and developing more sustainable, ethical operations.

How can ESG execution be made more robust and in which specific areas?

To effectively roll out ESG (Environmental, Social, and Governance) initiatives, unwavering commitment, targeted awareness campaigns, thorough measurements, and steadfast transparency are imperative. ESG principles should be seamlessly infused into business strategies, risk assessments, and investment choices. There's a pressing need to amplify the monitoring of environmental impacts, with a focus on metrics like carbon emissions, energy and water usage, and waste management. Prioritizing renewable energy, energy efficiency, and innovative low-carbon solutions is crucial. Strengthening sustainable supply chains and championing green practices among suppliers are key. A firm commitment to diversity, equity, inclusion, and high labor standards, including fair wages, remains fundamental. Enhanced board oversight, comprehensive reporting, and deeper engagement with stakeholders, perhaps incorporating standards like GRI or SASB, are critical for success.

Is ESG execution keeping pace with global implementation?

Indeed, there is an intensifying demand for companies to disclose their ESG performance. This increased pressure is originating from numerous stakeholders, including investors, regulatory authorities, customers, governments, and employees, all of whom demand transparency and accountability from corporations about their sustainability efforts and adherence to ESG standards. Consumers, becoming increasingly socially conscious, are showing a preference for businesses that align with their values. Investors are looking for insights into companies' ESG performance to guide their investment decisions. Regulatory authorities are implementing new rules for ESG disclosures. At the same time, current and potential employees are more likely to align with companies that reflect their values. The confluence of these factors underlines the growing importance and relevance of transparent ESG performance in today's corporate world.

Which ESG goals need to be prioritised in India Vs Western world?

The ESG goals demanding prioritisation in India include the control and mitigation of pollution, efficient waste management, and ensuring access to clean energy and water. Other areas of focus encompass labour rights and fair wages, accessibility to affordable healthcare, the advancement of education and skill development, along with the promotion of gender and social equality. Strengthening corporate governance standards,

Enhancing ESG execution requires a heightened commitment, targeted awareness campaigns, refined measurement methodologies, and increased transparency...Engagement with stakeholders must be intensified

enhancing transparency, and combating corruption are integral to bolstering investor confidence and fostering ethical business practices in India.

How can women contribute as a board of directors in ESG?

Women board members greatly enhance an organisation's ESG efforts. Their diverse perspectives enrich the board's approach and decision-making. They actively champion robust ESG policies, emphasising their importance in strategic decisions and signalling a commitment to gender equality—an essential part of the 'Social' aspect in ESG. These directors can drive policies promoting diversity and inclusion throughout the organisation. They play a vital role in overseeing sustainability initiatives, advocating transparent ESG reporting. As role models, they inspire other women to pursue leadership roles, fostering 'Social' diversity. Moreover, women on the board excel in engaging stakeholders, ensuring a range of perspectives in decisions.

Are companies experiencing increased pressure to disclose their ESG performance?

Absolutely, there is an escalating demand on companies to disclose their ESG performance. This heightened demand is coming from various sources, including investors, regulators, customers, governments, and employees. They all seek transparency and accountability from corporations regarding their sustainability efforts and adherence to ESG principles. Likewise, consumers are becoming more socially conscious and are more likely to support businesses that align with their beliefs. Investors are incorporating ESG performance into their decision-making process. Regulatory bodies are introducing new requirements for ESG disclosures. Additionally, both current and potential employees show a preference for companies that share their values.

Women board members greatly enhance an organisation's ESG efforts. Their diverse perspectives enrich the board's approach and decision-making

Can you provide some light on ESG Investing and Sustainable Finance?

ESG Investing and Sustainable Finance are rapidly emerging domains within the financial sector. Both methodologies integrate elements of ESG into the financial decision-making process, each maintaining a unique area of focus. ESG Investing refers to the approach of investing in companies exhibiting strong performance in ESG metrics. Investors adopting an ESG investing strategy evaluate a company's ESG performance alongside traditional financial metrics as part of their decision-making process. The fundamental belief behind this approach is that companies managing their ESG risks effectively and leveraging ESG opportunities are likely to deliver superior financial performance over the long term. On the other hand, Sustainable Finance is an all-encompassing concept that not only includes ESG investing, but also extends to a range of financial services and instruments designed to support sustainability. This paradigm incorporates ESG considerations into all aspects of financial services, such as lending, insurance, and asset management. In addition, it involves the use of financial tools to underpin sustainability, including green bonds (which fund environmentally beneficial projects) and sustainability-linked loans (where the interest rate is associated with the borrower's ESG performance). The ultimate aim of sustainable finance is to steer capital towards investments that support sustainable development and aid the transition towards a low-carbon, circular economy.

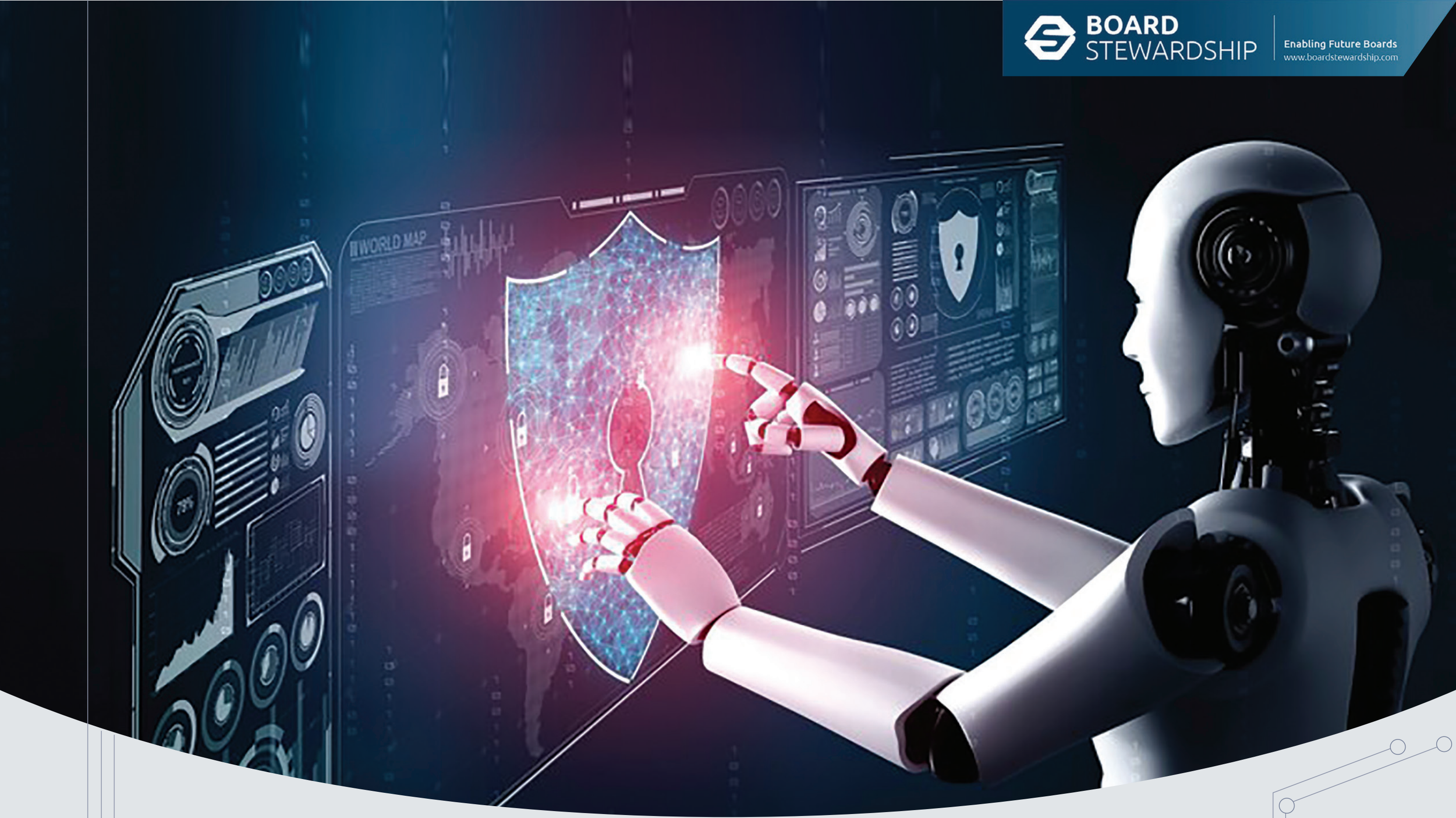
Is it time to replace the CSR Committee in favour of the ESG Committee?

The choice to transition from a CSR (Corporate Social Responsibility) Committee to an ESG Committee depends on an organisation's specific circumstances and strategic ambitions. While CSR primarily focuses on philanthropy and employee engagement, ESG delves deeper into broader concerns such as environmental impact and governance. Moving towards an ESG Committee signifies a deeper integration of sustainability into the core strategy, and an emphasis on heightened accountability, risk management, and transparency – all of which stakeholders increasingly demand. This transition doesn't necessitate ending CSR initiatives, since many can dovetail with ESG objectives. Before making such a shift, it's vital to consult experts who can provide insights tailored to your unique context and the expectations of your stakeholders, both of which are pivotal for ESG success.

