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Director Today™

A Monthly Journal of the INSTITUTE OF DIRECTORS * India

'Corporate Governance & New Reforms'

The Government of India has undertaken a number of reforms in the last four years for the ease of doing business.

Lighting of Lamp by Chief Guest

Shri. Subhash Desai, Honorable Minister of Industries Government of Maharashtra

Ashish kumar Chauhan, MD & CEO , Bombay Stock Exchange Ltd, **Lt. Gen. J S Ahluwalia**, President, Institute Of Directors, **S. S. Mundra**, Former Deputy Governor, Reserve Bank of India , **Ninad Karpe**, Director, APTECH

Some of these key reforms that impact Corporate Governance are:

Justice Sri Krishna Committee's first draft on Data Privacy released on 27th July 2018 ie Personal Data Protection Bill, 2018. Digitisation is going to play key role in Corporate Governance and in Board Rooms. • **Financial Reporting** undergoing transformation **with adoption of IndAS**. Making Indian Financial Reporting Standards contemporary and virtually on par with leading global standards. • **IBC- Insolvency & Bankruptcy Code** is one of the biggest reforms by Govt. IBC (Second Amendment Bill 2018 and Recent changes need to provide greater insights at Board level. Making the IBC Successful is full of opportunities and challenges for Corporate Governance. • **Kotak Committee** has submitted its report and SEBI has also announced the new amendments. These also have multiple implications on Corporate Governance

Md Sajid Khan
Head of International Development, ACCA
presenting the lucky draw prize to one of the winners

Lucia Real-Martin
Director, Emerging Markets, Association of Chartered Certified Accountants (ACCA)

"Directors' Symposium on Transformative Technologies"
held on 4th Sept in New Delhi P-15

*Emerging technologies such as **Artificial Intelligence** (AI), **Blockchain & Internet of Things** (IoT) will shape our future more powerfully than any other innovation in this century.*

NEXT EVENT

18th LONDON GLOBAL CONVENTION | **on Corporate Governance & Sustainability**
24 - 27 October, 2018 P-47

Interview P-18

Helen Brand OBE
Chief Executive, ACCA

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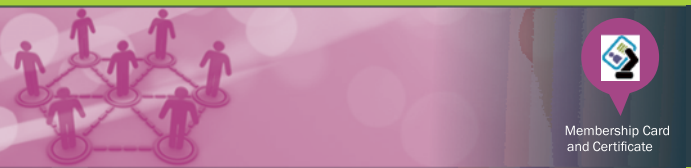

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From The President's Desk

J. S. Ahluwalia
President

Technology – A Business Enabler

Emerging Technologies, such as mobile communication, cloud computing, digitization, robotic process automation, artificial intelligence (IT), Data Analytics, Internet of Things, and blockchain are changing the way work is done, and workplace organized. Never before so many technological trends have matured and converged at the same time, changing the playing field itself. These are poised to deliver enormous productivity gains.

The dot com boom, at the beginning of this century, led the digital revolution. Digital technology is an enabler for innovations and exponential growth. Digital transformation is more about the journey – than the destination. The endgame is uncertain, as goal posts keep moving. Enterprises need cognitive solutions, that turn vast amount of data into insights for competitive advantage. Digital marketing has multi-mediums for fizz and influencer outreach, like search engines, web analytics, social media (i.e. Twitter, LinkedIn & Face book etc) to meet marketing engagements, leads and conversions.

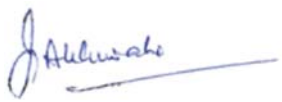
To thrive in the digital economy, we need to anticipate disruption. The disruptive digital platforms have made occupational skills more demanding and short lived, nudging people to become entrepreneurs. Digital disruption allows us to unlock scale with a lean organization set up, to provide an integrated solution.

Boards of Directors (BoDs) should be involved in directing and leading their organisations toward digital transformation, ever wary of the not inconsiderable risk scenarios along the way. Deloitte puts it this way: "Boards play a critical role in the digital transformation journey by bringing expertise, judgement, healthy scepticism, and concern for long-term value." The boards require to be digitally literate with leadership for the skills and competencies, to properly govern digital transformational initiatives for the CG Codes and boards. The non-linear unconstrained thinking and a clear long term strategy are needed, to take right risks at the right time. To leverage full power, the corporates need to become digitally relevant and flexible to change.

Robotic Process Automation (RPA) technology mimics human actions, takes the robot out of the human, for performing simple rule based processes. A world economic forum study predicts that by 2020, over 5 million jobs will be lost to robots and automation. While artificial Intelligence is how to make machines mimic human thinking and action, IoT is a fundamental shift for creating innovative and intelligent products and services, bridging the gap between digital and the physical world.

Blockchain came up in 2009, as a secure, distributed ledger system to record financial transactions of its members. Blockchain registers every single transaction- may be financial, hospital records, or government data. Indian Govt. is looking at blockchain to maintain tamper-proof education and Land records.

Technology will play a significant role in shaping the global future. We see a confluence of IoT, IA, blockchain and decentralized World Wide Web, over the next 5 years. The integrity, privacy, and security of data will remain our prime concerns. Economic and societal benefits of this new era will not be realized, if the human side of the equation is not supported. IOD has planned a number of training programmes and evening workshops, to support board digital literacy during the next year. ■



Lt. Gen. J. S. Ahluwalia, PVSM (Retd)
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PROF. COLIN COULSON-THOMAS

Joining a First, Additional or Different Board: Questions for Directors

An invitation to join a board arrives. It might be a possible first appointment or a potential addition to a portfolio of non-executive directorships. If accepted it could mean a move to a new company, meeting a new group of colleagues and encountering different boardroom practices. Be realistic. If its a non-executive role and you have other commitments will you have the time to make the commitment required for an effective contribution? Might you become overloaded? Whether viewed as an exciting first step and fulfilment of a lifetime dream, or regarded as another meeting to fit into the diary at the expense of a round of golf, what questions should one ask before accepting?

> The process used by the board in selecting you can influence how others may see you and strengthen or weaken your hand.

A good place to begin is with the question of why one has been asked to join a particular board and to understand the appointment process and the expectations of the board's chair and its members. Has one been chosen for one's personal qualities or to fill a particular gap or deficiency in terms of expertise and impact? Is one expected to challenge and exercise independent judgement or to go with the flow and become a rubber stamp? Has one been selected for one's strengths or weaknesses?

Selection Criteria

Self awareness is important in directors. Is an appointment opportunity being assessed in terms of its impact upon one's own CV, standing and future career, or is one thinking about where and in what ways one could complement existing board members and add value, whether there is a good fit in relation to corporate and individual interests, activities and aspirations, and the potential for making a distinctive contribution and adding value? An appointment might be too soon if one is putting one's own interests before the future prospcts of the company concerned.

The process used by the board in selecting you can influence how others may see you and strengthen or weaken your hand. An appointee following an independent search commissioned by a nominations committee might be expected to have more independent views than an imposition by a strong board chair of a relation or friend whom others might be more likely to see as a grateful and subservient poodle. Some appointments are window dressing or a distraction, Ohers can be simply to make up the numbers after a retirement or resignation, or for a very serious purpose such as to refresh and strengthen a board to face challenges or ahead of a possible change of direction.

One should exercise independent judgement ahead of an appointment as well as when in post. Friends and family may come up with a range of homilies such as not looking a gift horse in the mouth and beware of Greeks bearing gifts, but due dilligence should be undertaken. There are financial statements to examine and a range of sources those in competitive intelligence might use to understand a company's prospects. Are you happy with the board's risk appetite? If its a non-executive role will there be any conflicts of interest? **Association with success can help a director's career, while association with failure can harm it.**

Pre-appointment Preparation

For a first appointment one should also find out about and take steps to understand the distinction between direction and management, the particular duties and responsibilities of a company director, and the potential risks involved in joining a board. The obligations can be onerous and there are potential liabilities and penalties in situations such as insolvency. In many jurisdictions many laws other than Companies Acts impose duties upon directors who can be held responsible for corporate failure in various areas. Any gaps in understanding should be addressed during an induction programme and a director should take steps to remain abreast of changing requirements.

On paper many boards appear to be similar in terms of the number of meetings they have and their structures.

Some boards uncritically adopt a standard governance model and make very little effort to adapt it to the ambitions, situation and context of a particular company. However, each board can be composed of a particular set of people and personalities and the dynamics and pattern of interactions can change as directors come and go. What do you know about the existing members of the board? What is missing in relation to new challenges and opportunitites? What can you bring to the table that fills a gap in their awareness, experience or perspective?

It is possible to be effective on one board and contributing to the extent of feeling one is ruling the roost, and then become inconsequential and largely ignored following a move to a different board.Are there questions one should ask and things that one should do on joining a board to increase the chances of compatitibility and adding value? There are, but attitude of mind is as important.

Lazy and opinionated directors, however eminent and successful they may have been in the past, who rest upon their laurels and fail to get to grips with a new situation and a new set of people can be dangerous and ride for a fall.

Initial Moves

Arrogant and opinionated directors sometimes jump into a new boardroom with both feet. They create waves and can disturb an existing equilibrium. Existing directors are likely to be judging a new player. Heavy handed early moves can set alarm bells ringing. Those who have already been CEOs or an executive director and are now independent directors, may need to exercise self-restraint to avoid getting involved in operational matters and overly interfering or second guesing as if trying to do their previous jobs. Their focus should be upon understanding, challenging and filling any gap or providing any special contribution that was a reason for their appointment.

Attendence at board meetings is not the only way of getting involved with a new company and making an impact.

One is a director 24/7 for 365 days of the year during the tenure of one's appointment.

For the energetic and committed, there are people to meet, company locations to visit, briefings to attend, conversations to be had and relevant events to attend between board meetings. Word can quickly get around that a new member of the board is making the effort, asking the right questions and, importantly, appears to be genuinely interested in others and the company's future. As one becomes more established there may be invitations from board colleagues and senior executives to participate in the discussion of issues and to test opinions ahead of meetings. Open discussion should be encouraged, but avoid biased cabals and attempts to fix or steamroller business.

Some directors are so focused upon making an impact and upon where and when they should speak and what to say that they forget to listen to the comments of others. To be an effective director one needs to listen to what others are saying and relate their comments and the flow of discussion to the issue at stack and the decision that needs to be taken. **When questioning and challenging one must listen to the answers.** Some directors have a knack of asking inciteful questions and supplementaries that take account of responses and probe further. Effective directors are often naturally curious. They want to find out, to get to the bottom of things and understand root causes. Ask yourself if you are really that interested in what a company whose board you have been invited to join is up to.

Establishing, Trust and Respect

A board is a forum in which trust, respect and reputations can be gained and sustained or lost. It may be some time before people around the boardroom table attach much weight to what one says.

Speaking just to repeat what others have said can take up valuable time. Less is sometimes more when it comes to building authority and respect within a board, for example by only speaking when one is confident, knowledgeable and can make a distinctive contribution upon an important topic. Being prepared and making informed and thoughtful comments focussed on the best interests of a company, and in a way that is not confrontational or ruffles feathers, can influence a discussion.

To be informed one must be prepared. Joining a board means doing one's homework. This can involve reading voluminous board and other papers and taking steps to form a holistic and directorial understanding of corporate aspirations, capabilities, strategies and policies, a company's activities and impact, and external challenges and opportunities in the business, market, economic, social and technological environment. Before joining a board think about whether you will have time to do this. Being a director may sound great, but will you handle what comes with it?

Looking around boardrooms one sometimes sees people opening the envellopes containing their board papers. Subsequent comments suggest others quickly glance through papers that particularly interest them. In relation to detailed accounts for approval and complex or technical matters one sometimes wonders if anyone has read them prior to important decisions. How would you fare when questioned about a major decision when representing the company at an external meeting?

