

# Institute Of Directors ANNUAL DIRECTORS' CONCLAVE

09 March 2018, Mumbai

**Theme:**  
'Maximizing Effectiveness and  
Accountability of Corporate Boards'

After the success of the first-ever Directors' Conclave organized by the Institute Of Directors (IOD) in New Delhi in 2017, the IOD organized its second **Annual Directors' Conclave** on 9<sup>th</sup> March 2018 at Hotel Taj Lands End, Bandra West, Mumbai. The Conclave was on the theme: '*Maximizing Effectiveness and Accountability of Corporate Boards*', which was the consensus theme reached by the IOD participants and experts, during its Annual Convention in Singapore (December, 2017).

It was a largely attended function, by around 350 delegates from all over India.

## Opening Session

**Mr. R. G. Rajan**, Chairman, IOD - Mumbai Region and former Chairman & Managing Director, Rashtriya Chemicals & Fertilizers and former Chairman – Standing Conference of Public Enterprises (SCOPE) welcomed the delegates and complimented the IOD as arguably one of the first organizations in India which started to talk about Corporate Governance in 1990 and the role of Independent Directors. IOD has also been a pioneer in organizing a formal, condensed training course (Masterclass) in major metro towns in India, where it has trained over 3000 directors so far, through over 200 Masterclass courses. He outlined the concept of '5 Ds' that characterize the functioning of the Boards: i) Dispersal of Authority, ii) Diversity, iii)

Dialogue, iv) Disclosure and v) Director's Training.

**Lt. Gen. J. S. Ahluwalia**, PVSM (Retd.), President, Institute Of Directors in his Opening Remarks emphasized the changing character of the board from being a rubber stamp to an effective monitor & leader. Today, the board needs to be digitally driven for being effective and being 'future ready'. Its main function is creative accounting rather than 'window dressing'. For ensuring board accountability, its annual performance review is now mandatory, in terms of the Companies Act, 2013 and SEBI Guidelines. The review is best if done by a third party. He gave the example of the Board Research and Advisory functions now being undertaken by the IOD in its expanded role. He said that "The Indian Companies Act, 2013 has redefined Corporate Governance".

**Mr. Ashishkumar Chauhan**, Managing Director & CEO, Bombay Stock Exchange (BSE) in his 'Theme Address' emphasized the importance of periodic training of the directors to make the board effective. He outlined the distinction between the organizations and their promoters. He termed Corporate Governance as an important part of modern democracy. "Governments make regulations, directors apply the same". The accountability of the board is very important to maintain the trust of the people in Responsible Capitalism. Directors must also be answerable, at all times to the public and the stakeholders. He further outlined the provisions of the Companies Act, 2013, which make the directors legally responsible for proper functioning of the boards. "It is



Release of Conclave Souvenir: From L to R:- **Mr. R. G. Rajan**, **Mr. Ashishkumar Chauhan**, **Lt. Gen. J S Ahluwalia**, PVSM (retd.), **Mr. Leo Puri**, and **Mr. Rajiv Mathur**



**Mr. R. G. Rajan**  
Chairman, IOD-Mumbai Region  
and former Chairman &  
Managing Director  
Rashtriya Chemicals & Fertilisers



**Mr Ashishkumar Chauhan**  
MD & CEO  
Bombay Stock Exchange (BSE)



**Mr. Leo Puri**  
Managing Director  
UTI Asset Management Co.



**Mr. Rajiv Mathur**  
CEO  
Mahanagar Gas Ltd.

important to have a 'code of best practices' maintained by the board. "The directors must be able to distinguish between mere speculation from profits for wise investment". He summed up saying that "The framework of Corporate Governance is Trust – which is easy to lose, but difficult to build".

**Mr. Leo Puri**, Managing Director, UTI Asset Management Company in his Keynote Address stated that the individual directors must be aware of whom they represent, and what are their priorities. "The primary role of the directors is to contribute to the development and growth of the company". Directors must respect the views of the other directors on the board, and give their views proper weightage. "The board should not merely look at short-term gains but keep in mind the long-term gains". "Boards are really working, if they are having proper debates to discuss major issues".