What advice would you offer Board Stewardship readers regarding the successful implementation of an ESG strategy?

To master ESG strategy, integrate it fluidly into your business plan while actively involving employees, investors, customers, and the broader community. Set clear and measurable targets for each ESG element, adopt transparent governance structures, and provide stakeholders with the necessary training. Monitor progress consistently using defined metrics and regular reporting. It's important to remember that ESG is a continuous process of enhancement, not just a one-off initiative.

She can be reached at **irasahay@hotmail.com**



EMPOWERING BOARDS: THE ROLE OF AI IN ENHANCING CYBERSECURITY PREPAREDNESS

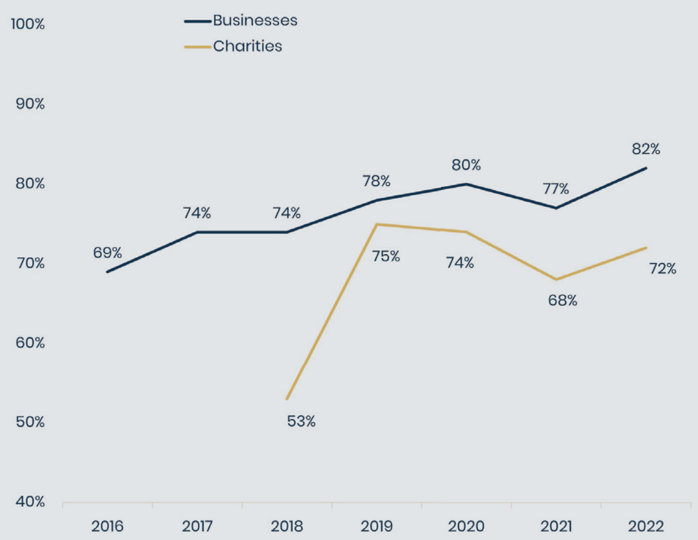
by **ABHIJIT DASGUPTA**
Global Head – Risk Management, Fortune 500 Company

In an era marked by rapid digital transformation, the protection of sensitive data and digital assets has evolved into a paramount concern across diverse industries. As cyber threats increase in both frequency and complexity, the call for a proactive and vigilant cybersecurity approach grows louder. At the forefront of this defense strategy stands the board of directors, a pivotal force in shaping security measures and bolstering resilience against cyberattacks. But what precisely are the pivotal responsibilities shouldered by management within this evolving landscape?

The management's role in risk management holds paramount importance, encompassing the identification, assessment, and mitigation of risks linked to strategy execution, all while adhering to the company's risk appetite. This process entails acknowledging the potential threats posed by cyber incidents to the successful realization of business objectives. To address this challenge effectively, organisations must institute robust measures of cyber resilience capable of thwarting, detecting, and efficiently responding to cyberattacks.

While technical expertise might not be an obligatory requirement for management, a foundational understanding of cybersecurity is indispensable for meaningful engagements with experts. This equips leaders with the confidence that cyber risks are being managed and mitigated appropriately.

The 2022 Cyber Breaches Survey underscores the mounting significance of cybersecurity as a top-tier priority for directors, trustees, and senior managers. Yet, a worrisome gap becomes evident: the lack of comprehension surrounding effective cyber risk management. This gap is further exacerbated by a scarcity of expertise and the perceived intricacy of cybersecurity issues at the management level.



The Essential Role of a Cyber-Resilient Board in Today's Digital Landscape

As the ultimate decision-making body, the board of directors bears the responsibility of guiding an organisation's trajectory and safeguarding its long-term success. However, given the escalating cyber threats, the imperative for boards to possess a comprehensive understanding of cybersecurity has become self-evident. A cyber-resilient board not only comprehends potential vulnerabilities and risks but actively contributes to the formulation and execution of potent cybersecurity strategies.

An uninformed or complacent board unwittingly exposes organisations to substantial financial losses, reputational damage, and legal repercussions following cyber incidents. Conversely, a cyber-resilient board serves as a role model, cultivating a culture of security that permeates the entire organisation and establishes robust governance structures capable of countering cyber threats. As the realm of AI makes inroads across various facets of our lives and industries, mastering the strategic employment of AI technologies for overseeing companies becomes a crucial skill for board executives.

The Enriching Influence of AI Technologies in Augmenting Cybersecurity Readiness

Artificial Intelligence (AI) technologies have emerged as transformational agents within the cybersecurity realm. Equipped with the capacity to analyse extensive datasets, identify patterns, and assimilate lessons from past incidents, AI technologies offer an unparalleled opportunity to elevate an organisation's awareness and preparedness in cybersecurity. AI-driven training platforms provide tailored, real-time cybersecurity education for boards, ensuring they remain attuned to evolving threats and optimal practices. Furthermore, AI models excel at assessing cybersecurity risks with precision, enabling boards to make informed decisions relating to risk management and the allocation of resources.

In an age where digital threats are advancing at an unprecedented pace, the integration of artificial intelligence (AI) is proving to be a game-changer in fortifying cybersecurity strategies. These real-world case studies illuminate how AI is revolutionizing not only defence mechanisms but also elevating decision-making process at the highest echelons.

CASE STUDY 1: Reinventing Financial Sector Security

The financial sector's intricate network of data and capital makes it a prime target for cyber adversaries. One leading bank embarked on an AI-driven journey to enhance cybersecurity awareness among its board members. By harnessing AI models, the bank conducted real-time risk assessments for investment decisions. By analysing diverse data streams, which included market trends and potential cybersecurity risks, AI models delivered precise insights into potential investment impacts. This data-driven methodology empowered the board to make well-informed decisions, seamlessly incorporating cybersecurity risks into their considerations.

CASE STUDY 2: Healthcare's Cybersecurity Evolution

In an era where healthcare institutions hold a wealth of sensitive patient information, cybersecurity is paramount. A healthcare organisation embarked on a proactive approach by introducing AI-powered training modules tailored to the healthcare sector's nuances. The AI system dynamically tailored content based on board members' roles, delivering targeted and relevant

learning experiences. Moreover, AI's integration into the medical device infrastructure enabled real-time monitoring of operational technology (OT) and the Internet of Medical Things (IoMT). With AI continuously evaluating device behaviours and network traffic for anomalies, the board could swiftly respond to potential cyber threats, ensuring the security of critical medical data.

CASE STUDY 3:
Empowering Tech Company Security

The technology sector's innovation comes hand in hand with an increased vulnerability to cybera?acks. A tech firm harnessed AI to bolster its cybersecurity endeavours. The firm employed AI-guided assessment tools to evaluate third-party vendors' cybersecurity practices. Automated security evaluations meticulously analysed vendors' cybersecurity postures, spotlighting vulnerabilities. Armed with these insights, the board made informed decisions regarding vendor partnerships, effectively minimizing potential risks. In the face of a significant data breach, the firm's utilization of AI-powered incident response automation proved invaluable. AI swi_ly detected the breach, triggering containment measures that mitigated the breach's impact. Post-incident analysis facilitated by AI enabled the board to extract valuable insights to enhance future cybersecurity protocols.

These case studies showcase the transformative power of AI in enhancing cybersecurity and refining board-level decision-making. As AI's capabilities evolve, organisations are employing it not only to detect and respond to threats but also to empower boards with data-driven insights. In a rapidly evolving digital landscape, these success stories provide a glimpse into a future where AI collaborates seamlessly with human intelligence to protect digital assets, ensuring a secure and resilient technological ecosystem.

Embracing the Future: Cybersecurity and Board Governance Trends

As the digital landscape evolves, so do the strategies required to safeguard it. Here's a glimpse into the future of cybersecurity and board governance, where artificial intelligence (AI) is set to redefine the landscape.

Evolution of AI: The trajectory of AI promises to introduce predictive analytics and self-guided cybersecurity solutions, revolutionizing threat detection and response mechanisms. These advancements will empower organisations to stay one step ahead of potential threats.

AI-driven Virtual Assistants: Tailored AI virtual assistants are on the horizon, ready to provide personalized cybersecurity briefings and strategic insights to board members. These intelligent companions will enable informed decision-making and keep board members abreast of the ever-changing threat landscape.

AI-fuelled Predictive Threat Modelling: The future holds enhanced threat modelling that not only simulates attack scenarios but adapts rapidly to emerging threats. This dynamic approach will allow organisations to anticipate and counter evolving cyber risks effectively. Collaboration with AI Experts: Recognizing the significance of AI, boards will incorporate specialized AI expertise and establish dedicated AI governance commi?ees. This collaborative approach ensures the responsible integration of AI technologies, fostering effective cybersecurity measures that align with organisational goals.

These trends will redefine the landscape of cybersecurity, nurturing cyber-resilient boards and fortifying organisations against the ever-evolving spectrum of cyber threats. In conclusion, the trajectory of cybersecurity and board governance is inexorably linked to the evolution of AI technologies. AI empowers organisations to proactively counter cyber threats, refine decision making processes, and cultivate a vigilant board. Embracing these trends and innovations will be pivotal in shielding digital assets and maintaining an unwavering cybersecurity stance amid the dynamic realm of cyber threats.