Courage and Independent Judgement

In some boardrooms one also encounters far too much groupthink as people are focused upon fitting in and seem reluctant to question and challenge. A management career of progression through the ranks of corporate bureaucracy as a result of keeping one's head down, mouthing corporate slogans and agreeing with one's sponsors and supporters in order to appear a team player and safe pair of hands can be a poor preparation for the exercise of independent judgment, provision of challenge and display of courage that effective directorship requires. Sadly some CEOs and board chairs still favour compliant corporate bureaucrats and cronies who are likely to support them over more independent spirits, which is why a functioning nomination committee and an independent search for candidates against objective criteria agreed by the board can be so important.

The courage to question, challenge and probe can be so important when critical issues arise and/or when a director has concerns over the direction of travel or a particular issue, proposal or situation. It cannot be assumed. Seemingly intelligent and otherwise well qualified candidates can lack courage and the ability to effectively question the status-quo, traditional views or an emerging bandwaggon without making a situation worse is a quality that many lack. They raise haccles, trigger defensive reactions, cause people to dig in and can make a situation worse.

Do you instinctively avoid confrontation? When you uncover and issue or feel uncomfortable with the direction of a discussion, do you keep quiet or "look the other way"? Candidates for board positions should consider whether they have the interpersonal skills to be persistently diplomatic in putting a case against entrenched opposition in an unfamiliar area in ways that sow seeds of doubt, alert others to perceived risks and implications, secure wider support and cause people to think again or consider other possibilities. For some this is too much hassle. They doubt their own judgements, want a quiet life and/or need their director's remuneration and so run with the crowd.

Integrity, Balance and Focus

Keeping ones feet on the ground, balance and fairness are also important. I have highlighted in a number of books and reports the importance of directors and boards keeping an appropriate and fair balance between the interests of different stakeholders and between action and reaction, activity and reflection, change and continuity, complexity and simplicity, today and tomorrow and between individuals, the organisation and the environment. Thoughtful directors think about the implications of remuneration and other policies. They read the road ahead and know when to slow down, change direction or stop.

Focus upon the company and what is the best thing to do in a particular situation is the hallmark of an effective director. Those who are preoccupied with following others, keeping in with certain important players, judging which way the wind is blowing and speaking at the end of a discussion to be seen to be on the side of the majority, regardless of the merits of the case can be seen by others as opportunists. They may join the "winning" side at the cost of damaging their reputation. People tend to neither like nor respect crawlers, bootlickers and toads even if currently they are supporters.

Many boards and companies, and in some quarters capitalism itself, are distrusted by stakeholders. There reputations are questioned in an era of e-business, business models and the sharing economy in which trust is especially important. Integrity has emerged as the most important quality in a director in surveys of board chairs that I have undertaken. The support of principle, and an instinct for what is ethically and morally the right

thing to do is invaluable in a difficult situation. Directors and boards can face challenges that test flaws in the human character. Weak personalities succumb to special and self interests, gaming, greed, exaggeration, rationalisation, corruption, favouratism and nepotism. Strong ones preserve both their integrity and, through their conduct and example, corporate reputations. They also take steps to protect other people from themselves.

Remaining Motivated and Current

Do you view a new appointment as an achievement and destination or as an opportunity and the beginning of a new journey? Are you willing to keep on learning as a director? Thought should be given to how one should and could remain up to date, current and motivated following a board appointment? Once the initial enthusiam has worn off, boredom can set in and even mild annoyance as heavy packs of board papers arrive by post or email or become available on-line. Some people go off the boil and become stale or get lazy, just doing enough to get by. On some boards there are too many passengers. Seek feedback on your performance and contribution as a director. Participate in annual board reviews. Press for them if they do not occur.

IOD offers a range of development actvities for members seeking to remain up-to-date including its various publications and events. Its Masterclasses can be used as a refresh as well as preparation for Certified Corporate Director status. There is also the Organisation of Non Executive Independent Directors (ONEID), an initiative of IOD which maintains a databank of qualified and eligible professionals willing to become independent directors and provides other services including matching them with the requirements of companies and other organisations looking for candidates. IOD and its members can work together and play a vital role in building better boards. ■

***Prof. Colin Coulson-Thomas** holds a portfolio of leadership roles and is IOD India's Director-General, UK and Europe. He has advised directors and boards in over 40 countries.

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B. NANDAGOPAL

Weaponasing The Indian Boardroom

The Public Company Accounting Reform and Investor Protection Act also termed PCARIPA was enacted by the 107th United States Congress on 30 July 2002. But interestingly that was the last day it was remembered by the alphabetic soup of the 7 letters. Instead the financial fraternity instutionalised this piece of legislation as the Sarbanes Oxley Act 2002, a tribute to the duo Senator Paul Spyros Sarbanes and Republican Michael Oxley who sponsored the bill to make Wall Street accountable to their governance mandate. It was this Landmark governance legislation that set off broad changes in corporate governance, including board independence, board and audit committee composition and audit committee processes in a land that is widely revered to have the best governed boardrooms on this planet. Similar winds of change have been blowing in the corridors of corporate India too. The acceptance of the Uday Kotak Committee recommendation on Corporate Governance has strived hard to champion global best practice into the Indian Boardroom, and among it - The Disclosure of Expertise/Skills of Directors is one of these key recommendations that will start making its way into the Annual Reports in 2019-20.

It was this Landmark governance legislation that set off broad changes in corporate governance, including board independence, board and audit committee composition and audit committee processes in a land that is widely revered to have the best governed boardrooms on this planet. Similar winds of change have been blowing in the corridors of corporate India too.

What does the disclosure entitles?

All listed entities are to disclose a chart or a matrix setting out the skills / expertise/competence of the board of directors in its Annual Report containing a list of core skills / expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively, and those actually available with the board in the Financial Year -2018-2019. Further, detailed disclosures of competencies of every board member, along with their names have to be disclosed in the Annual Report for the Financial Year 2019-2020.

There are no doubts in anyone's mind that, just like any other function in an organisation, talent management in the boardroom is indeed a strategic imperative in generating long term sustainable shareholder value.

American Statesman and retired US Army four star General Colin Luther Powell once mentioned "Only by attracting the best people will you accomplish great deeds.". This ethos is very true in both letter and spirit even in board member selection, where the key elements of talent management - attracting, developing and retaining talent truly should be adhered to.

Setting Course into the Future

As the board's role continues to evolve, and investor and regulator expectations for board oversight and engagement increase, board composition and succession planning are increasingly critical to help position companies for the future. But what are the key elements for success and what potential challenges do directors have to address is truly an enquiry based question for Corporate India. We should keep reminding our-self that the Era of the Unicorns are bygone, now Indian ideas are stepping into the Age of the Decacorns. A term used for behemoth, aggressive, deep-funded, talented business concepts that demand a ten-figure valuation in dollar terms. It's also prudent to be self-aware that among the conventional companies the race to Good-To-Great has inched past a Trillion Dollars with Amazon Inc. being the second corporation standing on this revised start line.

Like to have vs Must Have

With all these writings on the wall, we can say with certainty that business ideas going forward would be on measured dosages steroids. With the reckless growth and mindless change all around the landscape, the need for Competent Boards have only got more important to establish direction, ensure resources and provide oversight to the organisation. This is where Indian boards have to play catch-up. Few quarters ago KPMG study on Board Leadership nailed - finding directors with both general business experience and specific expertise and identifying the talent the boardroom requires as the most important challenge companies would face going forward. My series of conversation with my coaching clients have also revealed similar fears for their larger organisation.

Future Focused Boards

Since the ENRON crisis, world class organisations have started to take board composition more seriously in order to position their boardrooms towards the future. Companies have started actively recruiting with specific perspectives in mind. More often External Coaches are being brought into the board development mandate for improving boardroom interaction, driving individual evaluations and bridging gaps in dysfunctional behaviours. Even in India director on-boarding and director education has seen increased participation by many organisations. This helps preserve talent in the board room and makes weeding out

underperforming directors an active tactics.

Enhance Diversity on the Boards

The SEBI guidelines to induct at least one Women director on the board has not yet been taken very seriously. This policy initiative is just one sub-set that could have addressed Boardroom Diversity agenda in some realistic measure. A PwC annual corporate directors survey displayed multiple aspects to "what board diversity actually means?" It said - Diversity can come from a number of things: gender, race, age, experience, education. Though this survey had a lot of American flavour to it, Indian Boardrooms are no-longer immune to these dynamics playing out. Only bringing in a female director on board will not help build the Board of The Future. Board have to start getting more creative with diversity composition. If Musical Intelligence was captured by Howard Gardner as one of the seven Intelligence forms, getting an accomplished musical mind on board could make a board far more gifted. Similarly, companies grappling with issues of environmental degradation could reach-out for the support of native tribes who have experienced the impact of environmental ravage first hand. These are some extreme examples of getting creative with board composition- but let's not forget "Extreme Situations require Extreme Measures".So, its high time the task to bring Diversity into boardrooms becomes more of a Calling for corporate India than a regulatory imperative.

Hitting the refresh button

A recent study strongly revealed that a robust annual board assessments should anchor a board refreshment strategy. Indian boards have to start instituting effective mechanisms to achieve this periodic agenda more rapidly. Robust board evaluations, ensuring tenure limit for directors, encouraging boards to build a formal succession plan, getting serious with age limit for directors and above all expanding the size of the board would be some of the mandates we should start addressing. There is no set formula for hitting the refresh button. My coaching years have seen directors in their eighties who are majestic contributors, and I've also seen 40 year olds how are ready to side step too, so there is no set date-of-birth any longer. I remember a client of my mine who recently wanted to get coached around a very simple yet tricky Coaching Agenda. He just wanted to respectfully ask a non-performing director to step-down. After series of conversations he finally decided to make his assault very simple. Next day morning he called up the director and said 'The board has really cherished your presence and is truly thankful to your contribution. Now it's just time for change, as its good for your company"

Now or Never

If we feel we are all stakeholder in India's growth story, it's time we start taking our boards far more seriously. From just being a guild of wise mortals holding on the last bastion of corporate authority, lets arm our boards to the teeth and start building world beating corporations. Let's start seeing our boards as the best Competitive Advantage our company has, let's start seeing our boards as the best risk mitigation strategy we have ever devised, let's start weaponasing our boards with the best talent plan available. Because let's not forget- just like the Lehman Bankruptcy,we are all approaching the 10th year anniversaryof the Satyam Saga. ■

*__B. Nandagopal__ is an executive coach and professional futurist to build leadership. He is the 1st Indian to be empanelled as a member of the Global Association of Professional Futurists.

A REPORT

IOD - BSE Conference on Corporate Governance & New Reforms

28th September, 2018
at The International Convention Centre, Bombay Stock Exchange, Mumbai

Institute of Directors, Mumbai Region teamed up with Bombay Stock Exchange duly supported by IndiaLaw LLP, BoardPac and WGC organised their first Mega Regional Conference on the theme of 'Corporate Governance & New Reforms' on 28th Sept at International Convection Centre, BSE (Bombay Stock Exchange).

A great venue, with star speakers lined up, along with high profile dignitaries for the four sessions, only attracted a huge participation by Corporate directors and Compliance professionals. Nearly 200 delegates attended the conference with wholehearted participation and interaction with panelist and other speakers.

The conference started with the lightening of lamp by all the present dignitaries. Mr. Subhash Desai, Honourable Minister for Industries , Government of Maharashtra was the Chief Guest for the occasion. Other dignitaries included Mr. S. S. Mundra, Former Dy Governor ,Reserve Bank of India, Mr. Ashish Chauhan, MD & CEO ,Bombay Stock Exchange, Lt. Gen. J. S. Ahluwalia PVSM (retd.), President, Institute Of Directors, Mr. Ninad Karpe, CMD, Aptech, Mr. Srinath Sridharan ,Former Western Region Chief of CII, and Mr. Shiju Veetil ,IndiaLaw.

