

REGIONAL DIRECTORS' CONCLAVE

“BEST BOARD PRACTICES & PROCESSES”

May 27, 2022, Mumbai

The Institute of Directors (IOD), India - Mumbai Region organised a Regional Directors' Conclave on “Best Board Practices & Processes” on May 27, 2022. The conclave, held at the iconic Bombay Stock Exchange International Convention Hall, Mumbai, discussed the need for highly effective board practices for long-term corporate strategies. The conclave took stock of the current corporate governance framework, consisting of laws, regulations, and voluntary codes, and complemented it with information on actual board practices. The conclave also conducted informative panel discussions on the subject with the help of learned corporate governance and board practitioners. The event was attended by around 200 board members, key managerial personnel (KMP's), compliance professionals and senior executives to take note of the latest developments on board practices and processes and how these can be beneficial to their organisations and institutions.

The **Chief Guest** for the event was **Mr. O. P. Bhatt**, Independent Director, Hindustan Unilever Limited, Tata Steel Limited & Tata Consultancy Services Limited (TCS) and Former Chairman, State Bank of India.

Mr. Vikesh Wallia, Honorary Zonal Director - Western Region, Institute of Directors, India delivered the '**Opening Address**' and

welcomed all the distinguished speakers, event partners and the audience to the event that was held physically for the first time since 2020. He also briefed the audience about the theme and panel discussion topics.

Mr. Shailesh V. Haribhakti FCA, Chairman - Western Region, Institute of Directors, India; Board Chairman - Blue Star Limited, L&T Finance Holdings Limited, Future Lifestyle Fashions Limited, NSDL e-Governance Infrastructure Limited and independent director on multiple boards, delivered the '**Welcome Address**'. He commenced the session by thanking the dignitaries including Mr. O. P. Bhatt, Mr. Shankar Garigiparthi and Mr. Nayan Mehta for their presence at the conclave.

He spoke about three practices that he found extraordinarily important in boards:

1. Converting simple CSR committees into Sustainability and ESG committees (ESG committees):

There is a deep connection between ESG, sustainability and CSR, and thus business leaders should make sure every board captures CSR's essence.

2. Recasting Risk Management Committees to Risk and Opportunity Management Committee:



Distinguished Speakers during Lighting of the Lamp (L to R):
Ms. Chandani Khosla, Mr. Vikesh Wallia, Mr. Shankar Garigiparthi, Mr. Rajnickant Patel, Mr. O. P. Bhatt, Mr. Shailesh V. Haribhakti and Mr. Nayan Mehta



Distinguished Speakers live during the event (L to R): **Dr. Pradeep Panigrahi**, **Mr. Shailesh V. Haribhakti FCA**, **Mr. Satish Ramchandani** & **Ms. Chandni Khosla**

While companies focus on internal corporate risk, the largest risks are from the external environment. But with risks also come opportunities. Therefore, it is essential to switch company focus from internal risks to strategic long-term issues.

3. Making compliance a part of the Board's DNA:

Compliance should be deeply ingrained and integrated into the board processes to reduce the time otherwise spent in discussing compliance issues. Instead, boards should be interested in the exceptions and their root causes and allocate their time to solving issues that are in the way of creating a sustainable future.

Lt. Gen. J. S. Ahluwalia, PVSM (Retd.), President, Institute of Directors, India delivered the '**President Address**' virtually. He introduced the IOD and its goal to prepare future directors of the globe through training and networking and cultivate a culture of good corporate governance and board practices. He emphasised that the focus must be on raising the quality of boardrooms to global standards. The agenda of high-performing boards should be compact, independent, dynamic and well-planned. A board should contain members with long-term vision and those who are conversant with emerging technology - all these in addition to having the proper experience and skills. In today's corporate landscape, the following elements are extremely important when it comes to the boardroom: honesty, transparency, accountability, stakeholder engagement, disclosure, and ESG compliance. He advised boards to go through periodic training to keep themselves updated.

Mr. Nayan Mehta, Chief Financial Officer, BSE Limited, the **Guest of Honour** for the event, in his '**Keynote Address**' highlighted that the board of directors create wealth for both the company and the nation. In the current era, business disasters have increased the accountability on the board of directors. While it raises the question of incompetence, board research has shown that failure of businesses is less due to incompetence or corruption, and more due to weak corporate

governance. He urged the audience to think anew and redefine their companies with invigorating manner and spirit.