***Abhijit** is an accomplished Advisory Board Member at India's Management Development Institute and advocates innovation in the digital landscape. His global influence spans cybersecurity strategy, pioneering modules, and impactful lectures. Abhijit's commitment to advancing cybersecurity and digital transformation resonates through his articles and engagements, shaping a secure technological future.*
abhi.dasgupta@gmail.com

WHY BOARDS NEED TO BE AWARE OF **CLIMATE CHANGE LITIGATION**

by **AMITAVA BANERJEE**

Senior Company Secretary & IICA Certified Independent Director

Climate disinformation, better known as Greenwashing is a term that was coined in 1986 by New York-based environmentalist Jay Westerveld. The Hotel industry in those days promoted reusing towels as a measure to save the environment. Ironically though, it was noted that these hotels did not attempt to save on energy consumption. This primarily meant saving on laundry costs, making a profit but bringing no actual positive change for the environment. Today the phenomenon has gained epic proportions as climate change and ESG have gained prominence globally. The Oxford English Dictionary defines greenwashing as: “The creation or propagation of an unfounded or misleading environmentalist image. The Global Financial Innovation Network (GFIN), defines greenwashing as marketing that portrays an organisation’s products, activities or policies as producing positive environmental or social outcomes or avoiding environmental or social harm, when this is not the case. If the above are analysed then it becomes clear that greenwashing does not only arise by misleading disclosures but starts right from a wrong act of using harmful raw materials into making a product and then selling it with positive attributes which do not exist or concealing negative attributes. So the first takeaway is that if one needs to avoid greenwashing one has to be “green all the way”. Therefore greenwashing may arise due to actions by any department, or function in a company and not necessarily due to wrong disclosures being made by the department responsible for it.

However, there is a significant lack of clarity, which makes it difficult for organisations to establish what amounts to greenwashing but the repercussions can not be ignored as the allegations can have substantial financial and reputational impacts. The scenario has become complicated because consumers, investors, and civil

society are placing more value on the environmental and sustainability disclosures of organisations. But with multiple reporting formats disclosure requirements and interpretations vary. Further the regulatory approach to ESG and what is considered to be a 'greenwashed' claim varies between different jurisdictions, adding to the complexity for organisations. The absence of a harmonised definition of what constitutes 'green' or 'sustainable' makes it difficult for organisations to establish whether or not they are 'greenwashing'. ESG data is difficult to measure and is often comprised of a mix of quantitative and qualitative aspects, which makes it difficult for an organisation to report with absolute accuracy. Organisations also lack the specialisation and knowledge related to ESG which makes it difficult for management to compile disclosures. Even commitments to targets like net zero require a company to have long-term targets with emission reductions of at least 90-95% by 2050, which are easier said than done.

Greenwashing may arise due to actions by any department, or function in a company and not necessarily due to wrong disclosures being made by the department responsible for it

Yet one can not undermine the risks associated with greenwashing. Primarily such risks involve reputational risk to start with. Investors today attach more importance to organisations' sustainability profiles. Even consumers today favour more sustainable brands when making a buying decision.

Secondly, regulatory risks vary from jurisdiction to jurisdiction. For instance, in the UK the Green Claims Code, 2021 issued by the Competition and Markets Authority (CMA) sets out set out norms for advertisers and traders when making socio-environmental claims. In the US, The Securities and Exchange Commission (SEC) has its own Enforcement Task Force focused on Climate and ESG issues, which aims at identifying ESG-related misconduct. The Hong Kong Monetary Authority has released a report on Greenwashing in the Corporate Green Bond Markets. In India, the Bureau of Indian Standards (BIS) has implemented a Green Product Certification Scheme (GPCS) to ensure that products marketed as eco-friendly meet certain environmental standards. The securities market regulator SEBI came out with a circular on February 3, 2023, outlining the criteria that issuers of green debt securities should follow to avoid greenwashing. While the Consumer Protection Act, of 2019, prohibits false and misleading claims about the environmental benefits of a product or service. Even the RBI has announced rules enabling banks, non-banking, and housing finance companies to raise money by floating green bonds and address greenwashing concerns.

Last but not least is litigation risk which is a logical outcome of the above two factors. However, one very unique aspect that has emerged concerning these litigations is the cult of the 'winning isn't everything' nature of litigants. Many actions are simply aimed to create publicity and not to win the case. Further, the broader spectrum of stakeholders in ESG-related matters has led to a wider pool of prospective litigants. Areas of litigation range from ambiguous commitments made by organisations related to plans related to 'net zero' or 'carbon neutral' targets, non-compliance with human rights and environmental due diligence obligations to use of false data in 'environmental scorecards' or 'sustainable attribute criteria'.

This brings us to seek an answer on what is the way out. Having a robust internal policy on how management monitors and records information to ensure evidence-based compliance is critical. Continuous learning on ESG trends, litigation areas, and remedies is a must for management and concerned employees. Disclosures should be clear and information should not be "cheery picked" to ignore negative aspects. The information which has a future impact and is forward-looking must be backed by adequate disclaimers. The core of all ESG disclosures is still " comply or explain", hence if compliance is not possible, an explanation of reasons for non-compliance is much safer than misleading facts. Third-party assurances which have also been mandated by SEBI for ESG ratings offer the benefit of a second opinion. Setting realistic targets and reviewing them in the background of socioeconomic scenarios and the quarterly financial position of the company will reinforce the long-term ESG commitments. Extra emphasis on promoting a product as a green product is now being considered by consumers as an exaggeration, hence such unnecessary claims should be avoided if not mandated. Concepts like extended producer liability wherein the producers, importers, and brand-owners are required to ensure the processing of their plastic packaging waste through recycling, should be implemented in its true spirit. For example, when a manufacturer claims his packaging to be 'greener' only by using less packaging material, which is not recyclable, would amount to deception.

***Amitava** is a senior Company Secretary and IICA Certified Independent Director. Apart from being a Visiting Faculty and Mentor at various Management Institutes, he has a substantial corporate experience to his credit. He has worked with brands like ITC Limited, Intercontinental Eros, Vaish Associates Advocates, Grant Thornton, CII, and NFCG (A PPP of MCA, GoI). He has authored books for Thomson Reuters, Taxmann Publications, and WoltersKluers. He is a speaker at various national conferences and he loves to mentor leaders of the next generation.*
amitbanerjee1979@gmail.com

IMPLEMENTING D&I STRATEGIES PAVING THE PATH TO GOVERNANCE EXCELLENCE

by **ATUL JUVLE**
GC, Compliance Officer & CS
Schindler India

In today's emerging corporate landscape, the significance of diversity and inclusion (D&I) in board governance cannot be overstated. Organisations are increasingly recognising that a diverse and inclusive board can drive innovation, enhance decision-making, and foster long-term sustainability. This article delves into the critical role that D&I plays in board governance, highlighting the benefits, challenges, and strategies for creating a more diverse and inclusive boardroom.

D&I encompasses a broad spectrum of differences, including but not limited to gender, race, ethnicity, age, sexual orientation, and professional background. A diverse board brings together individuals with unique perspectives and experiences, enriching discussions and driving a more comprehensive decision-making process.

1 Innovation and creativity: Diverse boards tend to exhibit higher levels of innovation and creativity. When board members come from various backgrounds, they can offer fresh insights and alternative viewpoints that challenge conventional thinking. This dynamic environment encourages robust debates and helps organisations anticipate and adapt to changing market dynamics.

2 Enhanced Decision-Making: Inclusive boards are better equipped to make well-informed decisions. Homogenous boards may inadvertently develop blindspots or succumb to group thinking, leading to suboptimal outcomes. On the other hand, diverse boards encourage constructive dissent and constructive criticism, leading to more thoughtful and thorough deliberations.

3 Stakeholder Representation: The board should reflect the diversity of the stakeholders they serve. A diverse board can better understand the needs and expectations of a broader range of stakeholders, including customers, employees, shareholders, and the communities in which the organisation operates. This alignment can enhance the organisation's overall reputation and trustworthiness.

4 Mitigating Risk: Inclusive boards are better positioned to identify potential risks and challenges. A diverse perspective can help recognise emerging issues that might otherwise go unnoticed. This proactive approach can lead to more effective risk management and crisis mitigation.

5 Compliance with regulations: SEBI-mandated women directors' inclusion is one of such requirements. Mature leadership has to consider do we only consider enhancing the board's wisdom, when regulations mandate the same or do we have a future-ready Board.

Common challenges to overcome: Despite the undeniable benefits of D&I, implementing the same religiously in board governance can be challenging. Some commonly perceived obstacles include:

1 IMPLICIT BIAS: Unconscious biases can influence board selection processes, leading to the perpetuation of homogeneity. To overcome this organisations must implement structured and objective selection criteria that prioritise skills, experience, and diversity.

2 LEADERS SCARCITY: A shortage of diverse candidates in executive leadership roles can limit the pool available for potential board members. Organisations must actively cultivate and promote diverse talent within their ranks to address this issue.

3 RESISTANCE TO CHANGE MINDSET: Traditional board structures may have reservations to changes aimed at promoting diversity. Board members and stakeholders who are accustomed to a certain status quo may need to be educated on the benefits of D&I and its positive impact on organsational performance.

4 TICKBOX COMPLIANCE: Simply appointing diverse board members to meet quotas/requirements without genuinely allowing them to perform and valuing their contributions can lead to tokenism. True inclusion requires creating an environment where diver perspectives are genuinely sought, respected, and integrated into the decision-making process.