To begin with Mr R G Rajan, Chairman IOD Western Region extended a warm welcome to the august audience. MrRajan highlighted the relevance of topics for the daylong conference and criticality of the New Reforms being undertaken by the Government of India and its implication on Corporate Governance.

Lt Gen J. S. Ahluwalia, President, IOD delivered the inaugural address with background of Institute of Directors and the sterling work being carried out by IOD. Gen Ahluwalia highlighted the need to address the New Reforms by Industry captains effectively in order to deliver excellence in Corporate Governance. President IOD also touched upon the downfall of various companies leading to emergence of corporate governance issues, calling for new policies and reforms. He said that for clarity of roles there should be division of power between board and management**.** He also stressed on IOD's emphasis on the need for Independent Directors to play bigger role in decision making.

Lighting of Lamp by Chief Guest
Shri. Subhash Desai, Honorable Minister of Industries Government of Maharashtra
Ashish kumar Chauhan, MD & CEO , Bombay Stock Exchange Ltd, **Lt. Gen. J S Ahluwalia**, President, Institute Of Directors, **S. S. Mundra**, Former Deputy Governor, Reserve Bank of India , **Ninad Karpe**, Director, APTECH

The Chief Guest, Honorable Minster of Industries Govt of Maharashtra, Mr. Subhash Desai delivered his inaugural address with mention of his special bonding with IOD and how he thinks IOD can also help in bringing Industrial growth in the country by greater mobilization of capital due to improved Corporate Governance. He highlighted how government in the last 4 years has worked hard to improve the corporate policies with the motto "Maximum Governance Minimum Government". The Ministry is ready to lend full support by one on one discussion with the directors, addressing their concerns ,which will aid in development of state.

This was followed by a Key Note address by Mr. S. S. Mundra, Former Dy Governor of RBI. Mr. Mundra very aptly highlighted the difference between earlier Govt reforms and current Govt reforms, while the earlier reforms were Economic Reforms current ones are Governance Reforms. Laws like GST and ISAB have a direct bearing on corporate governance. Directors have to be abreast with new laws and reforms , specially pertaining to IBC and Digital Revolution.

- Mr Mundra also explained the need to spell out risk appetite in relation to capital capacity and thus creating a buffer. Execution of Effective Risk and Audit Committee, which should work in tandem with board and not in isolation. Delegating power to executives with constant reviews is integral part of Good Governance. He also stressed the need for compensation and incentive for boards to be for sustainable growth and not immediate success or short term results only. Boards need to ensure that control function is recognised and properly regulated.
- Mr Nayan Mehta, CFO, Bombay Stock Exchange highlighted that an exponential rise in communication and social media has its effect on the business. He appreciated that IOD serves the purpose in keeping the directors updated in financial reforms and reporting in digital" evolution**.**

IOD Fellow and a very sought after speaker, Mr. Srinath Sridharan, from WGC Board said that Independent Directors can a play pivotal role. They should follow the simple principle of Governance that "Treat others the way you want to be treated."

Mr. Ninad Karpe who sits as Independent director on number of boards including Aptech, and a Former Western Chairman of CII, took the audience through the Digital Reforms and how the boards should prepare themselves for email becoming history and replaced with collaboration tool while Video is going to be the new text. He also advocated that like other board Committees time has come foran IT or digital committee also. IT & digital regulatory changes and consequent changes in strategies should be discussed quarterly. He ended up saying that when you have a problem ,think of digital solution first.

Mr Shiju Veetil, Partner IndiaLaw LLC and a legal expert on Insolvency and Bankruptcy shared his thoughts on Insolvency and Bankruptcy Code and how it is changing the landscape of Indian Corporate world. He also highlighted that failure of Public and Private Banks are not just governance issues but require a set of different regulations to oversee entire system.

Post lunch the second Plenary Session was on Road Ahead for IBC, Chaired by Mr Pradeep Joy of IndiaLaw and aptly participated by high profile panelists like Mr Mukesh Chand, SIDBI & President India, SME Asset Reconstruction Co Ltd, Smita Affinwala, Independent Director, SICOM / HDFC Group., Mr. Badrinath Durvasula, Vice President, Legal & General Counsel, HCC India Ltd., Mr. Ravi Prakash Ganti, Insolvency Resolution Professional and Mr. Venkat Srinivasan Board Member of HDFC Group Companies and UTI Group Companies. It was an interesting session raising pertinent questions like whether the resolution professional can be part of the process like Taxation, Employment Generation, etc. and other discussions. It also prompted audience participation with a long audience interaction.

The third Plenary Session was on Digital Reforms and Board Digitisation, Chaired by Mr. Sunil Chandiramani, Independent Director, J& K Banks and other companies, duly supported by a very well informed group of Dr. Abhijit Dasgupta Director & Faculty Data Science at SP Jain Global School of Management Mumbai, Ms. Aparna Sharma, an independent Director, Tata group, Mr. Oshada Principal Consultant BoardPac and Mr. K. Parvatheesam Company secretary and Compliance Officer Tata Steel. The draft report of Justice Sri krishna Committee was discussed at length and so also the experience and opportunities in Board Digitisation. Audience participated whole heartedly in this session too with good Q&As.

Mr. Shailesh Haribhakti, Chairman L&T Finance delivered his special address at the Valedictory session. His message was loud and clear and he emphasised that for resurrecting financial markets steps should be taken to raise risk profile rather than litigating. He also highlighted the attention on success planning and managing smooth transition of leadership. He concluded by saying that the expectation from board and its deliverance should seep from the bottom, from where people can see through the structure**.**

The conference ended with the vote of thanks, thanking the conference partners BSE, WGC, BoardPac and IndiaLaw etc. ■

Compiled by
Vikesh Wallia, Regional Director - Western Region
Institute Of Directors

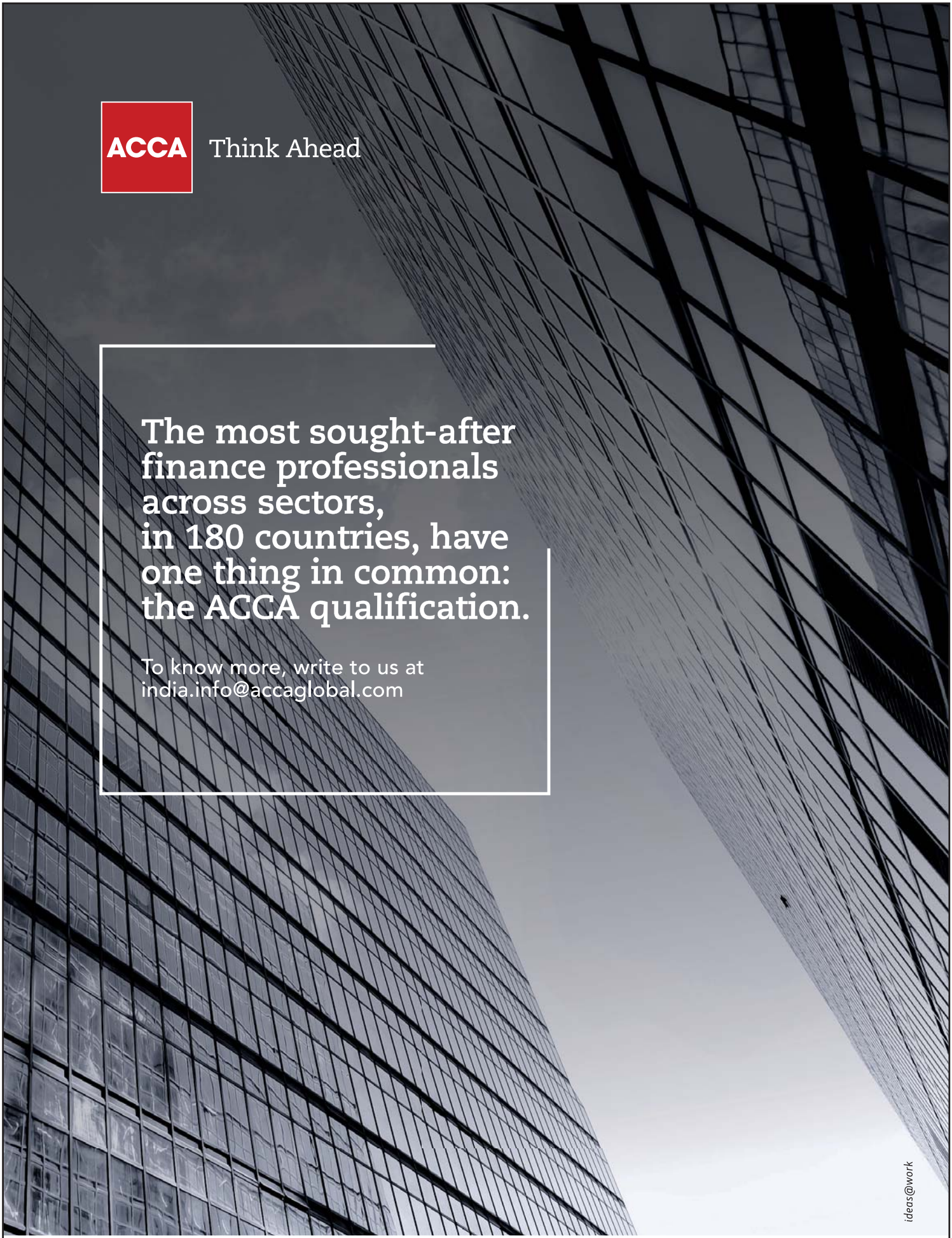
Valedictory Address by
Mr. Shailesh Haribhakti, Chairman, L&T Finance

Panel discussion on Digital Reforms

Left to Right : Vikesh Wallia, Regional Director, Institute Of Directors - Western Region
Abhijit Dasgupta, Director, Faculty- Data Science S P Jain School of Global Mgt,
Dubai, Mumbai, Singapore & Sydney, Aparna Sharma, Independent Director, Tata Steel
Group Co., Sunil Chandiramani, Independent Director, J & K Bank,
Kanchinadham Parvatheesam, Company Secretary & Compliance Officer, TATA Steel Limited
Oshada Senanayake, Principal Consultant, BoardPAC, R. G. Rajan, Chairman,
Institute Of Directors - Western Region and FormerCMD, RCF Ltd.

Panel discussion of Road Ahead for IBC

Left to Right: Ravi Prakash Ganti, Insolvency Resolution Professional, Insolvency and
Bankruptcy Board of India, Smita Affinwalla, Independent Director, SICOM / HDFC Group
Pradeep Joy, Partner, India Law LLP, Mukesh Chand, SIDBI & President India, SME Asset
Reconstruction Co. Ltd., Venkat Srinivasan, Director, HDFC Group & UTI Group



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A REPORT

DIRECTORS' SYMPOSIUM

TRANSFORMATIVE TECHNOLOGIES

04th September, 2018
at Hotel Oberoi, New Delhi

The Institute Of Directors organized the Directors' Symposium on Transformative Technologiesat The Oberoi, New Delhi on September 4,2018. The Association of Certified Chartered Accountants (ACCA), UK , a MoU partner with IOD, was the supported the event as a Strategic Partner for the symposium.

Mr. Ashok Kapur, Director-General, Institute of Directors was the master of ceremonies and welcomed one and all in his inimitable style and commenced the technical deliberations.

The technical session was opened by **MdSajid Khan, Head of International Development, ACCA** . He addressed the gathering and spoke on the four drivers of change in the current business landscape a) Digital Technology, b) Globalization, c) Increased regulation & stronger governance, and d) Changing expectations of society and professionals.