Mr. Shankar Garigiparthi, Chief Executive Officer & Country Manager, Lloyd's India, the '**Guest of Honour**' for the event, in his '**Keynote Address**' explained how the dynamic nature of the pandemic had led to economic uncertainty and cost inflation, thus making retention and succession a company's key priorities. A tremendous transformation is being seen in the workplace, with flexibility related to remote working, increase in concern for the health and wellness of the employees, and more representation and diversity in workplaces. In such an economy, boards should plan to address gaps that will affect them in the long term and respond to strategic priorities on a frequent basis. Swift decision making in uncharted territories will be key in helping a company survive this highly dynamic environment. He further said that prioritising ESG will create value and fulfil broader social purposes since they are closely interconnected to businesses. Research should be conducted to better understand the complicated dynamics at play and accordingly regulate and revisit priorities and action plans - especially those related to climate action.

Mr. O. P. Bhatt, Independent Director, Hindustan Unilever Limited, Tata Steel Limited & Tata Consultancy Services Limited (TCS) and Former Chairman, State Bank of India, the **Chief Guest** for the event, in his '**Inaugural Keynote**' talked about his idea of a 'future-fit' board. In the rapidly changing world, capitalism has made the distribution of wealth and resources lopsided. In the recent decades, due to the complete indifference shown by capitalism to the damages caused to the people and environment, there has been a creeping sense of despair and disquiet about the turn that capitalism has taken. Therefore, business leaders, who drive global agenda because of their foresight and influence, have the power to change the world for good with their integrity, value system, conviction, and persistence.

This was followed by the **First Panel Session** on '**ESG and BRSR Process Improvement**'.



Distinguished Speakers live during the event (L to R): **Ms. Sharada Sunder, Mr. Sunil Chandiramani, Mr. Malay Patel & Ms. Namrita Mahindro**

It was Chaired by **Mr. Shailesh V. Haribhakti FCA**, Chairman - Western Region, Institute of Directors, India; Board Chairman - Blue Star Limited, L&T Finance Holdings Limited, Future Lifestyle Fashions Limited, NSDL e-Governance Infrastructure Limited and independent director on multiple boards.

The session had the following distinguished speakers:

- i. Dr. Pradeep Panigrahi**
Head - Corporate Sustainability
Larsen & Toubro Limited
- ii. Ms. Chandni Khosla**
Climate Safe Lending Network Fellow
- iii. Mr. Satish Ramchandani**
Co-Founder & Chief Business Officer
Updapt CSR Private Limited (an ESG Tech Co.)

Mr. Haribhakti discussed how we can embrace the BRSR framework and pull it into our consciousness. Frameworks and standards make companies disclose only the actions that they have actually undertaken. The purpose of BRSR is to increase awareness and make sure that the mistakes aren't repeated. He advised to keep the information about digitisation simple enough for everyone to access. Such digitisation would make implementation of ESG far more intuitive and accessible for both the board and the employees. He further spoke about how the investor world is the biggest force that is currently driving sustainability. Therefore, it is essential to make sure that the board has a genuine and conscious obligation to commit to net-zero carbon emissions.

Dr. Panigrahi explained how implementation of climate change policies can make a huge difference. He pointed out that climate change isn't a new phenomenon. To act as a catalyst for future-fit companies, BRSR was released in May 2021. He emphasised that recognising a problem is important to implement an actionable plan. For that reason, thorough ground level work is essential.

Ms. Khosla provided details on how conversations of accountability and value creation have been driven by ESG and its impact on the board. For the longest time, values of a company had been majorly driven by their moral compass and their CSR activities. Since there are no universal sustainability standards, many organisations are confused by the divergent standards in the industry.

She spoke about 2 challenges when it came to reporting:

1. Challenges with the preparer of the reports.
2. Challenges on the investor's side.

These challenges lead to data paralysis, due to which we have an unabated acceleration of greenwashing. There's a huge and apparent gap for investor data, which takes us away from our responsibilities and environmental commitments. As far as ESG is concerned, a new era of accountability has been ushered in.

Mr. Ramchandani highlighted how data is significant to understand targets, as well as to know where you stand in an issue. He broke it down into three elements:

1. Scale of data.
2. Criticality of data.
3. Methods of data collection.

Most companies don't have data tracking and measurement mechanisms to manage the sheer scale of data available. India is still in a nascent stage when it comes to evolution of data accuracy. However, that is no reason to excuse oneself from digitising. The quality time saved by digitisation can be spent towards decarbonisation and enhancing efforts towards net-zero.