Strategies for implementing D&I on Board:

COMMITMENT & ACCOUNTABILITY FROM THE TOP: To successfully execute D&I initiative a clear commitment form Top leadership is paramount. Board chairs, CEOs, and senior leadership below the CEO must advocate for D&I and hold them accountable for its implementation. The commitment should be visible and evident in both words and actions, signaling to the entire organisation that D&I is a non-negotiable priority. The organisation's leadership must champion diversity and inclusion efforts, setting the tone for the entire board and organisation's mission, values, and strategic goals. Implementation of this can be facilitated through embedding D&I principles into organisation's vision and mission statements. This sends a powerful message about the centricity of D&I in achieving governance excellence. One more action to facilitate the journey is to define measurable goals to achieve and implement D&I in leadership hiring.

DIVERSE CANDIDATES SOURCING: Actively seek out diverse candidates through various channels, such as executive search firms, professional networks, and industry associations. Expanding the search beyond traditional networks can uncover hidden talent.

SKILLS-BASED SELECTION: Prioritise candidates' skills, experiences, and qualifications over superficial characteristics. A skills-based approach ensures that diverse candidates are considered based on their experience rather than token attributes.

BOARD TRAINING & EDUCATION: It is a critical component of creating an inclusive and equitable organisational culture. It involves educating board members with training on unconscious bias, cultural competency, and the business case for diversity. This education can foster a more inclusive boardroom culture.

SUCCESSION PLANNING: Incorporate diversity and inclusion considerations into the organisation's succession planning process. This will support an increasing pipeline of candidates for the board level. Identify potential future board members from diverse backgrounds and provide them with development opportunities.

Conclusion

The execution of D&I initiatives within the board is a transformative journey that holds the potential to elevate governance excellence to new heights. These are essential drivers of organisational excellence. A diverse and inclusive board not only enhances decision-making and innovation but also reflects the changing demographics and values of the global marketplace. By overcoming challenges, implementing strategic initiatives, and fostering a culture of inclusion, organisations can harness the full potential of diversity in their pursuit of sustainability of organisational success. As businesses continue to navigate complex challenges, a commitment to diversity and inclusion in board governance becomes not just remain a matter of tickbox compliance but a strategic imperative for long-term growth and prosperity. Ultimately, the harmonious convergence of diverse perspectives and collaborative decision-making can propel organisations toward governance excellence, ensuring a sustainable and prosperous future in the ever-evolving business landscape.

Atul *is presently working at Schindler India in the roles of General Counsel, Compliance Officer, and Chief Sustainability Officer. He holds the position of a Certified Registered Director on two different boards. He has previously held leadership roles at esteemed organizations including TATA International, a US-based multinational corporation, HDFC Life, and Godrej Agrovet. Atul Juvle is an active member of the CII Legal Services Committee and Regulatory Committee. He was recognized by Forbes India in their list of top General Counsels from 2020 to 2022.*
atulgjuvle@gmail.com

BOARD'S EYE VIEW

by **MALAY PAUL**
Vice President - Commercial Controls, Systems, and Process - Birla Corporation Ltd. (incl. Reliance Cement)

Ancient Indian culture, which is still flowing among us, is carrying the legacy of good governance. Chanakya (375–283 BCE), the royal advisor of Chandragupta Maurya, mentioned in his book 'Arthasastra' that "it is very difficult to ascertain how much water the fish are consuming from a pond full of water," indicating the probable unauthorised use of funds by the King's men. As a corollary of the above example with respect to corporations, the possibility of fraud (accounting or otherwise), defalcation, misappropriation, decisions with vested interests, oppression, and mismanagement, violation of regulatory obligations, etc can't be ruled out unless good governance practises to fulfil stakeholder expectations are in place.

The art of Corporate Governance is a parallel manifestation of 'dharma' (nature) in human existence. Logically, fire has a dharma to burn; the air has a dharma to blow, signifying the quintessence of 'Code of Conduct (COC)'. Rapid transformation in stakeholder expectation', stipulates corporations universally to pursue self-ordained COC. Hence, Corporate Governance is the system by which organisations are directed and controlled. This clearly indicates the role of the board and its' members in managing and directing the affairs of the Company.

The contemporary GRC (Governance, Risk Management, and Control) arena is continually engaged in establishing transformed obligations. The Companies Act 2013 has also made the Boards and Audit Committees accountable for reinforcement of their oversight function (**the Board's eye view**). As a result, this has enlarged the encumbrance on auditors (both internal and statutory) and heightened expectations from them. The establishment of a continuous auditing process through evaluation of the risk base could possibly make the audit and governance processes more effective.

The ceaseless dependence of management and boards on audit (including internal audit) and governance functions to form an opinion on the effectiveness of controls (not only financial controls) entails added vigilance from persons entrusted with responsibility for good governance. Heightened expectations from Stakeholders have triggered fundamental modifications in the audit's approach through reporting on a real-time basis on the entire population of financial and operational transactions, vigil over suspected transactions, and/or fraud reporting. The operating management (tone at the top and from the top) must learn how to turn hindsight into foresight that helps the Board and the constituted committees develop insight for providing proper direction and guidance.

In this connection, some of the relevant legal stipulations are reproduced hereunder:

- Section 134 (3) (n) stipulates that a proclamation demonstrating the development and implementation of a risk management policy for the company, comprising the identification of elements of risk, if any, that, in the opinion of the board, may impair the existence of the company, must be reviewed by the board.
- The director's responsibility statement, pursuant to Section 135(5)(e) of listed companies, entrusts the implementation of the adequacy and effectiveness of financial controls. Additionally, the enactment of Section 135(5)(f) ensures compliance with the provisions of all applicable laws with robust thrust.
- Auditor's Report Section 143 (3)(i): whether the company has adequate internal financial controls in place and the operating effectiveness of such controls.
- Section 177(4)(vii) guarantees the evaluation of internal financial controls and risk management systems.
- Schedule IV: Code of Independent Directors Clause II Role and Functions (sub-clause 4): Independent Directors need to satisfy themselves on the integrity of financial information, financial control, and the system of Risk Management.
- Section 177 (5) The Audit Committee (a committee constituted by selected board members) may call for the comments of the auditors about internal control systems and the scope of audit, including the observations of the auditors and review of the financial statements, before their submission to the Board, and may also discuss any related issues with the internal and statutory auditors and the management of the company.
- Regulation 34, 53, and 71 of LODR: The financial statements, including the consolidated financial statements, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company, where he is authorised by the Board, or by two directors, out of whom one shall be the managing director, if any, and the Chief Executive Officer, the Chief Financial Officer, and the Company Secretary of the company, wherever they are appointed, or b in the case of one director for submission to the auditor for his report thereon.

The Board of Directors has to exercise strategic oversight over business operations while directly measuring and rewarding management's performance. Simultaneously, the Board has to ensure compliance with the legal framework, the integrity of financial accounting and reporting systems, and credibility in the eyes of the stakeholders through proper and timely disclosures.

The board's responsibilities inherently demand the exercise of judgement. Therefore, the Board necessarily has to be vested with a reasonable level of discretion. While corporate governance may comprise both legal and behavioural norms, no written set of rules or laws can contemplate every situation that a director or the board collectively may find itself in.

Conclusion

The metaphoric evolution of mankind essentially scripted the saga of primordial value creation; accordingly, corporations exist to create value. The dimension of value, in its multiplicity of forms, is a fundamental prerequisite of all universal conduct. The sustainability of all commercial entities is a complex function of balancing stakeholders' expectations against the backdrop of increasingly obligatory social commitment. Understanding its true value to a commercial entity is of immense importance for its perpetual sustainability. The ever-increasing expectations of stakeholders compel corporate management to focus on initiatives and issues that impact the operating models of business activities and processes.

India has a 3.5 trillion-dollar economy and is considered the 5th largest on the globe. The country wishes to be the third-largest economy by 2027–2028, The Indian economy is eyeing 30-35 trillion dollars when we celebrate 100 years of our independence in 2047. A buoyant financial market is one of the barometers of a good economic situation. Uncertainty and risk are increasing in the investment and stock markets. Therefore, regulators and shareholders put pressure on the companies to provide more disclosure information, especially information about risks and risk management. The benefits and costs of risk disclosure play a vital role in determining management's risk disclosure practise. However, the quality of risk disclosure in India's annual report is still an area for improvement.

The Companies Act 2013 gives a lot of importance to ethical corporate structure by penalising the officer in default if they do not comply with the same. A director or a KMP can be held liable for unlawful or illegal activities committed by him. It is the duty of the board of directors to have good corporate governance practises in the company. Independent directors also play a vital role in having effective corporate governance by helping the company formulate policies and representing the shareholders' grievances. The Act also empowers independent directors with proper checks and balances so that such extensive powers are not exercised in an unauthorised manner but in a rational and accountable way. The changes are a step forward in the right direction to smoothly run the management and affairs of the companies in the interest of stakeholders.

Malay, *holds a Master of Commerce degree, as well as professional qualifications in Chartered Accountancy and Cost and Management Accounting, and has worked at famous corporations such as Philips India, Tata Chemicals, Essar, Shree Cement, and Birla Corporation. Currently conducting research on "Risk Management in the Indian Cement Sector" as part of a PhD curriculum.*
mkpcalcutta@yahoo.co.in

HOW TO MAKE YOUR MARK IN A BOARD INTERVIEW?