He stressed on the role of digital technology in helping business through automation and also finding new ways of doing business which leads to innovation. He also emphasized the importance of cultivating the right behavior and driving professional ethics in the digital world.

The session was continued by three eminent industry experts namely, **Mr. Sanjay Kapoor, Director ,Tech Connect Retail Pvt. Ltd. & Former CEO of Bharti Airtel , Mr. Ashish Makhija, , Corporate Trainer & Standing Counsel for the Official Liquidator (Ministry of Corporate Affairs, Govt. of India) & Mr Vishesh Chandiok,** CEO & National Managing Partner, Grant Thornton India LLP, who shared experiential insights on the emerging technologies and the roadmap for the future.

Mr. Sanjay Kapoor, Director ,Tech Connect Retail Pvt. Ltd. &Former CEO of Bharti Airtel, outlined how technology has changed the world in the last few decades. Based on 2017 data, there are more than 4.92 billion mobile users representing two-thirds of the world's population. The on-line community is highly engaged with more than 1.60 billion e-commerce users. Digital transformation is not just an application or a website but is highly pervasive. He felt that it is somewhat difficult to predict where this will take us all in the next eight to ten years as the pace of change is extremely fast. On the ability to adapt and change, he stated that only three species in this world have survived - white ants, honeybees and humans.

He stressed that customers are increasingly becoming more discerning because digitalization allows them to compare products and services with the help of a button. Customers' expectations are also growing exponentially. In the world today, the digital newcomers have displaced the legacy organizations at the top, which were painstakingly created over several decades. Shifting to the digital way of working is necessary for organizations today to unlock scale and achieve success. So, in this digital world, what does it

VIPs at the **Director's Symposium** look on as the evening commences.

Lt. Gen. J.S.Ahluwalia PVSM (retd.)
President, Institute of Directors presenting a memento to
Md Sajid Khan
Head of International Development, ACCA

Lt. Gen. J.S.Ahluwalia PVSM (retd.)
President, Institute of Directors presenting a memento to
Ms. Lucia Real-Martin
Director, ACCA on the conclusion of her Keynote Address.

take to win? Mr Kapoor then explained three aspects that companies have to consider:

a) Non-Linear thinking

In the telecom industry, the voice- sms business was linear in nature, however, data is non-linear as it gives rise to multiple related businesses. **Airtel**in due course was in Telecom, Banking, Music, Health sector which was clearly non-linear thinking.

The news reporting in the past was standardized and followed a process that would disseminate the news the next day in print but in today's world news could be created by anyone through social media and not necessarily by the media! He gave the example of Elon Musk and his non-linear thinking of how he conceptualized the business of the future.

He also stressed upon the need for enabling content, access, storage and security when one is looking at a digital business

b) Collaboration

While collaboration needs to be done within the organization to identify greatness, unblock silos and harness the hidden potential for greater output in a seamless manner, there is also the need to look for collaboration externally. This emanates from the adage, "Perish alone or conquer together". External collaborationmay be essential even amongst "frenemies" , a term that he used to mean competitors who become friends for executing a winning strategy. He gave the example of the top digital companies such as Facebook, Microsoft, Whatsapp and Google collaborating in the area of artificial intelligence. Closer home, he gave the example of the creation of Indus Towers in the telecom industry. This is a joint venture vehicle then set up by three telecom majors- Airtel, Vodafone and IDEA Cellular- to monetize the cell tower assets set up across the nation. It was a great strategy to create this entity and for the companies to share the tower assets seamlessly for the mobility business.

c) Global Approach

It is necessary to leverage the digital infrastructure of the country. He also cautioned that the next competitor or disruptor could happen any time and emerge from any country. The telecom players were in for a rude shock when the likes of Whatsapp disrupted the profitable SMS business in India. It took 19 years for MacDonalds in the US to expand their business to the next country, Canada. Zomato rolled out its operations in 24 countries in just 4 years, Uber has spread its wings in 60 countries in just 7 years. The handset manufacturer Xiaomi entered India first in Bangalore just about 5 years back, but has emerged as the largest handset seller in the country. We don't know the next competition and collaboration, and every organization must be nimble footed, flexible and need to keep looking ahead.

Mr. Sanjay Kapoor
Director
Tech Connect Retail Pvt. Ltd.
and Ex-CEO, Bharti Airtel

Mr. Ashish Makhija
Corporate Trainer & Standing Counsel for the Official Liquidator (Ministry of Corporate Affairs, Govt. of India)

Mr. Vishesh C. Chandiok,
CEO & National Managing Partner
Grant Thornton India LLP

Ms. Lucia Real-Martin
Director, Emerging Markets,
Association of Chartered
Certified Accountants (ACCA), UK

He then asked what capabilities would be required to build the organization of the future. He touched upon the following three aspects:

1. Scale vs. Complexity

Business models are changing. Size was largely related to customer base or market share in Telecom, or customer base say growing from 100 million to 200

Mr. Sanjay Kapoor
Director, Tech Connect Retail Pvt. Ltd.
and Ex-CEO, Bharti Airtel
delivering his technical address as other panelists look on.

million, but over time complexity also increased besides scale. Telecom has many verticals now- heath| payments| entertainment| medical.

Uber / Zomato operations becomes very complex as they have to deal with local laws and culture in so many countries.

2. Relevance Vs. Experience

While experience is important in one's career for a future role, this may not be essential in the new world. What is more important is the kind of experience that one has had even in a short period of time that is relevant for a future leadership role. Age is really no barrier. As against the past when CEOs and MDs were generally 50 + years, the new norm may be entirely different not just in the start-up community but also leadership roles in established companies being assumed by much younger profiles. He differentiated between Data aliens, Data immigrants and Data natives and that data will be part of our new cultural identity transforming the way we communicate, learn and interact. There is a need for all of us to train and retrain to become relevant in the digital world.

3. Analytics Vs. Data

The future will be data and 95 % of content will be video. Mr Kapoor also referred to the IBM's Watson Supercomputer that combines artificial intelligence (AI) and sophisticated analytical software for optimal performance which is capable of answering questions posed in natural language.

Mr Kapoor, in his concluding thoughts, implored everyone to start acting now, make the bold decision and stay committed and focused.

Mr. Ashish Makhija, Corporate Trainer & Standing Counsel for the Official Liquidator (Ministry of Corporate Affairs, Govt. of India) stated that we are not using technology but living technology. He outlined the different aspects of emerging technologies such as Internet of things, Artificial Intelligence, Machine Learning, Block Chain which are disruptive and provided the example of OLA and UBER , the mobility aggregators. He informed that the South Africa code of Governance promotes a regular discussion between Board and management on emerging technology. Directors are technology aliens but need to imbibe the new order. Technology focused discussions should be held in the boardrooms in India. Businesses have to adopt technology and keep pace with change else they will be left behind. However, security of data in this Cyberspace needs to be built in.

Mr. Vishesh Chandiok, CEO & National Managing Partner, Grant Thornton India LLP, at the outset, stressed on the need for companies to adapt to change and adopt a digital transformation. He mentioned that the growth of smart phone users has grown from 1 million in 2006 to 200 million in 2016 and still growing. Likewise, internet users in India have grown from 90 million in 2006 to 612million in 2016. 52% of Fortune 500 companies in 2000 have now disappeared.

The internet revolution and technology have already disrupted many businesses and unicorns will continue to do so in the future. There will be no safe haven. He believes that technology is widening the gap between winners and losers. With a specific example relating to the auto industry he spoke of three areas related to impending change:

a) introduction of electric vehicles world over- migration from Internal Combustion Engine to Electric Vehicle and that the no of moving parts in the car will come down from 10000 parts to about 100 parts; in 2030 it is believed that 40% of cars in the world will be electric.

b) autonomous driving and connected cars that have billion dollar valuations

c) shared mobility, such as Ola and Uber, may become 25 % of all rides in the future

He implored companies to think of the next big idea, consider partnering even with your competitor or look at Mergers and Acquisitions to drive value.

The session was followed by an erudite Keynote Address delivered by**Ms Lucia Real Martin**,**Director, Emerging Markets, Association of Chartered Certified Accountants (ACCA), UK .**She spoke about the impact of technology in businesses in the areas of cost, accessibility and agility. She eloquently detailed the start-up culture and the importance of building connected networks and accessing talent. She later identified the following six business models of the future:

- Platform based
- Mass Customisation 2.0
- Frugal (low cost innovation)
- Modern Barter that relates to exchange of goods and services
- Pay what you want , but nothing is free
- Mega Hyperlocal ; an example of an underground farm in Central London

Lt. Gen. J S Ahluwalia PVSM (retd.), President, Institute of Directors, reiterated the need for boards to have a discussion on emerging technologies. Technologies such as artificial intelligence, robotic process automation, block chain technology, internet of things will have a far reaching impact on the business and companies need to discuss these in the board rooms. ■

Compiled by
N. G. Shanker, Director (Training)
Institute Of Directors

Q&A
Interview of the month

Interview

Helen Brand OBE
Chief Executive, ACCA

ACCA Think Ahead

Helen Brand is Chief Executive of the **Association of Chartered Certified Accountants** (ACCA), the global body for professional accountants; a post she has held since 2008. She is a founding member of the International Integrated Reporting Council (IIRC) and now sits as Vice-Chair on the IIRC Board.

Q **This year marks a decade of your heading one of the world's largest professional accounting body operating in over 180 countries. How would you describe your journey so far?**

A Exciting and eventful! It's been wonderful to celebrate ACCA reaching the milestone of 200,000 members globally over the past year, for example, and see the pride this has generated across our global membership. We've asked members what ACCA means to them as part of our global celebrations and the most frequently used words were 'pride' and 'family'. Maintaining that sense of real global community while growing members and students to meet market demand gives all of us at ACCA a huge sense of accomplishment.

To do that, we've expanded our network of offices and centres from 80 to 104 over the past decade and grown our employees from 877 to 1,338. A significant proportion of that growth has been across our markets operations, so investing in people on the ground who are part and parcel of the business ecosystem in that country.

The business landscape never stands still and it's rising to the challenges and opportunities it presents, on behalf of our members and students, that makes my role so endlessly fulfilling.

Q **Ethics and Trust are two virtues which have evolved significantly in this digital age. You have organized a number of studies by ACCA in these two areas. How do you see the role and importance of professional ethics and trust, especially for the corporate auditors, on these new manifestations?**

A Having strong ethical principles is at the heart of the ACCA Qualification, giving ACCA professional accountants the clear moral compass to guide the business decisions they make on a daily basis. And we are finding digitisation is actually amplifying that need for sound ethics and professionalism. The survey of 10,000 professional and trainee accountants we carried out last year (Ethics and trust in a digital age) affirmed this, with more than 80% of respondents around the world telling us that strong

Q&A
interview of the month

ethical principles and behaviour will become even more important in the evolving digital age. Furthermore, 9 in 10 professional accountants agreed that ethical behaviour helps to build trust in the digital age. And almost all (95%) C-suite executives think that the accountant's ethical behaviour helps the organisation build trust with internal and external stakeholders.

We've identified six digital themes from this research which have particular implications for ethical decisions which are cybersecurity; platform-based business models; big data and analytics; cryptocurrencies and distributed ledgers; automation, artificial intelligence and machine learning; and the procurement of technology

In the context of these digital themes, the fundamental principle which emerged most frequently as being at risk of compromise was professional competence and due care. This may be a reflection of the extent to which work situations in a digital age can present new information with ethical aspects that have not been seen before.

Looking ahead, it seems likely that risks of ethical compromises go way beyond issues of honest and straightforward professional and business relationships (integrity). For instance, it is difficult to apply ethical judgment to the use of distributed ledgers without a sufficient understanding of what they are.