This was followed by the **Second Panel Session on Ushering Digitalisation into Board Rooms.**

It was Chaired by **Mr. Sunil Chandiramani**, Founder & CEO, Nyka Advisory Services & Independent Director, Chairman of the Board and Audit Committee, Sapphire Foods India Limited.

The Session had the following distinguished speakers:

i. Mr. Malay Patel

Managing Director
Ewa Engineering Company
Independent Director
HDFC Bank Limited and HDFC Securities Limited

ii. Ms. Namrita Mahindro

Chief Digital Officer
Aditya Birla Group (CFI sector)

iii. Ms. Sharada Sunder

Founder, Saralife Consulting and
Independent Director
Baroda BNP Paribas Trustee India Private Limited

iv. Mr. Alhad Posam

Business Development Manager
BoardPAC (Private) Limited

Mr. Chandiramani talked about technology powered businesses by sharing these points:

1. Technology as a key enabler - 92% of companies believed their business models would change in a few years given the current rate of digitisation.
2. New technology - Blockchain, BOTS, IoT, quantum computing, AI, machine learning, etc.
3. Board processes- The functioning of the technology should be understood by everyone. 33% of global directors reported investing in a system for virtual board communication. 50% board directors still use personal emails rather than secure encrypted digital communication.
4. Knowledge and learning - >50% board members who have completed their technological training program have made digital transformation the top agenda for their corporations.
5. Board composition - 5% of board members in non-tech companies have digital capability. Only 3% of boards have a technical committee.

6. Risk management - 88% of directors view cybersecurity as a business risk as opposed to technological risk. Only 12% of boards have a dedicated board-level cybersecurity committee.

Mr. Patel said that India is developing at a faster pace than many other countries, especially in the past five years. Even digital companies have felt a need to reinvent themselves with the current rate of development. However, it is essential to not be negatively impacted by the novelty of technology since it is imperative in the conservation of limited resources.

Ms. Mahindro expressed that traditional organisations also have a lot of strengths that shouldn't be discounted as they act as their biggest assets. How are these strengths to be used in a digitised world? She urged the audience to look at the backend of an ambitious plan and the digital infrastructure required to take on the scale of the complexity of the plan. On the front end, while there might be provisions of technology, it is more useful to understand what business the company operates in and what its value chain looks like. How does one create greater value for both the company and customers? She asked the companies to look at adjacencies in their ecosystem and leverage them for their advantage. She also recommended having a tech- advisory committee or invite experts to help tackle issues and to train employees. Experience, according to her, doesn't always count when it comes to technology, as the field is so dynamic that one is always at ground-zero.

Ms. Sharada said that the biggest challenge for every company is to find the right thing to do in the agenda when it comes to digitisation and to find out what to invest in according to the current and emerging ecosystem. No one is untouched by the technological shift and digitisation that is now prevalent in every company. To update themselves on technology, companies can:

1. Encourage its members to upgrade their knowledge on technology
2. Can a partner with a technical expert on the board



Distinguished Speakers live during the event (L to R): **Mr. Manoj Kumar A. S., Mr. Shankar Garigiparthi, Dr. T. Rajgopal & Ms. Sanchita Mustaphy**



Distinguished Speakers live during the event (L to R): **Mr. Rajnickant Patel, Mr. Mahesh Krishnamurthy, Mr. P. H. Ravikumar & Ms. Deena Mehta**

Board members must add points to the agenda and ask the board to discuss digitisation policies, practices and plans.

Mr. Posam shared some interesting points on digital transformation for the purpose of board meetings. He put forth the issue that the information given to directors in a traditional manner makes it difficult to work with and poses a challenge to the productivity and effectiveness of the board. Productivity drops by 25% during paper-based meetings due to the following reasons:

1. It is very difficult and cumbersome
2. It poses a security risk to critical, confidential information
3. There's less protection when it comes to sensitive information
4. Privacy on decision making and information is questionable
5. Distributed and inaccessible information flow
6. Unsustainable paper usage

This was followed by the **Third Panel Session on Transforming Risks to Opportunities**.

It was Chaired by **Mr. Shankar Garigiparthi**, Chief Executive Officer & Country Manager, Lloyd's India.

The Session had the following distinguished speakers:

- i. **Mr. Manoj Kumar A. S.**
Director
Global Insurance Brokers Pvt Ltd
- ii. **Dr. T. Rajgopal**
Independent Director
HDFC ERGO General Insurance Company Limited
- iii. **Ms. Sanchita Mustaphy**
Chief Risk Officer
Tata Capital Limited

Mr. Garigiparthi pointed out that the term 'risk' has always had a negative connotation to it. Most corporations are vulnerable to emerging and strategic risks and thus have to be aware of them.