A BOARD WOULD BE INTERESTED IN FINDING OUT, HOW YOU CAN HELP STRENGTHEN CORPORATE GOVERNANCE AND HOW YOU CAN HELP IMPROVE THE COMPANY'S IMAGE. THEY WILL ALSO LOOK FOR A GOOD CULTURAL FIT AND WHAT VALUES YOU WILL BRING TO THE TABLE

PREPARING FOR THE INTERVIEW

- **Study the Job Description:** Take special note of the profile's requirements. The emphasis is usually on cross-functional comfort, corporate governance knowledge, solid social skills, and being a team player.
- **Strengthen your CV:** You must be able to identify and articulate how you can contribute. Refresh your vocabulary with the keywords in your board CV.
- **Know Your company:** Read through the company website and analyse the annual reports and balance sheets to understand the current standing of the company. In the process try to get an idea about the culture of the company and identify any red flags.
- **Elevator Pitch:** Before the interview, you must list at least four to five key points that will set you apart from the other candidates.
- **Prepare Talking Points, and Questions:** Start the Interview by talking about the company's most recent accomplishments such as last quarter's successful results or start a conversation with a positive point say some new successful launch and any recent good news about the company in the public domain.

INTERVIEW TIPS

On the day of the interview if you are comfortable and well-dressed, you will feel good about yourself.

Being confident is key to a good interview, be well prepared, be yourself, and be happy about yourself.

POINTS TO REMEMBER

- Expect the interview to be more conversational. The interviewer wants to know more about you. Who are you? What value do you bring to the table? How may you handle a conflict? Are you good at making critical decisions? Will you be a good fit for the board? The interviewer is looking for these answers.
- Remember to steer the conversation in a way that leads you to share your talking points and value proposition.
- Do not focus only on answering the questions that come your way. You may miss the opportunity to effectively highlight your value proposition. Keep the conversation going. Bring up the questions you have listed down after your research in the pre-interview process.
- Be alert and remain on top of your game. You must be able to ask follow-up questions that help you keep the conversation going.
- Even if you have done your research by studying the job description etc., make it a point to ask about the expectations the Board has from the candidate.
- Think about the three things that the interviewer must take away from the meeting. Steer the conversation to highlight those key areas and back them up with examples.

FOLLOW UP

After the interview, send a thank you email to your interviewers. Keep the conversation open by inviting the interviewers to reach out if they have any follow-up questions they might have, this highlights your interest in the position as well.

INDIALAW | CELEBRATING 25 YEARS

A QUARTER CENTURY OF LEGAL EXCELLENCE: **CELEBRATING 25 YEARS OF INDIA LAW LLP**

Introduction:

The journey of IndiaLaw LLP commenced twenty-five years ago with a vision to provide top-notch legal services to corporate clients across diverse industries. Through dedication, expertise, and a commitment to excellence, the firm has thrived and evolved into a prominent institution in the legal landscape. As it celebrates this momentous milestone, below is a reflection on the challenges, triumphs, and impact it has made over the past quarter-century.

Founding Years (Year 1-5):

In the early years, the law firm was a humble venture, started by the managing partner Mr. K.P. Sreejith in a modest office located at Bazaargate Street, Fort, Mumbai with a small team of ambitious and passionate attorneys, who shared a common dream of creating a reputable law firm focusing on client service and business-friendly solutions to the corporates. They labored tirelessly, building the foundation of the firm's values, ethics, and commitment to client satisfaction. The firm primarily focused on general civil, and commercial litigations and arbitration.

Embracing Technology (Year 6-10):

The legal landscape rapidly evolved, driven by technological advancements. The firm recognised the importance of staying at the forefront of legal tech to enhance efficiency and deliver optimal results for clients Introducing an innovative litigation management software and document

IndianLaw anniversary celebration


Sreejith KP


Shiju PV

management system enabled the firm to streamline processes, expedite case resolutions, and better serve its clients. The firm has also acquired a larger office at Kamar Building, Fort, Mumbai. During this period, the firm has attracted several corporates as its clients.

Growth and Expansion (Year 11-15):

As the firm's reputation grew, so did its clientele and areas of expertise. During this period, it ventured into new legal realms such as corporate law, merger and acquisition, real estate, and intellectual property. The firm's success and emphasis on client-centric solutions attracted seasoned lawyers, bolstering the firm's legal team's talent and capabilities. The firm's lawyer strength also crossed 100 during this period.

PAN India Operation (Year 15-20):

With the increase in clientele and area of expertise, the firm expanded its footprint beyond regional boundaries. With a growing clientele, the firm expanded its operation to the PAN India level by setting up branch offices in New Delhi, Kolkata, Chennai, Hyderabad, Bengaluru, and Kochi. PAN India's operation provided clients with access to a wide range of legal expertise, and it broadened the firm's understanding of the legal challenges faced in different jurisdictions. Innovative methods like creating a customised ERP platform with a client interface and introducing of exclusive Client Relation Management team ensured smooth and seamless operation and client management. The firm's headquarter also moved to its current address to Apeejay Chamber, Wallace Street, Fort, Mumbai.

Diversification and Stabilisation (Year 20-25):

Exponential growth, expansion, and resulting challenges lead to the implementation of vigorous strategies and measures to ensure consistent growth, efficiency, and overall stability. With the introduction of new practice areas such as Banking & Finance, Insolvency & Bankruptcy, etc., the firm diversified its practice area, bringing more stability. Joining new partners with industrial expertise expanded the firm's

knowledge base and expertise.

A Legacy of Excellence:

Over 25 years, IndiaLaw LLP, a first-generation law firm, has seen immense growth, diversification, and recognition. Countless successful cases, landmark judgments, complex transactions, and satisfied clients stand as testaments to our dedication to excellence. Throughout the years, the firm's core focus has always been its clients. The firm believes in building strong and lasting relationships with those it serves. Its client-centered approach involves understanding the unique circumstances and goals of each individual or organisation that seeks its counsel. The firm takes pride in providing personalised legal solutions and guiding its clients through even the most complex legal challenges. The backbone of the law firm is the exceptional team of lawyers and support staff who have contributed their talents and dedication over the years.

Looking Ahead:

As the firm step into the next phase of its journey, it remains committed to upholding the values that have defined the firm over the years. The firm aims to embrace future advancements in the legal profession, maintain its client-centric approach, and nurture a diverse and inclusive work environment. The challenges may evolve, but the firm resolve to provide exceptional legal services remains unwavering.

▲ IndianLaw anniversary celebration

IndianLaw HO group ▼

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 As per the book "The Third Pillar "by Raghuram Rajan, where "the state" and "the markets" are the first two pillars, what is the "Third Pillar"?
A. Community
B. Environment
C. Media
D. Banking system

Q2 What is the purpose of Code of Conduct in Corporate Governance?
A. To promote diversity and inclusion in the company
B. To outline the company's strategic plan and objectives
C. To establish legal and ethical standards for behaviour within the company
D. To evaluate the performance of senior management

Q3 I was born in Odisha. Studied Political Science at Utkal University, Bhubaneswar. After working in various IT companies I became CEO, Global R & D at

Wipro. I co-founded Mindtree Technologies with a few friends and colleagues. I have written several books like High Performance Entrepreneur and Go Kiss the World. I also served Odisha Govt as Chairman of their Skill Development Corporation. I am now involved in various philanthropic activities. Who am I ?
A. Baijayanta Panda
B. Subroto Bagchi
C. Bikram Dasgupta
D. Abhijit Bhaduri

Q4 Identify this Indian business leader and visionary who passed away recently at the age of 99. He served as the Chairman of his group and also served on the

boards of several private and public sector companies.

Q5 This day was first celebrated in April 22, 1970 in the United States. It went global in 1990. This day became a catalyst for many important environmental initiatives. What is this day called?
A. Earth Day
B. Water Day
C. World Wildlife Day
D. Green Day

Q6 There are four major global audit firms that audit large companies globally. They are called the "Big 4". Which of these is not one of the Big 4 audit firms?
A. Ernst and Young
B. Deloitte
C. KPMG
D. Accenture

Q7 Which Indian Pharma co was set up by R.C.Juneja and his brother Rajeev Juneja in 1991 with a small investment of Rs 50 lakhs and has now grown into a Rs 3500 crore company and ranks among the Top 5 pharmaceutical companies in India?
A. Lupin Laboratories
B. Torrent Pharma
C. Mankind Pharma
D. Sun Pharmaceuticals

Q8 Raj Subramanium, born in Thiruvananthapuram, educated in IIT Bombay, is the President and Chief Executive Officer of a Fortune 500 company in USA. Name the company.
A. Federal Express
B. Alphabet Corporation
C. Adobe
D. Novartis

Q9 Dr. Srikant Datar is currently the Dean at Harvard Business School. What is his area of expertise?
A. Leadership Development
B. Entrepreneurship
C. Financial Accounting
D. Marketing Research

Q10 LVMH (Moet Hennessy Louis Vuitton SE) is a French multinational luxury goods conglomerate. Among the following luxury brands, which brand is owned by LVMH?
A. Gucci
B. Bulgari
C. Chanel
D. Prada

Q11 Which management thinker is best known for his concept of "Emotional Intelligence" and its impact on leadership effectiveness?
A. Peter Senge
B. Daniel Goleman
C. Jim Collins
D. Tom Peters

Q12 Bloomberg Businessweek, the business magazine, was acquired by Bloomberg in 2009. Prior to 2009, it was called Businessweek only. Who used to own and publish Businessweek before Bloomberg acquired and renamed it.
A. McGraw Hill
B. Washington Post
C. Time Inc.
D. Conde Nast

Q13 Identify the FMCG brand from its logo
A. Bambino
B. Lipton Tiger

C. Wagh Bakri
D. Lijjat

Q14 Which was the world's largest selling Electric Vehicle (EV) by volume in the year 2022?
A. Tesla
B. Volkswagen Group
C. BYD
D. General Motos

Q15 This film studio was India's first film production company to be incorporated as a Public Limited Company and issued shares to the public way back in 1934. In its initial years it regularly paid dividends also. It was eventually wound up in 1955. Name this studio/company?
A. New Theatres
B. Prabhat Film Company
C. Bombay Talkies
D. Wadia Movietone

ANSWERS

Here are all the answers .