So above all, the need to be fully up-to-date and apply an ethical lens to this refreshed knowledge is key.

Q Diversity in the finance function is inevitable and an emerging need of the hour. How does ACCA help professional accountants transform into 'strategic business leaders' for the boards of the future?

A I think this about equipping our members with adaptability, flexibility and a questioning mindset and very much training them to be those strategic business leaders.

The innovations we've made to our ACCA Qualification are all designed to create that future, rounded strategic leader, not least our Strategic Business Leader integrated case study which we examined for the first time in September 2018. Through this new, market-leading approach, we're asking students to process and synthesise a whole range of information, based on a realistic business scenario. This gives students the skills and technical expertise required by modern business where decisions need to be made, measured and effectively communicated to the wider organisation. Our new Strategic Business Reporting exam also exposes students to the wider context of finance and business reporting, giving them the vital skills needed to explain and communicate to stakeholders the implications of transactions and reporting.

Q How do you see the coming decade for the future of accounting profession globally and ACCA's role in the new financial landscape?

A It's challenging and exciting in equal measure. Climate change, resource scarcity, Geo-political conflict, unpredictable emerging markets, and the increasing pace of digital innovation are just a few of the many drivers reshaping business and the role and expectations of professional accountants across the world.

Through our Professional accountants – the future research (published in 2016), we found that increased regulation and stronger governance will have the greatest impact on the profession to 2025 .Professional accountants in many roles and countries will be affected by inter governmental tax action to limit base erosion and profit shifting, but specialists intax will experience the greatest impact. Meanwhile, fairness in tax will continue torise in prominence across political and social agendas around the globe.

The spread of digital technologies and their impact on businesses will transform the practice of accounting and the competencies that professional accountants require.

As businesses evolve so will the expectations placed upon professional accountants. They will need the competencies, skills and outlook to meet more requests from diverse stake holders for comprehensive and forward-lookinginformation and more frequent ad hocreporting. These requests will increase as the barriers erode between functional silos, internal and external reporting, and financial and non-financial performance.

All professional accountants will be expected to look beyond the numbers, collaborate with other parts of the business and think and behave more strategically.

Above all, professional accountants will be expected to continue to make professional judgments and, in doing so, to exercise the highest standards of integrity, independence and scepticism.

So, for ACCA, that means equipping our members with the wide skills-set needed to meet these challenges and demand and ensuring that a commitment to ethics and professionalism remains at the heart of what we do.

Q 2018 is the 40th anniversary of the phrase 'glass ceiling'. What is ACCA's role and accomplishments in advocating diversity and inclusiveness in the accounting profession?

A We're hugely proud of our values of opportunity and diversity, which have guided our progress since ACCA was founded in 1904. The 'glass ceiling' term was originally used to refer to thwarted female ambitions and ACCA has a strong track record here. We were the first professional accountancy body in the world to admit a female member (back in 1909); we led the way with our first female president in 1980 and a female chief executive in 1991. We proud that, for the first time last year, we had a majority female governing Council. But most significantly, we now have 47% of our members and 57% of our students who are women.

The accountancy profession is an attractive career choice for many because of the flexibility and choice it offers. At ACCA we've made opportunity a reality, with an open access policy that enables anyone to qualify as a professional accountant. By simply removing the need for prior qualifications, we've created access to a profession that offers a rewarding career.

For the ambition young women entering the profession, we have a duty to help clear the way to the top for those who aspire to lead. Forty years on, it's frustrating to still be talking about this and we do need to accelerate progress in the business world.

But we need to remember that the aspiration of access for all means precisely that – that everyone, everywhere has the chance to progress. It's our firm belief that talent and ambition exist in every corner of the world. And that's what the value of opportunity means – giving anyone the chance to success, irrespective of race, gender and background. I'm proud to be chief executive of an organisation that has this in its DNA.

Q ACCA's presence has been growing well during the last decadein the Indian subcontinent also. What is ACCA's roadmap for expansion in India?

A As India has converged its Accounting Standards Ind-AS with International Financial Reporting Standards (IFRS), there is a growing demand from MNCs and local corporates for professionals with knowledge of IFRS. Because the ACCA Qualification is based on global standards and best practices, the demand for ACCA qualified members is also increasing.

ACCA has also been working very closely with academia and

Q&A
interview of the month

As interviewed by
Amanjit Kaur
Editorial Coordinator,
Director Today & Senior Manager
Institute of Directors

corporate sector in this area, facilitating their interaction and working jointly to bridge the current skill gaps and enhancing the employability of the graduates. The more our stakeholders benefit from these value-adding support services from ACCA, the more they are requesting the same not only in the metro cities but also in the tier two cities in India.

Driven by our important core values of providing opportunity, we want to give access to rewarding career in accounting and finance through the ACCA Qualification to as many young Indians as possible. And we'll do that working closely with our partners, as ACCA's model of business and engagement relies very strongly on partnerships such as the one with Institute of Directors, corporates and education partners.

Q What are the specific areas in the Indian accounting landscape that you believe are the most challenging and need reforms?

A The Indian accounting landscape has seen great positive traction over the past couple of years encompassing landmark changes like the recent implementation of Goods and Services Tax (GST). These transformations have laid a positive roadmap which the country has embarked under the leadership Prime Minister Modi.

One such reform for converging Indian accounting landscape towards global standards would be the adoption of International Financial Reporting Standards (IFRS). For any country to embark on sustainable economic development it is essential to have a global reporting system, based on high quality accounting and auditing standards backed by a solid regulatory, governance and ethical framework. With India already embarking on the IFRS journey, this would enable financial information and performance of Indian corporates being comparable with global peers, thereby increasing trust and reliability factor. Because the adoption of IFRS will lead to the consistent application of accounting principles, it is expected to improve quality of reporting and improve decision making by investors, analysts and other stakeholders. And because IFRSs are very much a 'principles based' accounting standards, they give broad guidelines for various situations and encourage accountants to follow the spirit of an accounting concept rather than precise rule based requirements.

Another area which is expected to transform the accounting landscape is the emergence of technologies like robotic process automation, Blockchain, Artificial Intelligence and cloud computing amongst others. These new technologies are not only bringing transparency and improved reporting at the board level, but also paving way for enabling real time audit going ahead. The landscape of accounting has transformed dramatically from automation of simple accounting task of payable and receivable to more complex and multifaceted processes like financial close and predictive analytics to identify anomaly and raise audit queries.

Q What piece of advice do you have for the accountant of the future to cope with the emerging transformative technologies such as Artificial Intelligence and Blockchain?

A The key thing to remember is that automation is definitely not a new agenda – especially for the finance function. In fact, business and finance teams have been automating for decades, particularly since the early 1990s when we witnessed increasing adoption of Enterprise Resource Planning sys...

Board role: Transition from Shareholders Management to Stakeholders Management

BHANU PRAKASH KALMATH*

Introduction:

'Ubuntu' is a popular African term which emphasizes that an individual cannot exist in isolation. Individual and the Society around him are interdependent on each other. Extending this, an organization cannot exist in isolation. 'Ubuntu' is a very pertinent term for Boards in the current scenario where as they are under increasing pressure to engage with wider stakeholders like Employees, Customers, Suppliers, Communities, etc., than only with shareholders.

> **"Ubuntu: I am because we are and because we are, you are.**

Recent Corporate Governance failures in both public and private companies have not only eroded shareholders' wealth but also have adversely impacted key stakeholders viz., loss of employment/erosion of pension funds, unhealthy products to customers, non-payment to suppliers, polluting the community within which it operates, etc.,In many instances, dissatisfied customers, angry employees, adversely effected communities have aired their complaints in various platforms like digital media adversely impacting the organization like loss of reputation, reduction in market share and consequential erosion of shareholders' wealth.

Grant Thornton's international survey of 2500+ executives from 35 economies has also indicated that there is growing pressure to collect and respond to the views of wider stakeholders. Emphasis on Diversity, not just gender diversity, in Board and Leadership is also high as a Board with diversified experience, skill, competency can understand the expectations of wider stakeholders and build those into the strategy of the organization.

Even regulators are also emphasizing the need for wider stakeholder management:

- The beefed-up requirements on UK Corporate Governance code mandate detailed disclosure on how directors are making sure they take account of wider interests, suppliers, customers and society.
- The Kotak Committee recommendations accepted by Securities and Exchange Board of India (SEBI) in April 2018has further emphasized Board diversity agenda which is not just gender diversity but also cover skills expertise, competency, etc.,

Boards are shifting from the traditional shareholder value focused corporate governance to a structure that seeks to protect the interest of wider stakeholders.

Recent publication of Grant Thornton titled **Engagement beyond the boardroom: What do your stakeholders expect?**[1] identified following as the top three methods used by companies to seek out the views of wider stakeholders:

- Structured/regular face-to-face meetings with suppliers
- Employee surveys
- Customer satisfaction surveys

Grant Thornton recommends the following techniques for effective stakeholder engagement:

1. **Know your target group:**

   Identify who your key stakeholders are, what impact you have on them and what impact they have on you(eg influencing your reputation or ability to operate). It's important to determine which community leaders to engage with directly, what concerns they may have and how you can address them. What data do you need to back this up? How can you develop and strengthen the relationship?

   Communication is key in effectively addressing concerns of stakeholders. You should engage stakeholders to manage expectations and minimize surprises. You should stay connected with customers to understand market disruptions and fast shifting customer expectations.

2. **Structure the feedback and response:**

   It is important to develop effective mechanisms for inviting stakeholder feedback and acting on this information.

   Clearly set out who should take the lead in communicating with different stakeholders and how the dialogue will be built into decision making. The biggest risk is that the feedback gets lost or is ignored.

   In case of crisis, an honest response, readiness to take responsibility and accept the consequences are the first steps to winning back trust. Avoiding comment, massaging the truth or sending out junior people to speak for the organization when leaders should front up will only compound the crisis.

3. **Broaden your management and external reporting:**

   Integrated Reporting provides a good starting point for assessing and communicating your social impact, environmental impact and other data of relevance to your business and its stakeholders.

   What information do you need to run your business and assess emerging threats and opportunities? Are you

getting this information in the format you need? What information do stakeholders need to judge your impact on them and how are you responding to their feedback?

4. **Determine the right composition for your board:**

Diverse boards bring fresh ideas, challenge assumptions and enable your business to better reflect the breadth of perspectives within your customer base. More diverse boards improve performance, drive value creation on the one side and also help to curb the risks of complacency and 'group think' on the other.

Board diversity goes much further than gender diversity. One of the key principles of governance is that the board should have enough experience and expertise to manage the full range of risks facing the business. The global financial crisis is a clear example of the dangers when boards do not sufficiently understand their products and the associated exposures.

If technology is the biggest opportunity and the biggest risk within most sectors, then it's important to ensure enough 'digital diversity' within the make-up of your board.

You don't necessarily need a tech expert or a chief information officer on the board – a board member with experience of managing technology is sufficient. Similarly, you don't need to be an innovator to direct innovation. But you do need to be open to change and know the right questions to ask.

5. **Validate and challenge:**

As a board member, you're on the hook for what your business does. How much do you trust the information you use to run the business? Is it subject to sufficient validation and challenge?

A useful way to check whether the information coming from inside your business is sufficiently credible and relevant is to compare it against the 'control' of what third parties including your key stakeholders are saying about your organization. The biggest risk is a 'good news culture' in which your employees feed you with the information they think you want to hear.