Mr. Kumar explained that risk and opportunity shape every business. A board must avail of opportunity and mitigate their risk. Post pandemic, the level of digitisation is high. Every new technology brings in new exposure. The board's strategic purview with the right amount of structuring and cyber insurance would mitigate the risks. Insurance plays a critical role in risk management. There's a paradigm shift in buying insurance, where the trend leans towards mergers and acquisitions.

Dr. Rajgopal offered an insight on how traditional risk management is very external/internal risk focused, but most companies don't look at individual risk. However, a company with good ESG would cut down on costs and positively impact the community it operates in. Connecting with humans is important for management of social capital. There has been a diversity in workforce, with the pandemic resulting in the retention of talent in companies. Apart from that, the mental wellbeing of employees in the workplace is also more talked about.

Ms. Mustaphy discussed how risk is the flip side of opportunity. Risk awareness leads to opportunities while mitigating the risk. Future-ready organisations are now risk-enabled instead of risk-averse, for they look more at what they could gain by taking a risk. Strong risk management offers critical opportunities and growth. Risk assessment is now being added to all company strategies to achieve their objective.

This was followed by the **Fourth Panel Session on Enhancing Board Committee Performance**.

It was Chaired by **Mr. P. H. Ravikumar**, Independent Director, Aditya Birla Capital Advisors Limited & Bharat Forge Limited.

The Session had the following distinguished speakers:

- i. **Ms. Deena Mehta**
Managing Director
Asit C. Mehta Investment Intermediates Limited and
Former President, BSE Limited

ii. Mr. Mahesh Krishnamurthy

Independent Director
YES Bank Limited

iii. Mr. Rajnickant Patel

Former Managing Director and Chief Executive Officer
BSE Limited

Mr. Kumar shared two important things for an audit committee:

1. Ethics
2. Prevention of Insider Trading

According to him, public sector companies are more ethos-based than profit-based, and thus comply to the regulations more often. Private, non-family-run businesses are diversified companies, consisting of transparent companies that have done well in the last decade. These three regulations are important for companies to comply with:

1. ESG
2. Prevention of Sexual Harassment Act
3. Whistle blowers' protection act

Ms. Mehta addressed the session with the importance of conscious corporate governance and the responsibility of the directors to uphold it. From having only audit committees, businesses have expanded to having various other important committees like risk management or the IT committee. With the crucial nature of cybersecurity, crores of rupees have been approved for the IT budget. Another big concern is the asset-liability-mismatch, which is why documenting board meetings is

extremely important. Being conscious of the agenda will help you demand a discussion to understand the strategy of the company

Mr. Krishnamurthy said that ESG transcends every item on the agenda today. He shared his story about Yes Bank and how the government reconstruction scheme had appointed a new board that only met virtually for two years. However, perfect coordination was achieved due to extremely strong corporate governance and the three most important elements of transparency, teamwork and trust. He further said that the instances of fundamental breach in audit had to do with related party transactions and insufficient segregation of duties. If a board did not have a conscience, it would inevitably result in the worst-case scenario. The focus should not be only on the statutory and regulatory aspects but also the fiduciary aspects of a board.

Mr. Patel talked about how corporate governance had been a buzzword for 20 years. But more than just focusing on corporate governance, the board should focus on corporate performance. Brand perception is generally based on the consumer's experience and knowledge of the brand. It is important to cultivate a good corporate culture as the competition and the stakes are so high that the focus is more than just the sustainability of the company, but also about its survival. One has to remove ESG from the table and put it into the company's heart. The performance of the company related to business compliance, CSR, and ESG are all equally important. Corporate culture has to change to include payback to society.



A view of audience



Networking during the event

All the Panel Discussions were followed by an interactive Q&A Session.

Post the event a felicitation ceremony was held to formally welcome newly joined IOD Fellow Life Members and Life Members from Western Region.

Mr. Vikesh Wallia, Honorary Zonal Director - Western Region, Institute of Directors, India proposed the 'Vote of Thanks'. Sincere thanks were conveyed to the Chief Guest, Guests of Honour, distinguished speakers, participants and partners. Special thanks were conveyed to **Gold Partners: BoardPAC &**

Institute of Management Accountants and **Supporting Partners: Global Insurance Brokers Private Limited** and **Updapt – an ESG Tech Company**. Special Thanks was also conveyed to **Venue Partner: BSE Limited**. ■

This report is compiled by:

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