1 A. Community **2** C. To establish legal and ethical standards for behaviour within the company **3** B. Subroto Bagchi **4** Keshub Mahindra **5** A. Earth Day **6** D.Accenture **7** C.Mankind Pharma **8** A.Federal Express **9** C. Financial Accounting **10** B.Bulgari **11** B. Daniel Goleman **12** A. McGraw Hill **13** C.Wagh Bakri **14** C. BYD **15** C. Bombay Talkies

APPOINTMENTS AND RESIGNATION TREND
Monthly Report for July 2023

This tracker from the Board Stewardship research team gives you a monthly trend in the appointments and resignations of the Directors of over 7,000 listed companies in India. Keep digging and you will find an opportunity for yourself too.

S.NO	Particular	Men	Women	Total
1	New Appointments	140	44	184
2	Reappointments	43	13	56
3	Resignations	100	28	128
4	Cessations	48	4	52
	Total	**331**	**89**	**420**
5	Opportunities	46	15	61

*Data from 23rd June to 22nd July

Appointments and Resignations Data Analysis

- Board appointments picked up in July.
- A total of 180 positions fell vacant during the month, while 184 appointments were made.
- As a result, fewer opportunities remained open in the form of unfilled board seats.
- A higher number of Women Independent Directors joined Boards during the month accounting for one in four new appointments.

DATA BANK REPORT- JULY 2023

There are three major public data banks for Independent Directors in India and the Board Stewardship research team brings you the latest report every month. Databanks maintained by search firms are their confidential data.

IICA ID Databank Status as on 26th July 2023

ID Registered	Women ID Registered	Companies Registered	Searches Made by Companies	Passed Online Proficiency Self-Assessment Test
23,126	6,727	2,923	10,876	12,669

Primedirectors.com ID Databank Status as on 26th July 2023

ID Registered	Women ID Registered	Companies Registered	Searches Made by Companies	Passed Online Proficiency Self-Assessment Test
19,235	1,142	NA	NA	NA

*Data on www.primedirectors.com remained unchanged during last one month

IICA ID Databank Trends

- New registrations stood at 430 during the one-month period.
- Women participation improved with 128 new registrations.
- 311 members passed the online proficiency test in June-July 2023, best in this fiscal. That leaves around 10,457 registered members who have not cleared the test yet.

ASK THE BOARD EXPERT

MANOJ SONAWALA
Chairman- Manoyog GRC Advisors Pvt. Ltd.

Q Is Audit Committee mandatory for the Companies?

A According to the provisions of section 177 of the Companies Act, 2013 with Rule 6 of Companies (meetings of board & its powers) Rules 2014, listed companies and other unlisted public companies with paid up capital of 10 crore rupees or more, or having a turnover of 100 crore rupees or more and having outstanding loans or borrowings or debentures or deposits beyond 50 crore should constitute an audit committee.

Q Is there any Age limit for Appointment of Directors?

A The Companies Act, 2013 does not provide for the minimum and maximum age of Directorship in general but, there is a specific mention as to the age limit of MD, WTD and Manager under Section 196 of the Act. Section 196(3)(a) provides that the age of MD/WTD/Manager should not be below 21 years and should not be 70 years or more. Further, it is also provided that, appointment of a person who has attained the age of 70 years shall be made by passing a Special Resolution (SR).

As per Regulation 17(1A) of LODR, in case of listed entities, the Company should not appoint or continue the appointment of any person as a Non-executive Director (NED) who has attained the age of 75 years unless SR is passed to that effect.

LODR Regulations exclusively talks about what is applicable to the listed entities over and above what is provided in the Companies Act, 2013. Therefore, wherever there is no specific mention as to the age of a particular category of Director in LODR, Companies Act shall prevail.

Q Can all companies make political donations?

A Section 182 of the companies Act, 2013 prohibits Government Companies and a company which has been in existence for less than three financial years to make political contribution. Other than above mentioned companies all companies can make political contributions to a political party subject to certain compliances.

Q Is rotation of Statutory Auditors mandatory for companies?

A Section 139(2) of the Act provides for a mandatory rotation of statutory auditors for the following classes of companies: (i) Listed companies (ii) Unlisted public companies having paid up share capital of INR 10 crores or more; (iii) Private companies having paid up share capital of INR 50 crores or more; and (iv) Companies having paid up share capital of below threshold limit mentioned in (ii) and (iii) above, but having public borrowings from financial institutions, banks or public deposits of INR 50 crores or more.

Q Is Separate Meeting Of Independent Directors Mandatory?

A Clause VII of Schedule IV to the Companies Act, 2013 read with Clause 49 (II) (B) (6) of the Listing Agreement provides that a separate meeting of Independent Directors should be held atleast once in a year. The Non-Independent Directors and other members of management should not be part of such a meeting at all.

The act prescribes at least once a year. Year not defined and hence presumed as Financial Year and frequency is minimum 1 and maximum not prescribed. Further, there is no restriction between the time gap between two such meetings.

Q What is the quorum for directors meeting?

A As per Section 174(1) quorum for Board meeting shall be one- third of total strength or 2 directors whichever is higher. For the purpose of quorum, directors participating through Video conferencing or audio-visual means shall also be counted.

Readers are requested to send there queries to edit@boardstewardship.com

***Manoj** is a GRC Professional and ESG enthusiast. Chairman- Manoyog GRC Advisors Pvt. Ltd.*
msonawala@grcadvisors.uk

Minal Talwar
Section Head - Legal &
Secretarial at Endurance
Technologies Ltd

BE BOARD READY
TAKE A MOCK TEST

1. All members of audit committee shall be financially literate and ____________ shall have accounting or related financial management expertise
a. At least two members
b. At least four members
c. At least one member
d. At least three member

2. The intimation required to be given to the stock exchanges for conducting of the board meeting for considering of financial results shall be given excluding the date of the intimation and date of the meeting:
a. At least two days in advance
b. At least two working days in advance
c. At least one day in advance
d. At least one working day in advance

3. No listed entity shall appoint a person or continue the Directorship of any person as a Non-Executive Director who has attained the age of:
a. Seventy Years
b. Seventy-five years
c. Sixty years
d. Sixty-five years

4. What is the name of the process in which an employee informs another responsible employee in the company about potentially unethical behaviour?
a. Whistle blowing
b. Purging and releasing
c. Identification
d. Information transfer

5. Which of the following does the term Corporate Social Responsibility relate to?
a. Ethical Conduct
b. Environmental practice
c. Community investment
d. All of the above

6. Which among the following is not a correct statement with regard to Corporate Governance in India?
a. Every company must appoint an individual or firm as auditor
b. The Independent Director must attend at least three meetings in a year
c. One or more women directors are recommended for certain classes of Companies
d. The maximum number of permissible directors cannot exceed 15 in a public limited company.

7. As per Regulation 18 of SEBI (LODR) Regulations, 2015, audit committee shall consist of minimum of:
a. 3 Directors with Independent Directors forming a majority.
b. 3 Directors out of which 2/3 shall be Independent Directors.
c. 3 Directors out of which 1/3 shall be Independent Directors.
d. 3 Directors out of which 1/2 shall be Independent Directors.

8. As per Regulation 17 of SEBI (LODR) Regulations, 2015, the Board of Directors of the company shall have an optimum combination of Executive and Non-Executive directors with at least ______________ and not less than 50% of the Board of Directors comprising ____________.
a. One women director; Executive Directors
b. One resident director; Executive Directors
c. One women director; Non-executive Directors
d. One resident director; Non-executive Directors

9. Which of the following is incorrect in relation to constitution of Nomination and Remuneration Committee as per Regulation 19 of SEBI (LODR) Regulations, 2015:
a. The committee shall comprise of at least three directors.
b. Majority Directors of the committee shall be Non-Executive Directors.
c.Atleast 50% of the directors shall be Independent Directors.
d. Chairperson of the committee shall be an Independent Director.