Conclusion:

Good governance is about doing the right thing. The long-term viability and success of the enterprise are significantly attributed to being fair to key stakeholders – customers, employees, investors, suppliers, communities and wider society ■

***Mr. Bhanu Prakash Kalmath S. J.** is Partner, Grant Thornton India LLP

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PRADEEP CHATURVEDI

Quality, Risk Management and Insider Threat

Introduction

Making profit in business at all cost is no longer considered good business. Business operations require that an organization deals with several stakeholders like shareholders, employees, supplier partners, society and the government. Continuity of sound relationship with all of them leads to long-term financial sustainability of the organization. Sound relationship is necessarily based on ethical and transparent conduct of organisation.

Business ethics stands for moral principles and standards based on honesty, integrity and ethical conduct. Business essentially is a process available to society to use scarce resources in an efficient manner to produce those goods and services which society wants and is willing to pay for. Organisations engaged in businesses must balance their desire to maximize profits with the needs of stakeholders.

> Organisations engaged in businesses must balance their desire to maximize profits with the needs of stakeholders.

Quality, safety and security are three major elements which impact the overall performance for the company. Appropriately handled, they can create a global leader in business but any lack of sincere effort can mean the doom of the business organization. Quality is the pillar that defines business excellence, safety, security and business performance. Quality has different manifestations that need to be carefully understood for ultimate business sustainability. Quality has two specific dimensions, one is in the architect of product and services, which is called the in-built quality, and the other is quality in operations, where human element plays an important role. Whereas quality, safety and security can all be defined in a neutral environment and an expectation raised that all safeguards can be in-built. The human element and its complexities and intricacies and risks cannot be ignored.

Embedding Strategic Risk Capabilities

Leading companies are developing a pathway to resilience and value by embedding strategic risk capabilities throughout the organization, even the risk environment is becoming more difficult challenging and costly. The corporate leaders are navigating complex environment that is changing at an ever accelerating pace. Digital technology underlies much of the change. It is expected that digital technology will promote transparency and therefore ethical practices. But such a conclusion is not always true. Business models are being transformed by new waves of automation, based on robotics and artificial intelligence. Producers and consumers are making faster decisions, with preferences shifting under the influence of social media and trending news. New types of digital companies are exploiting the changes, disrupting traditional market leaders and business models. And as companies digitize more parts of their organization, the danger of cyber attacks and breaches of all kinds grow.

Beyond the cyber attacks, the risk environment is equally challenging. Regulation enjoys broad popular support in many sectors and regions; where it is tightening, it is putting stresses on profitability. Climate change is affecting operations and consumers and regulators are also making demands for better business conduct in relation to the natural environment. Geo-political uncertainties alter business conditions and challenge the footprints of multinationals. Corporate reputations are vulnerable to single event, as risks once thought to have a limited probability of occurrence are actually materialised.

The Role of Board and Senior Executive

Risk management at non-financial companies has not kept pace with this evolution. For many non-financial corporate, risk management remains an underdeveloped and siloed capability in the organization, receiving limited attention, from the most senior leader. From over 1100 respondents to McKinsey's Global Board Survey for 2017, it was discovered that risk management remains a relatively low priority topic at board meetings. Boards spend only 9% of their time on risk -- slightly less than they did in 2015. Other questions in the survey revealed that only 6% of respondents believe that they are effective in managing risks (again, less than in 2015). Some individual risk areas are relatively neglected and even cyber security, a core risk area with increasing importance, is addressed by only 36% of boards. While many senior executives stay focused on strategy and performance management, they often fail to challenge capabilities or strategic decisions from the risk perspective. A reactive approach to risks remains too common, with action taken only after things go wrong. The result is that boards and senior executives needlessly put their companies at risk, while personally taking on higher legal and reputational liabilities.

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Boards have a critical role to play in developing risk-management capabilities at the companies they oversee. First, boards need to ensure that a robust risk-management operating model is in place. Such a model allows companies to understand and privatize risks, set their risk appetite, and measure their performance against these risks. The model should enable the board and senior executives to work with businesses to eliminate exposures outside the company's appetite statements, reducing the risk profile where warranted, through such means as quality controls and other operational processes. On strategic opportunities and risk trade-offs, board should foster explicit discussions and decision making among top management and the businesses.

Characteristics of Sectoral Risks

Most companies operate in a complex, industry - specific risk - environment. McKinsey & Company has observed that in the absence of appropriate and effective mitigation plans the losses from serious risk events can be crippling. It has focused on four sectors specifically as given below:

i) Automotive companies are controlling supply-chain risks in sophisticated monitoring models that allow OEMs to identify potential risks upfront across the supply chain. At the same time, auto companies must address the strategic challenge of shifting towards electric-powered and autonomous vehicles.

ii) Pharma companies seek to mange or downsize risks of large investments in their product portfolio and pipeline while addressing product quality and patient safety to comply with relevant regulatory requirements.

iii) Oil and Gas, Steel, and Energy companies apply advance approaches to manage the negative effects of financial markets and commodity-price volatility. As social and political demands for clean energy are increasing, these companies are actively pursuing growth opportunities to shift their portfolios in anticipation of an energy transition and a low-carbon future.

iv) Consumer goods companies protect their reputation and brand value to sound practices to manage product quality as well as labour conditions in their production facilities. Yet they are constantly challenged to meet consumers' ever-changing tastes and needs, as well as consumer-protection regulation.

Proactive Risk Management through focus on Quality and Safety

Investments in product quality and safety standards can bring significant return. One form of stakes in the energy sector is reduced damage and maintenance costs. At an international energy company, improved safety standards led to a 30% reduction in the frequency of hazardous incidents. Auto companies with reputations built on safety can command higher prices for their vehicles, while the better reputation created by high quality standards in Pharma create obvious advantages. As well as the boost in demand that comes from a reputation for quality, companies can significantly reduce their remediation costs, McKinsey research suggests that pharma companies suffering from quality issues lose annual revenue equal to 4 to 5% of cost of goods sold.

To achieve standing among customers, employees, business partners and the public, companies can apply ethical control on corporate practices end-to-end. If appropriately publicized and linked to Corporate Social Responsibility, the programme of better ethical standards can achieve significant returns in the form of heightened reputation and brand recognition. Customers, for example, are increasingly willing to pay a premium for products of companies that adhere to international quality and safety standards giving them assurance of low performance risk. Employees too appreciate being associated with more ethical companies, offering a better working environment and contributing to society.

Cyber Risk

Cyber risks were considered at two levels that is the government operations and the business operations. The world was alarmed when cyber attacks in the US election 2016 by Russia were widely publicized in the newspapers and social media. These attacks caused different US federal states to bolster the defenses of their voting systems. However, the experts feel that it has not been enough. J Alex Halderman, Director of the University of Michigan's Centre for Computer Security and Society, says that these election systems are still worryingly vulnerable. Halderman is well-known as the expert who testified before the US Congress and evaluated voting systems in US, Estonia, India, and elsewhere. The disclosure has made the US Federal Government to take protective steps so as to ensure that they run vulnerability scans on software.

Defining the Threat to a Company

In case of cyber risks companies normally doubt outsiders for the same. Organisations sometimes struggle to clearly define insider threat. There can be a number of interpretations and consideration of insider threat. But the most practical meaning would be that the term cyber risk posed to an organization due to the behavior of its employees, rather than other kinds of insider threat, such as harassment, workplace violence, or misconduct. For these purposes contractors and vendors are also considered employees: many of the largest cases recently have trusted third parties at their centre.

Insider threats arise from two kinds of employees: Those who are 'negligent' and those with 'malicious intent'. Negligent or co-opted insiders are easy for companies to understand: through poor training, middling morale, or pure carelessness, usually reliable workers expose the company to external threats. However, organizations often misunderstand malicious insiders in two ways as given below:

First, malicious insiders do not always seek to harm the organization. Often, they are motivated by self-interest. Second, malicious insiders rarely develop overnight or join the company intending to do harm.

McKinsey & Company conducted a review over 7800 publically reported breaches from 2012 to 2017, in USA, to identify the prevalence of insider threat as a core element of cyber attacks. The survey revealed that 50% of the breaches had a substantial insider component. It was not mostly malicious behavior, the focus of so many companies' mitigation efforts. Negligence and co-opting accounting for 44% of insider-related breaches, making these issues all the more important. In addition to being frequent, insider – threat breaches often create substantial damage.

A deeper issue of the study is weather in the world of competing cyber-priorities, where needs always seen to outpace budgets, it can be tempting to under invest in combating insider threat. The risk is not well understood.

Conclusion

The threat of cyber risks in all walks of life is spreading at a pace much faster than the constructive development and thereby current solutions are falling short. To combat of risks of malicious insiders, companies relies on user-behaviour software. While this method is helpful, it is observed that it falls short. By the time negative behaviours are detected, the breach has already occurred. Serial character may not be caught as he knows the loopholes very well and circumvent in a camouflaged manner. It is necessary to keep watch on outside as well as inside threats to manage cyber risks. ■

***Pradeep Chaturvedi,** Vice President, Institute of Directors

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Associate Vice President
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Saravanasan has over 30 years of experience in developing Human Capital with hard-core expertise in strategizing and executing models and frameworks across Organization Development, Talent Development, Talent Management, and Workforce Management. He is adept at delivering success for the organization and individuals by aligning their vision and goals. He is currently Associate Vice President – Talent Development, Omega Healthcare, (www.omegahms.com), Bangalore. Omega Healthcare is the leading provider of Revenue Cycle Management Process and Analytics Solutions in the healthcare industry. Our Technology-driven solutions and services, delivered by more than 12000 qualified employees, help to minimize costs and save time for our clients. Prior to joining Omega Healthcare, he held various Global Senior leadership positions in Organizations Cognizant, NIS Sparta, NIIT, APHDC to name a few.He holds a fellowship in Organizational HR and has Credentials from international organizations for the professional use of multiple Human Development tools and techniques. He is a Professional Certified Coach from International Coach Federation, Certified Life and Success Coach, Certified Human Potential Coach, Certified EQ Coach and a Behavioural Analyst.

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Vishnu Dadige is an associate member of Institute of Company Secretaries of India, New Delhi. He hasexperience in handling Corporate and Securities Laws both national and international regime. He is anadviser to many corporates in India and abroad and is assisting in complying with Code of Good Governance and Corporate Social Responsibility. He is working towards contributing to national and international regulatory bodies in developing Global Code of Conduct for Good Governance and CSR in line with IFRS and other regulatory norms. His vision is to bring Financial Technology to be implemented by all corporates for better compliance both in terms of accountability and transparency.

A REPORT

IOD Directors' Workshop

07 September 2018 at Hotel Crowne Plaza, Pune

Pune the city that was earlier known as the city to retire peacefully has become a metropolis of nearly 6 million people. The Auto Hub started by Bajaj, Firodias and Tata Motors is now home to global brands from Japan, Sweden, Germany etc. Best of IT companies have also registered their presence in Pune with huge campuses like Infosys, TCS, Tata Technologies, Capgemini and Persistent etc.

It was a milestone day for Institute of Directors at Pune on 7th Sept' 2018 with double celebrations of a Masterclass for Directors being inaugurated by its own Star Alumni i.e. Mr Parag Satpute, Managing Director, Bridgestone India Pvt Limited in the morning and later in the evening a Workshop on ' Strategy and Management' chaired by Lt. Gen. J. S. Ahluwalia PVSM (retd.), President, Institute of Directors. He also handed over Certified Corporate Directorship certificates to participants who had completed the three day course and also successfully submitted their dissertations.

The morning started with a batch of participants from best of Indian and Multinational Companies, including German, Japanese and Swedish companies in Pune, all wanting to learn about Board Governance, and get certified as Certified Corporate Directors.

The evening session at Maple Hall of Hotel Crowne Plaza Pune was in a hall packed with about 50 members. Chief Guest and Key Speaker was Lt. Gen. J. S. Ahluwalia while the Guest of Honor was Dr. Anil Lamba, a renowned Author, Finance Wizard and a most sought after Trainer on Finance for Board Members. Dr. Anil Lamba spoke about need for enhancing corporate financial literacy right from bottom to the Board levels.