**Mr. Rajiv Mathur**, Managing Director, Mahanagar Gas in his Special Address stated that the standard of the boards is not a constant but has changed overtime. He highlighted the role of good Corporate Governance, which is basic to a board's functioning and which promotes trust. "The Boards must bring all stakeholders 'on board', and be accountable not only to the shareholders but also stakeholders". All boards should be aware not only of the internal risks but also external risks, and always strive to mitigate them. "An element of fairness and transparency should be there, in all decision-making by the board".

After the conclusion of the Opening Session, the Conference Souvenir was released by Mr. Ashishkumar Chauhan. The Handbook on Internal Audit, a new publication brought out by the Institute Of Directors, was released by Mr. Leo Puri in the presence of the main author of the

Handbook, Mr. N. G. Shankar, former Group Executive President and now Advisor, Aditya Birla Group of Companies.

### The next Plenary Session (II)

was on the sub-theme "Building Effective Boards for the Future".

It was chaired by

#### Mr. Arun Balakrishnan

Chairman, IOD - Bengaluru Chapter, founder Chairman & Independent Director, HPCL-Mittal Energy Ltd. (HMEL) & former Chairman & MD, HPCL. The other co-panelists included:

#### Mr. Nagaraj Garla

MD & CEO, IDBI Capital Markets & Securities

#### Mr. Murali Neelakantan

Executive Director & Global General Counsel, Glenmark Pharmaceuticals Limited

#### Mr. Subrata Bagchi

Senior Managing Director, Protiviti India Member Firm

#### Mr. Sujan Sinha

MD & CEO, Shriram Housing Finance

#### Ms. Kruti Bharucha

CEO, Peepul

#### Mr. Malay Patel

Eewa Engineering Co. Pvt. Ltd & Independent Non-Executive Director, HDFC Bank

**Mr. Balakrishnan** initiated the panel discussion on – how to build effective boards for future. He gave his perspective from the rich



Release of Handbook on Internal Audit; From L to R: **Mr R G Rajan**, **Lt. Gen. J S Ahluwalia**, PVSM (retd.), **Mr Leo Puri** and **Mr Rajiv Mathur**.





experience, as former CMD of HPCL.

**Mr. Garla** stated that all boards must have strategic direction, which must be its most important function. A good director must ascertain the views of other individual directors and then take strategic decisions. “A good director must be able to understand and manage operational risks and crises. All directors must have the ability to analyse the balance sheet of the company. The importance of advance homework by the board is very important for all joint ventures and transactions. The level of remuneration of board directors is also very important”.

**Mr. Neelakantan** highlighted the need to have systems in the organizations, that can identify the risks in advance. “The best method of making boards effective is through training”. He explained the concept of “Comparative Accounting”. He was particular that all Independent Directors must exercise due caution to see that their personal interests are not addressed while working as directors. He urged the directors present to carefully examine the 'Global Data Protection Guidelines', which are in the pipeline.

**Mr. Bagchi** cited the example of Kodak company, to emphasize the importance of technology in the working of a company. He explained the concept of “Block Chain Technology”, which will be the next industrial revolution. To evaluate the culture of a company, “when one hears about a company, the first impression about the same defines its culture”. “The next 30 years will be the era of Crypto-Currency, which is already in vogue in USA, Japan etc.”

**Mr. Sinha** decried the tendency to over-regulate business and industry. “Too much regulation and guidelines lead to unnecessary restrictions. All board members must have easy access to the relevant data of the company to make their role more effective. Accountability should be aligned with transparency and adaptability”.

**Ms. Bharucha** stressed the importance of aligning the mission of the organization with its values. She added that all the Board members should live up to the culture of the organization. She emphasized that there should be a proper plan for inducting new board members. There should be a proper procedure for evaluation of Board members.

The gathering was informed that the next Speaker, **Mr. Patel** has the distinction of being one of the youngest members in board of directors of any organization across India. Mr. Patel stated that the key focus in the functioning of the Board is 'Employee Engagement'. He emphasized the importance of the regular meetings of the 'fraud committee', and quarterly official meetings of other committees. He further outlined the role of three most important committees of the Board, i.e. Audit, Risk

Management & CSR.