10. The ________ shall recommend to the Board, the name of an individual auditor or of an audit firm who may replace the incumbent auditor on expiry of the term of such incumbent.
a. Audit Committee
b. Managing Director
c. Nomination Committee
d. Whole time Director

11. The books containing the minutes of the proceedings of any general meeting of a company shall be kept at:
a. Head Office
b. Central Office
c. Registered office
d. Where the meeting was held

12. Every Company shall hold the first Board Meeting within
a. 3 months of its incorporation
b. 30 days of its incorporation
c. 15 days of its incorporation
d. 4 months of its incorporation

13. As per section 177 of the Companies Act 2013 every public company having paid up capital of ______ shall constitute an Audit Committee
a. Fifty lakh rupees
b. Twenty-five crore rupees
c. Five crore rupees or more
d. Ten crore rupees or more

14. During any financial year Corporate Social Responsibility Committees of the Board shall be constituted by every Company having: (Choose correct answer)
a. Turnover of ₹1,000 crores or more
b. A Net Profit of ₹2 crores or more
c. Net Worth of ₹5 crores or more
d. Authorised capital of ₹500 crores or more

15. The functions of the Risk Management Committee shall be:
a. Reviewing of the Risk Management Plan
b. Monitoring and reviewing of cyber security
c. Monitoring the risk management plan
d. All of the above

16. The Board of Directors shall meet at least four times a year, with a maximum time gap of between any two meetings:
a. One hundred and twenty days
b. One hundred and twenty five days
c. One hundred days
d. One hundred and ten days

17. The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single Non-Executive Director of the total annual remuneration payable to all Non Executive Directors, giving details of the remuneration thereof:
a. Exceeds fifty percent
b. Exceeds forty percent
c. Exceeds ten percent
d. Exceeds twenty percent

18. The listed entity shall give prior intimation to stock exchange about the meeting of the Board of Directors in which the proposals:
a. Proposal for buyback of securities
b. Proposal for voluntary delisting by the listed entity
c. Financial results
d. All of the above

19. The audit committee shall review, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given:
a. At least on a quarterly basis,
b. At least on a half yearly basis,
c. At least on a monthly basis,
d. At least on a bi-monthly basis,

Answers to the Mock Test

1) c. at least one member
2) b. at least two working days in advance
3) b. Seventy-five years
4) a. Whistle-blowing
5) d. all of the above
6) b. The Independent Director must attend atleast three meetings in a year
7) b. 3 directors out of which 2/3 shall be Independent Directors.
8) c. One women director; non-executive directors
9) b. majority directors of the committee shall be non-executive directors
10) a. Audit Committee
11) c. Registered Office
12) b. 30 days of its incorporation
13) d. ten crore rupees or more
14) a. Turnover of ₹5000 crores or more
15) d. all of the above
16) a. one hundred and twenty days
17) a. exceeds fifty per cent
18) c. Financial results
19) a. atleast on a quarterly basis

***Ms. Minal** 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*
talwarminal@gmail.com

GLOBAL BOARD NEWS & VIEWS

The European Union Has Approved Standards for Climate/ESG Reporting

• The European Commission has adopted the European Sustainability Reporting Standards. The ESRS will standardise how European Union corporations report on climate change and other ESG-related measures. They are scheduled to take effect on January 1, 2024. The requirements are derived from the European Green Deal, which necessitates enterprises to examine their sustainability performance. The draft standards were first submitted to the commission in November 2022, but EFRAG (European Financial Reporting Advisory Group) has since made significant adjustments based on comments from stakeholders and the commission. The commission's final guidelines are less stringent and reclassify several areas from mandatory to voluntary. While the term sustainability appears in the title, the ESRS (European Union Sustainability Reporting Standards) encompasses the broader environmental, social, and governance reporting standards. Non-financial aspects are taken into account in ESG investment. The emergence of ESG has necessitated the development of reporting standards.

Tesla Inc.'s Directors To Return $735 Million To End Litigation

• Tesla Inc.'s directors have agreed to return $735 million to the company in order to end litigation. The agreement, which was made public in a court filing in Delaware, resolves a 2020 lawsuit brought by a retirement fund that owns Tesla stock. The fund had contested the validity of stock options issued to Tesla directors beginning in June 2017.

The $56 billion pay plan for Elon Musk is unaffected by this deal. The payments to Elon Musk is now being investigated in a different lawsuit that went to trial last year. The board said that they operated honestly and in the best interests of Tesla shareholders. They decided to settle in order to reduce the danger of future litigation.

The Police and Fire Retirement System of the City of Detroit started the case in 2020. Along with the financial compensation, the Tesla directors also consented to forego any compensation in the years 2021, 2022, and 2023 and stated that the board's methodology for deciding compensation will be revised.

RBA Appoints First Woman to Lead Australia's Central Bank

• Australia's central bank has announced its first female leader in it's over six-decade-long history. Michele Bullock will take over the role of Governor of the Reserve Bank of Australia (RBA) from Philip Lowe, who is concluding his seven-year term. This appointment comes at a critical juncture for the RBA, as Australia grapples with surging prices and the need for significant changes within the bank. In response to rising inflation, the RBA has recently implemented the highest interest rates seen in more than ten years. The financial services industry in Australia has long been dominated by men, contributing to a notable gender pay gap. Having spent almost four decades at the RBA, Bullock is currently serving as the Deputy Governor. She will commence her seven-year term as Governor on September 18th.

BBC Board Appoints Chris Jones To Lead The Audit And Risk Committee

• Chris Jones has been appointed by the BBC Board to serve as a non-executive director and as chair of the Audit and Risk Committee. He will hold a four-year term on the BBC Board. He will be in charge of assessing, upholding, and monitoring the BBC's financial reporting, internal control, and risk management procedures in his capacity as Chair of the ARC.

The 14-member BBC Board is mostly made up of non-executive directors. On the advice of Ministers, the King-in-Council appoints the Chairman and four non-executive members, one of whom represents each of the UK's four nations. Five more non-executive members are appointed by the BBC Board through its Nominations Committee. Chris Jones was a member of PwC's global financial services leadership and oversaw the EMEA Financial Services practice.

GLOBAL BOARD NEWS & VIEWS

Alphabet CFO Ruth Porat Is Leaving Her Position To Become President And Chief Investment Officer

- Alphabet announced in July that Ruth Porat would leave her position as Chief Financial Officer to assume the role of president and Chief Investment Officer. As part of the newly created role of President and Chief Investment Officer of Alphabet and Google, Porat will oversee Alphabet's 'Other Bets' investments and work more closely with policymakers and regulators, according to a press release on Alphabet's Q2 earnings

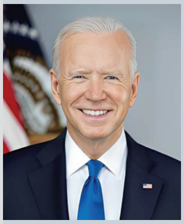
In 2015, she was appointed CFO of Google, where she handled the changeover to the organisation's current Alphabet structure. She will stay on as CFO until Alphabet names a replacement and she will continue to report to CEO Sundar Pichai. Porat worked as an executive at Morgan Stanley before joining Google.

An Entrepreneur Of Indian Origin Will Run The Tubi Streaming Service

- Anjali Sud, an entrepreneur of Indian descent from New York, will follow Farhad Massoudi as the new CEO of Tubi, the free, ad-supported TV streaming service owned by Fox Corporation. The Fox-owned firm, which recently became the most popular free ad-supported TV streaming service in the US, announced Sud's appointment to take effect on September 1. According to a press announcement from the company, Sud, the outgoing CEO of Vimeo, which provides video hosting, sharing, and services platforms, will take over for Massoudi, founder and CEO of Tubi. In the last ten years, Sud made it possible for people all around the world to create and distribute high-quality material. Sud worked in finance, media, and e-commerce at Time Warner and Amazon prior to her time at Vimeo.

Google, Microsoft, Amazon, And Meta Join Forces To Enhance AI Safety And Security

- The White House has received voluntary commitments from AI businesses including OpenAI, Alphabet, and Meta Platforms to implement safety measures like watermarking AI-generated content, President Joe Biden said in a statement.



The seven businesses agreed to work together to create a system to "watermark" all types of content, including text, photographs, audio files, and videos created with AI so that consumers can tell when the technology has been utilised. This watermark, which is technically incorporated into the content, is supposedly going to make it simpler for users to identify deep-fake images or audio that may, for example, depict violence that hasn't happened, improve a fraud, or alter a photo of a politician to cast the person in an unfavourable light. Additionally, the firms committed to concentrating on user privacy protection while AI is developed, as well as ensuring that the technology is neutral and not used to discriminate against weaker groups.

Vanguard Investment Australia Is Sued For "Greenwashing" By Australian Authority

- In relation to specific environmental, social, and governance criteria used to determine investments in its fund, the Australian Securities and Investments Commission (ASIC) accused the corporation of misleading behaviour. The corporate regulator has been ratcheting up action against Australian companies it alleges made inflated promises about environmentally beneficial investments and products. Such conduct is called "greenwashing."

"We consider that the screening and research undertaken on behalf of Vanguard was far more limited than that being promised to investors, and we consider that this constitutes another example of greenwashing," the ASIC said in a statement. Vanguard Investments Australia stated that it immediately self-reported the problem to the regulator after realising the disclosure flaw.