Lt. Gen. J. S. Ahluwalia spoke about the enhanced responsibilities of Directors and hence greater need for training. He also explained about how IOD has pioneered the training of directors in India, and how IOD is providing Knowledge sharing and Networking platform in India and abroad i.e., London, Singapore and Dubai to its Director members. He also explained about the valuable role of IOD's Handbooks and Golden Peacock Awards in this context.

Lt. Gen. Ahluwalia also explained in depth about Strategy & Management under the changing corporate scenes and role of people, finance, intangible assets and also about 'Balanced Score Card', and how Performance Management &reporting help execute Corporate Strategy.

The august audience included Mr. Sushobhan Sarkar, Director National Insurance Academy, Mr. Vikrant Gandhe, Company Secretary Tata Technologies, Mrs & R. Adm. Mahendra Taneja, Mrs&Capt Mahesh Patnaik, Mrs & Col. Sukhpal Singh, amongst others.

Lt. Gen. Ahluwalia presented 'Certificate of Certified Corporate Director' to the 209th Batch of Masterclass held in July 2018 at Pune including Dr. Narsing Rao, IIMA Alumni and Director IBS, Mr. Guy Goves, Associate Director, Avalon Consulting, A global Consulting Co'

Mr. BijayLenka, CA & Director- Mexico & USA, RSB Transmission

The evening ended with a Vote of Thanks by Dr. Narsing Rao, Director, IBS, Pune.

All the participants thanked Lt. Gen. Ahluwalia for regularizing the Masterclass in Pune, as Pune is a growing corporate hub and has a huge presence of Swiss, Swedish, Japanese and German companies. The evening concluded with networking cocktails. ■

MFD Certificate presented to

Dr. Narsing Rao, Director IBS Pune
Mr. Guy Goves, Associate Director
Avalon Consulting, A Global Consulting Coby
Mr. Bijay Lenka
CA & Director- Mexico & USA
RSB Transmission and Director, IBS
by **Lt. Gen J. S. Ahluwalia** PVSM, (retd)
President, IOD

Masterclass for Directors Batch 215 with **President IOD at Crowne Plaza Hotel Pune**

Compiled By:
Vikesh Wallia
Regional Director - Western Region
Institute Of Directors

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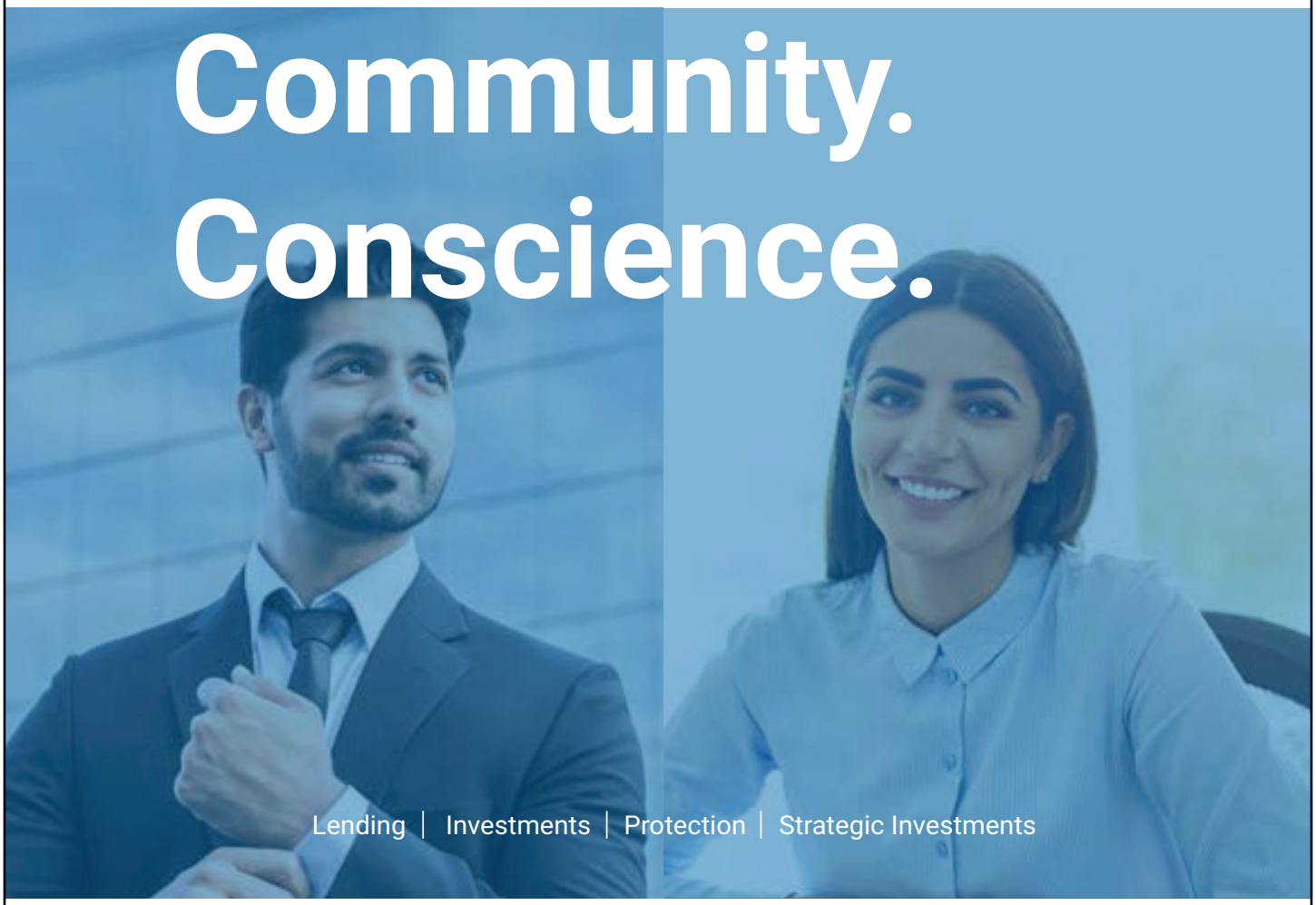

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News & Views

ECONOMY

Govt's first solar panel manufacturing tender draws zero response

The government's first tender for 3Gw of solar panel manufacturing, along with 10Gw of power plant, has received no bids. The tender was first issued in May this year and extended several times owing to resistance from the industry over tender specifications. Officials in the Solar Energy Corporation of India (SECI) — the nodal agency for renewable project tenders said the deadline has been extended "at the request of the industry." He further said that there is no case of failure of tender, as 15 days have been offered to the companies for submitting their bids. Sources said major players shied away from this bid, citing that there is no funding push from the Centre, which reduces the viability of solar manufacturing in the country.

Govt raises import duties on 19 major items to curtail widening CAD

Nearly two weeks after announcing its plans to curb "non-essential" imports, the government raised import duties on 19 items, including consumer electronics, diamonds, jewellery, jet fuel and leather footwear, to curtail the widening current account deficit. The import of these 19 items cost Rs 860 billion in 2017-18, according to the finance ministry. This, however, constituted just 2.8 per cent of India's total import bill last financial year, raising question marks over the efficacy of the measure. The highest number of items on the list belongs to the electronics category, which makes up the third-biggest chunk of the import bill after crude oil and gold. The customs duty on speakers, air conditioners, household refrigerators, and washing machines of less than 10 kg has been hiked from 10 per cent to 20 per cent.

SC upholds constitutional validity of Aadhaar card, but with caveats

The Supreme Court upheld the constitutional validity of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, but curbed the scope of the controversial biometric identity project by diluting several of its provisions. A five-judge Constitution Bench presided over by Chief Justice Dipak Misraruled that Aadhaar would not be mandatory for opening bank accounts and getting mobile connections. But the 12-digit unique identity number would remain mandatory for filing income tax returns and availing of subsidies and benefits under various schemes of the government, according to the majority judgment. The Bench said Section 139AA of the Finance Act, 2017, which made linking the Permanent Account Number(PAN) with Aadhaar mandatory, had a legal backing.

India ranks 96th on Economic Freedom Index; HK, Singapore retain top spot

India's rank improved by a couple of notches, but it was still placed 96th among 162 countries in this year's report on Economic Freedom in the World, released by the Centre for Civil Society(CCS) in conjunction with Canada's Fraser Institute. Last year, India's rank was 98.India improved its score on parameters such as legal system and property rights, access to sound money, freedom to trade internationally and regulation of credit, labour and business. However, its score declined in size of the government. In overall ranking, India was evenly placed among BRICS nations. While Russia and South Africa are ahead of India at 87th and 94th, China and Brazil are behind at 108th and 144th positions. The 2018 report is based on data from 2016.Hong Kong and Singapore again topped the index, continuing their streak as the first and the second country, respectively. New Zealand, Switzerland, Ireland, the US, Georgia, Mauritius, the United Kingdom, Australia and Canada (tied for 10th) were among the top 10.

Govt plans making Aadhaar compulsory for filings under Cos Act

The government plans to make Aadhaar compulsory for regulatory filings made by key managerial personnel and directors under the Companies Act so as to weed out bogus entities.There are more than nine lakh active companies in the country and the proposal comes at a time when authorities have stepped up efforts to curb money laundering activities through shell firms.Registered companies have to submit filings as mandated under the Companies Act in electronic format through the MCA21 portal.The Ministry of Corporate Affairs is "actively considering" integration of Aadhaar for availing various MCA21 related services.In a notice, the ministry has requested individual stakeholders to obtain Aadhaar at the earliest for "integrating their details with MCA21".Besides, it has emphasised that information in Aadhaar is in harmony with PAN (Permanent Account Number)."When implemented, all MCA21 services shall be available based on Aadhaar based authentication only," the notice said. ■

COMPANIES

IL&FS Financial Services defaults on Rs 4.4-billion loan and deposits

IL&FS Financial Services, a subsidiary of IL&FS, said it defaulted on Rs524.3 million of short-term deposit due September 27 and Rs1.04 billion of term deposit due on September 25. The company has also failed to make payments for five bank loans which was due from September 12-26 amounting to Rs2.85 billion. The Reserve Bank of India (RBI) has asked IL&FS Financial Services to reduce debt exposure in all the IL&FS group entities by March 2019 in conformity with the RBI's regulations on non-banking financial services on group debt exposure. The RBI's inspection of the IL&FS Financial Services Limited for fiscal 2018 revealed that the NBFC's exposure to IL&FS group entities have increased over last few years and it also breached the regulator's norms on capital adequacy ratio and group exposure limits as on March 2018.

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News & Views

Nalco to scale up downstream portfolio, plans Rs 55.2-bn project

National Aluminium Company (Nalco) is placing high stakes on downstream Aluminium business. After co-developing a downstream park with Odisha Development Industrial Infrastructure Corporation (IDCO) and planning joint ventures with foreign players- Almex and Rusal, the navratna company has pledged an investment of Rs 55.2 billion on a major downstream complex at Kamkhyanagar in Dhenkanal district. Billed as the largest investment in metal downstream space in Odisha, the project will be funded wholly from Nalco's internal accruals. "Nalco's focus is on constant value addition. There is huge demand for value added aluminium products. Apart from catering to the demand, product diversification will also shore up our margins", said Nalco's chairman & managing director T K Chand. For the planned downstream complex, 188 acres of land has been identified.