The next Plenary Session (III) was on the sub-theme “**Building World Class Boards**”. It was Chaired by

**Mr. R. G. Rajan**

Chairman, IOD - Mumbai Region and former CMD, Rashtriya Chemicals & Fertilizers. The other co-panelists included:

**Mr. Anil Sharma**

Founder & Managing Director, Leaders for Growth DWC LLC Dubai

**Mr. S. Bhaskar**

Chief Internal Auditor, TATA Capital Limited

**Mr. Krishna Ghag**

Vice President & Company Secretary, IL&FS Transportation Networks

**Mr. Rajitha U. Kuruppumulle**

Chief Operating Officer, BoardPAC

**Ms. Puja Mathur**

Country Manager- India, Diligent Corporation

**Mr. Bhaskar** stressed the overriding importance of 'Internal Audit'.

He was clear that the Audit Committee is a very important arm of the Board. “It is important to adopt world standards, while doing the audit of the board functioning”.

**Mr. Sharma** outlined the role of the boards to adopt forward-looking policies and to be aware of its fiduciary responsibilities. It is important to have a long-term perspective, say for the next five years. “Greed is good, Regulation is better, but Governance is the best”. He gave out a formula for effective functioning of the boards which should concentrate on dash-board mirror and not on rear-view mirror. “Every board must have a proper CEO compensation package as also for others. Secondly, it is important to have a succession plan”.

**Mr. Ghag** outlined the 7 effective steps for functioning of the board.

- I) Objective of evaluation?
- II) Who will be evaluated?
- III) What will be evaluated?
- IV) Who will be asked?
- V) What techniques will be used?



Panel Discussion on 'Building World Class Boards', From L to R:- Mr. Krishna Ghag, Ms. Puja Mathur, Mr. R G Rajan, Mr. Rajitha U Kuruppumulle, Mr. Anil Sharma and Mr. S Bhaskar

VI) Who will do the evaluation?

VII) What will you do with the results?

**Mr. Kuruppumulle** emphasized that all boards must have an international perspective. He was clear that virtual reality & artificial intelligence will be important issues for the board in the future. "Intelligent people either win or they learn, so one must keep learning".

**Ms. Mathur** gave out the concept of diligent boards which must make proper use of technology. She was critical of the fact that two-thirds of the board directors in India still use paper and pencil rather than an automation portal. She cautioned against the increasing risks of cyber attack. She also outlined the concept of 'Entity Management' which implies compliance between entities in India and abroad. She outlined 3 principles for guidance of the board – 'Security, Simplicity of use and Support'.

**The Valedictory Session**

Chaired by

**Lt. Gen. J S Ahluwalia** commenced at 1600 hrs.

**Mr. Shailesh Haribhakti**

Chairman, Haribhakti & Co. LLP delivered the **Special Valedictory Address**.

**Mr. Haribhakti** anticipated that by 2025, all board meetings would be digitalized. It is therefore important to prepare the directors for the same. Processes and procedures which take several years now will be compressed in months. Every board should have a feedback mechanism engraved into the system. In future, there will be major changes in inter-

personal and intra-personal relations in organizations. He defined Governance as participation with the entire company. Accounting and taxation & reconciliation will be done by systems, and manual calculation will no longer be required by 2025.

**Mr. Subhash Desai**, Hon'ble Industry Minister, Govt. of Maharashtra was the Chief Guest. He delivered a very informed address. He at the very outset complimented IOD for its role in highlighting the changing role of boards and the concept of their effectiveness. He added that the Annual IOD events in Mumbai are now part of the calendar events for his department. He informed that the State Govt. has increased the budget outlay by more than 50% compared to last year. To facilitate the new industries planning to enter Maharashtra, the number of official permissions required has been reduced from 75 till last year, down to just 25. Maharashtra was the first State in India to promote the concept of 'Industrially Integrated India', where 80% will be industrial use and 20% will be commercial use. His dept. had taken special steps to promote women entrepreneurs. All industries must ensure at least 50% women workers, as far as possible. "In all such partnerships, all partners must be women".

**Mr. Vikesh Wallia**, Director General, Western Region, IOD & former Non-Executive Director, Times Group, BBC JV addressed the gathering from the perspective of his rich experience and skills after working life-long as a senior executive in several organizations. He proposed special thanks to the major partners: BoardPAC as Principal Partner, Diligent as Principal Technology Partner, IDBI Capital As Principal Partner: Investment Banking & Protiviti as Knowledge Partner.