LESSONS FOR INDEPENDENT DIRECTORS FROM THE MOVIE *JAB WE MET*

JAB WE MET IS A 2007 MOVIE BY IMTIAZ ALI, FEATURING KAREENA KAPOOR, SHAHID KAPOOR IN KEY ROLES. WHILE KNOWN TO BE A ROM-COM, THE FILM ALSO HAS A BUSINESS SIDE, WITH SHAHID HEADING A TELECOM COMPANY

APURV NAGPAL
Innovation Guru / Futurologist / Marketing Expert / On Advisory Committee & Mentor of several start-ups / Visiting Faculty IIM Ahmedabad / And Best-selling Author

FACE YOUR FEARS

The movie begins with Shahid trying to escape from his business and personal problems but returns after a chance encounter with Kareena, a changed person, and goes about systematically tackling things he's most afraid of – such as a meeting with stakeholders or a legal case within the family – one by one and with great effect. Most management executives similarly tend to postpone the things they don't like. Perhaps, at board meetings, Independent Directors can encourage them too to tackle what they are most nervous about. It can even help with contingency planning.

ROLE PLAY

What would they do? : Sometimes, it's possible, things aren't going well at work and a change in methods may be required to get a different outcome. However, we each have a unique personality type and it can be hard to shake our habits. In such a case, Shahid Kapoor found that imagining what another individual would do in that situation helped him try new methods and achieve different results.

MAKE TIME FOR YOUR PASSION

Most of us have hobbies, an artistic side but we seem to usually bury them, and park them aside due to our busy corporate schedules. Kareena encouraged Shahid to pursue his passion, music, which in turn led to a slew of

business ideas. Independent Directors can help ensure executives pursue their passions – via offsites or internal company competitions – as this keeps overall creativity flowing in the organisation.

TARGETING NICHE AUDIENCES

Normally business organisations spend a lot of time chasing the larger market and ignore niches however, especially in a country like India, it can be good – in terms of size, viability, and revenues. Shahid discovers that when he launches a telecom plan 'for those who like to talk a lot' and it's a super success. Independent Directors can provide this invaluable perspective to the company, to be present in multiple segments, rather than just chasing the broader audience.

Apurv retired after two decades of varied corporate roles in India and abroad, now mentors different start-ups, travels (has been to over 60 countries across all 7 continents), attends major sporting events (has been to all FIFA World Cups since '98), does film reviews on his YouTube channel with his wife/family and teaches innovation, his forte, as Visiting Faculty at his alma mater, IIM Ahmedabad
apurvnagpal@hotmail.com

~ BOOK **REVIEW** ~

‘OFFICE SECRETS’

BY HARISH BHAT

■ **Team Board Stewardship**

In “Office Secrets,” Harish Bhat delves into the often hidden and intriguing world of corporate dynamics, offering a treasure trove of wisdom and insights for both newcomers and seasoned professionals. The book’s 50 chapters, originally conceived as newspaper columns, elegantly marry humour with practical advice, making for an engaging and illuminating read.

As a veteran of over three decades in various roles within the Tata Group, Bhat’s authority on corporate life is unquestionable. With a light-hearted yet meaningful approach, he sheds light on topics ranging from handling diverse personalities at the workplace to mastering the art of effective communication. Bhat’s writing style, infused with a Wodehouse-like wit, ensures that the book is both accessible and impactful.

One standout chapter uses the analogy of a cookie platter to illustrate the different personality types commonly found in office environments. Bhat’s descriptions, particularly that of “The Grabber,” are not only humorous but also offer keen insights into human behaviour in professional settings.

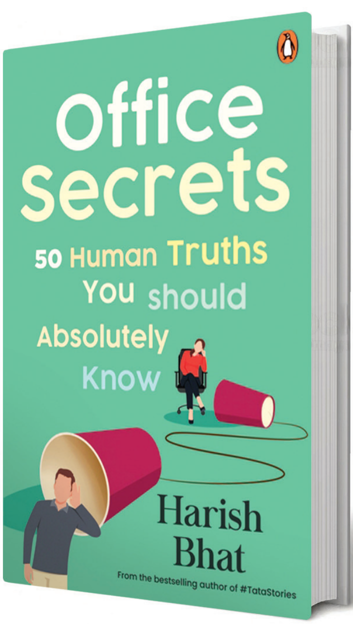
Drawing from cultural references such as Sherlock Holmes and Hercule Poirot, Bhat provides valuable advice on giving employees the space to learn and grow, rather than micromanaging. He introduces the concept of ‘reverse mentorship,’ a refreshing approach where senior managers engage with younger colleagues to understand their perspectives and desires.

The book goes beyond common topics to explore the significance of small but meaningful actions, like coffee breaks and asking the right questions. Bhat’s perspective on embracing humour, practicing active listening, and mastering the art of reflection adds layers of depth to his guidance.

In essence, “Office Secrets” is an essential guide for navigating the intricate world of workplaces. Bhat’s rich experience, coupled with his ability to impart wisdom with charm, makes this book a must-read for anyone seeking not only success but also happiness in their professional journey.

Lessons on Corporate Governance:

Through ‘Office Secrets,’ Harish Bhat indirectly imparts crucial lessons on corporate governance. His emphasis on understanding diverse personalities, promoting reflection, and fostering open communication aligns with the principles of effective leadership. Bhat’s advocacy for ethical behaviour, embracing humility, and learning from failures serves as a foundation for maintaining a healthy and thriving corporate culture. His practical advice on navigating office politics while upholding integrity provides a roadmap for ethical decision-making within organisations. Ultimately, “Office Secrets” encapsulates not just workplace wisdom, but a guide to ethical and effective corporate governance.



***Harish,** a distinguished figure in the corporate world, has held prominent roles within the Tata Group. Having served as the COO of Titan, CEO of Tata Consumer Products, and holding leadership positions in various other capacities, Bhat’s insights are rooted in his vast experience. As a brand custodian at Tata Sons, his understanding of corporate governance and effective leadership shines through in his writing.*

BOOK SHELF

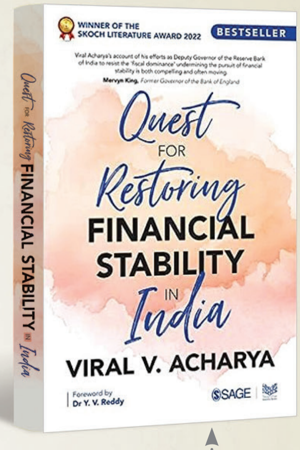
All books are available on Amazon

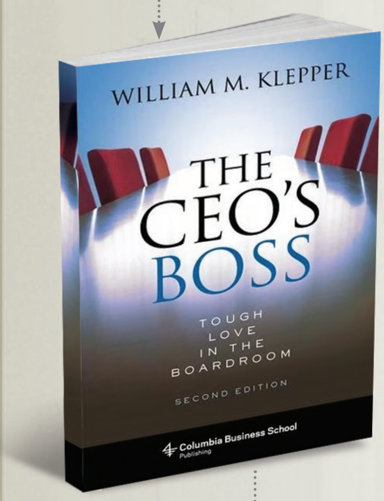
TITLE: **Quest for Restoring Financial Stability in India**

AUTHOR: **Dr. Viral V. Acharya**

PUBLISHER: **SAGE Publications India Pvt Ltd; 1st edition (24 July 2020)**

In this book titled, Quest for Restoring Financial Stability in India, Former Deputy Governor of RBI, Dr. Viral V. Acharya, talks about his quest for restoring financial stability in India and offers a concrete plan for sustained improvement. Dr. Acharya shares a feasible plan to address the recapitalisation needs of public sector banks, offering solutions on how to improve credit allocation by credit intermediaries and establish viable and efficient capital markets. Elucidating the need-of-the-hour reforms, this book also raises several stark and unanswered questions related to the re-emergence of fiscal dominance in India, not just of monetary policy tools but also of banking regulations. It makes a persuasive case for striking the right balance between the government, central bank, private sector, and markets, in order to improve long-run growth prospects for the real economy.





TITLE: **The CEO's Boss: Tough Love in the Boardroom**

AUTHOR: **William Klepper**

PUBLISHER: **Columbia University Press (24 May 2010)**

In "The CEO's Boss: Navigating Boardroom Dynamics for Success," the corporate landscape has shifted. To prevent Enron-like disasters, directors now play a vigilant role, overseeing CEOs closely. This demands skillful negotiation. Author William M. Klepper equips directors, executives, and stakeholders with tools for effective partnerships. Klepper, with experience from AT&T to Sony, spotlights strategies like fostering innovation and steering change. Vital is evaluating CEOs for traits like work style and stress handling before sealing the deal. The social contract's core—transparency, risk assessment, and stakeholder commitment—binds the partnership. Klepper encourages directors to embrace autonomy while teaching executives the value of 'tough love'. This guide navigates modern corporate governance, fostering transparent and fruitful collaborations.

TITLE: **10x Is Easier Than 2x: How World-Class Entrepreneurs Achieve More by Doing Less**

AUTHOR: **Dan Sullivan**

PUBLISHER: **Hay House Business (9 May 2023)**

In "10x Is Easier Than 2x: How World-Class Entrepreneurs Achieve More by Doing Less," Dan Sullivan, renowned for coaching successful entrepreneurs, reveals that attaining 10X growth is simpler than aiming for 2X. This process expands vital freedoms: time, money, relationships, and purpose. Your time's increased value multiplies earnings, turning money into an accessible tool and forging connections with fellow achievers. 10X relationships amplify purposes, leaving lasting, positive effects. Ultimately, 10X prioritises quality, where the potency of your freedoms shapes your outcomes.