**Mr. Rajitha U. Kuruppumulle**  
Chief Operating Officer  
BoardPAC  
Sri Lanka



**Ms. Puja Mathur**  
Country Manager- India  
Diligent Corporation

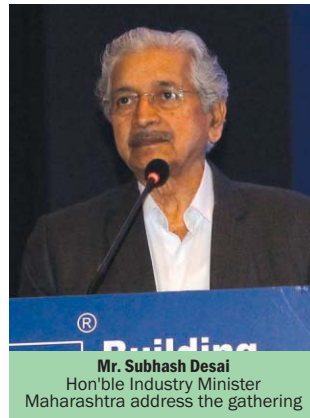


Delegate interacting with speakers during Q&A session

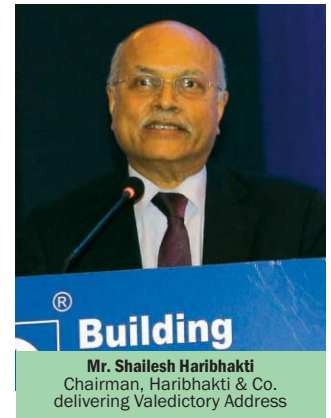




IOD President, Lt. Gen. J. S. Ahluwalia, PVSM (retd.) presenting welcome bouquet to Mr. Subhash Desai, Hon'ble Industry Minister, Govt. of Maharashtra



Mr. Subhash Desai, Hon'ble Industry Minister, Maharashtra address the gathering



Mr. Shailesh Haribhakti, Chairman, Haribhakti & Co. delivering Valedictory Address

Associate partners: Bharat Petroleum Corporation, Stock Holding, Leaders for Growth DWC LLC, SMC Infrastructures & Konkan Railway were conveyed special thanks.

REPUBLIC TV and TIMES NOW channels were thanked for being the Media Partners and covering the full event. A vote of Special Thanks

was proposed for Mr. Subhash Desai, Hon'ble State Minister for having addressed the IOD annual gathering in Mumbai, for the 3<sup>rd</sup> successive year.

Complied by -  
Mr. Ashok Kapur, IAS (retd.)  
Director General, Institute Of Directors (IOD)



Audience interaction with Hon'ble Minister during Valedictory Session



Mr. Ashok Kapur, IAS (retd.)  
Director General, IOD

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## THE BRIEF SUMMARY

1. India has improved a lot in overall rating in Corporate Governance in the last decade. It has moved from 1-2/10 to 7-8/10 on a rating scale.
2. Regular Training is an important part of Board effectiveness.
3. Strategic Direction - Important feature of the Board. All board members must have the ability to understand and analyse financial sheets to manage risk and crises.
4. Distinction between a Company and Promoters. Companies need to operate at arm's length with respect to expectations from shareholders.
5. Corporate Governance is an important part of modern democracy. We have enough laws and regulations. There is a need for cultural and behavioural change for building transparency and accountability.
6. Two T's : Transparency & Trust will be two important parts of Governance.
7. Internal Audit - arm of the Board. Helps Board's directional policy and evaluating business strategy & efficiency. Special emphasis on Risk Management and Strategy.
8. The standards of Board have changed over the years, mainly operational standards. But Directors have to have better engagement with the Board asking right questions, not being just cosmetic in nature.
9. Use of Technology - need of the hour for Directors. They should also learn how to use it in their organisations to maintain SPEED. They must have an access to Company's data to make their roles more effective.
10. Evaluation of Board Performance. Focus areas & steps to make boards more effective. 3<sup>rd</sup> Party board review even for small companies. Boards must drive beyond 'box ticking' exercise, moving away from a rubber stamp to a leader.
11. Do we have systems that can identify Risk in a company? Personal assets of Independent Directors are now at Risk as per new laws. Fraud monitoring committee should be formed in organisations and must meet quarterly.
12. Conscious efforts needed to create Diversity, so as to induct women in the Boardroom.
13. Crypto currency is the future. Japan has made it a legal tender and US has made it a digital asset.

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