Honda Cars India to step up auto parts export to counter falling rupee

HondaCars India plans to step up export of auto components in a bid to shield itself from the falling rupee, company's top official said. The local arm of the Japanese car maker, which exported components worth Rs 15 billion in the 2017-18 fiscal year to Honda's subsidiaries across countries such as Philippines, Thailand, and Japan, is looking to ramp up overseas shipment and aggregates to Rs 17 billion by the end of this fiscal year. The move will offer a "natural hedge" against the depreciating rupee, said Rajesh Goel, senior vice president and director sales and marketing at Honda Cars."An aggressive localisation of the models and exports of cars and parts are the only ways to counter the falling rupee," said Goel. Since the launch of the Amaze compact sedan in April 2013, which marked the company's entry into diesel car segment, Honda India has been stepping up exports of components every year, he added. The rupee has been slipping against the US dollar in recent days as emerging markets come under pressure. That has made the local currency one of Asia's worst performers, losing 12 per cent this year, Bloomberg reported. On Monday, the rupee closed at 72.45 to the dollar. Like other global car makers in India, Honda imports parts and completely knocked-down kits of cars from Japan, Thailand, and some other south-east Asian countries. A depreciated rupee will bump up the company's import bill.

Flipkart doubles seller additions ahead of Big Billion Days sale next month

Post Walmart's acquisition of 77 per cent stake in Flipkart, the Indian e-commerce giant says it is seeing higher level of interest from sellers to register themselves onto its platform. According to the Bengaluru-based firm, its rate of addition of new sellers has doubled during the last six months period, in the run up to its Big Billion Dayssale next month."We have one lakh plus registered sellers. In the last six months, we have (seen) new sellers going live on Flipkart doubling (in number)," said Nishant Gupta, Senior Director Marketplace at Flipkart. While the addition of sellers has happened across the board, categories like fashion, home-related segments have seen most additions."Entire fashion category has seen a phenomenal growth. In fashion, you have clothing, accessories, footwear. Then, we have also seen growth in home-related segments like furnishings, decor and household items. Even general merchandise items like toys and baby products have seen a lot of growth," added Gupta.

Maruti to move factory out of Gurgaon; shift inevitable

The relocation of Maruti Suzuki's plant in Gurgaon to a less inhabited area is inevitable, company chairman R C Bhargava said. The thirty-five-year-old plant was the company's first manufacturing facility and has a capacity to make about 700,000 cars every year. Bhargava said the relocation has to be done in a phased manner. "In the process of shifting you cannot stop the production from this plant for six-twelve months". The plant accounts for over one-third of the company's total production capacity. He said project managers will look at best ways to undertake the relocation of the facility. Besides Gurgaon, the country's largest car maker has another manufacturing unit in Haryana, at Manesar with a capacity of 800,000 units. Its parent, Suzuki Motor Corp, has made an investment in a Gujarat unit that sells cars to Maruti Suzuki for retail through the company showrooms. More than 4,000 trucks enter and leave the company's two plants in Haryana every day. The two plants receive raw materials and components from the 2,500 vendors in more than 3,400 trucks daily and send out 650 trailers loaded with cars every day. That obviously means a lot of congestion and traffic hassles for the residents.

FINANCE

Performance-based fund infusion for public sector banks unlikely

The government may ditch its plans to infuse capital into public sector banks (PSBs) based on their performance and reform measures this financial year, as it looks to pump in money to meet regulatory requirements and help grow loan books of the banks. This comes following demands from PSBs that they may require early funds from the government to help them in lending more to the industry. In its latest move, the government has decided to infuse Rs54.3 billion in the Punjab National Bank (PNB), which was hit by Rs143-billion fraud, through recapitalisation bonds. The Delhi-headquartered bank had demanded an additional capital of around Rs80 billion for 2018-19 earlier this year following the fraud. After rejecting its demand earlier, the government has infused Rs82.5 billion in PNB so far. The Centre had earlier pumped in Rs 28.2 billion into PNB for meeting its minimal capital requirement at the time of paying interest towards Additional Tier 1 (AT-1) bonds.

Govt to consider PSBs' demand to relax PCA framework for banking system

The Union government it will consider demands from public sector banks(PSB) to approach the Reserve Bank of India (RBI) on relaxing the Prompt Corrective Action (PCA) framework for the banking system in the country. FinanceMinister ArunJaitley held the annual performance review meeting of PSBs and discussed wide-ranging issues, including the need for early capitalisationof banksthis fiscal year."Bankers have certain expectations which I have told them we will consider. Some of them (banks) mentioned that the PCA guidelines should be revisited as they are indirectly affecting their lending ability. The government be more upfront in capital requirement of some of these banks," Jaitley said. He said the government was as keen as the banksto ensure the opportunity of high consumption cycle, high economic growth, bad loansrecovery, and credit off-tick "is not missed."

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News & Views

SEBI issues show-cause notices to 300 brokerages in NSEL case

The Securities and Exchange Board of India (SEBI) has issued a show-cause notice to 300 brokerages whose clients lost significant money in the infamous Rs 56-billion National Spot Exchange (NSEL) scam. SEBI's notice alleged that these brokerages no longer meet the "fit and proper person" criteria and hence should not be allowed to continue as intermediaries. The regulator asked these brokerages to explain why the action recommended should not be taken against them under the prescribed provisions of SEBI (intermediaries) and SEBI (stock-brokers and sub-brokers) regulations. SEBI's fit and proper criteria define basic conditions that intermediaries need to fulfil in order to perform their duties and responsibilities. Among key conditions are integrity, absence of any conviction and not being a willful defaulter. The regulator said that it has initiated adjudication proceeding and appointed designated authority on September 21 to inquire into the alleged violation of the fit and proper norms.

REGULATORY

MCA Amends Companies Indian Accounting Standards rules

MCA Amends Companies Indian Accounting Standards rules by which it has amended Ind AS 20 on Government Grants, Ind AS 12 on Income Taxes, Ind AS 16 on Property, Plant and Equipment & Ind AS 38 on Intangible Assets vide notification dated 20 September, 2018.

MCA amends Companies Corporate Social Responsibility Policy Rules

Summary of the amendments brought in vide the notification dated 19th of September, 2018:

a) The meaning of the word during any financial year used in section 135(1) was not clear. In the absence of such clarification different views were possible as to whether a company should consider net worth / turnover / net profit for immediately preceding financial year or the current financial year. In order to resolve ambiguity, the words any financial year has been replaced with the words immediately preceding financial year.

b) In case of companies where Independent Directors are not required to be appointed as per Rule 5(1), it was not clear as to how many minimum directors are required in CSR Committee.

With the amendment, it is clarified that in case of such companies, the CSR Committee may be formed with two or more Directors. Amendment to Section 135 of the Act allows composition of CSR committee with two or more directors in case the company is not required to appoint Independent Director under section 149(4).

c) The amendment related to Sub-section (3) of Section 135 is again clarificatory change. Initially the subsection refers to areas or subjects as provided in Schedule VII within which CSR activities could be taken up by an eligible company. Schedule VII indicates the broad areas of activities for spending as CSR.

Accordingly, to bring more clarity, instead of providing that CSR policy has to indicate the activities to be undertaken by the company as specified in Schedule VII, it should indicate the activities to be undertaken in areas or subjects specified in Schedule VII. To bring harmony the Companies (Corporate Social Responsibility Policy) Rules has also been amended accordingly.

d) CSR Rules define the term, net profit. However, explanation to Section 135(5) provides that for the purpose of this provision, the average net profit shall be calculated in accordance with Section 198.

Accordingly, there was disharmony in the Act and the Rules. For better clarity in Section 135(5) the words Average Profit is replaced with the words net profit, to bring harmony.

MCA amends Companies (Prospectus and Allotment of Securities) Rules, 2014

Every unlisted public company shall issue securities only in dematerialised form and facilitate dematerialisation of all its existing securities in accordance with provisions of the Depositories Act, 1995 and regulations made thereunder. Every holder of securities of an unlisted public company

- Who intends to transfer such securities on or after 2nd October, 2018 shall get such securities dematerialised before the transfer; or
- Who subscribes to any securities of an unlisted public company on or after 2nd October, 2018 shall ensure that all his existing securities are held in dematerialized form before such subscription.

No government approval needed for compensation of directors: Company Appointment and Remuneration

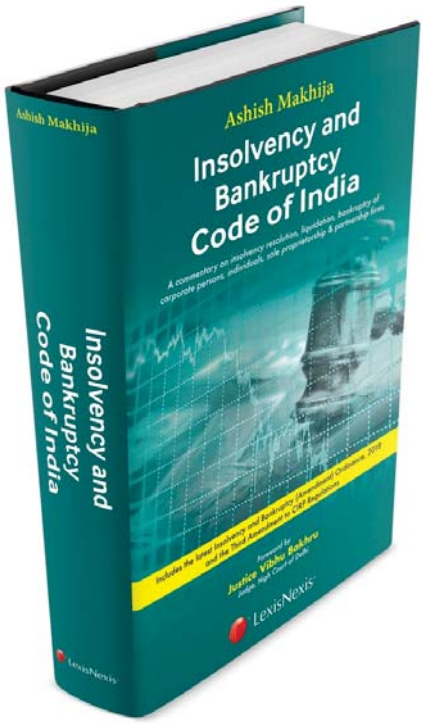
The total managerial remuneration payable by a public company, to its directors, including managing director and whole-time director, and its manager in respect of any financial year shall not exceed eleven per cent. of the net profits of that company for that financial year. Provided that the company in general meeting may authorise the payment of emuneration exceeding eleven per cent of the net profits of the company, subject to the provisions of Schedule V. No cg approval would be required.

DIR-3 KYC – Application for KYC of Directors

DIN holders who have not filed their DIR-3 KYC yet, can file it now, with a fee of Rs. 500 from 21st September till 5th October 2018.From 6th October 2018 onwards, a fee of Rs. 5000 will be payable for reactivation of the DIN.MCA extended the due date of filing DIR-3 KYC till 15th September 2018.The penalty of Rs. 5000 will be applicable post 15th sep 2018.

BOOK REVIEW

INSOLVENCY AND BANKRUPTCY CODE OF INDIA



Review:

The Insolvency and Bankruptcy Code is a path breaking statute with no judicial precedents and the practitioners, regulatory authorities and the judicial forums are keenly looking to interpret the provisions in a reasonable manner.

The book 'Insolvency and Bankruptcy Code of India' authored by Ashish Makhija is a comprehensive section wise commentary on the Insolvency and Bankruptcy Code, 2016.This book provides legislative history, detailed analysis of all the provisions of the Code besides citing judicial precedents available so far. It covers the latest amendments brought by the Amendment Ordinance 2018 and amendments in the Corporate Insolvency Resolution Process Regulations.

The entire structure of this book has been carefully planned and covers the latest amendments brought by the Amendment Ordinance 2018 and amendments in the Corporate Insolvency Resolution Process Regulations.

The tabular presentation within the commentary is unique and explains the provisions at a glance. At several places the author has given his note where the judicial precedent do not seem to be correct and where the language employed in the Code is also inconsistent to the objectives sought to be achieved.

The book will be found useful for legal & insolvency practitioners, Chartered Accountants, Company Secretaries, Compliance Experts and other Financial Professionals as this Code has far reaching implications for all professionals in the financial sector.

Priced at Rs. 2995 , the book is available at varied offers, across major e-commerce platforms.

■

About The Author:

Mr. Ashish Makhija

Corporate Strategist, Consultant and Lawyer, Partner, AMC Law Firm

He is the Standing Counsel for the Official Liquidator (Ministry of Corporate Affairs, Govt. of India) attached to the High Court of Delhi. He is also the Managing Attorney of AMC Law Firm, headquartered in Delhi. A member of NCLT committee, he is associated with notable institutions, namely LawPact, The Lawyer's Network, Global Outsourcing Association of Lawyers, Supreme Court Bar Association, Delhi High Court Bar Association, Delhi Bar Association, Competition Commission Bar Association and many more. a well known author of a number of legal publications, and renowned speaker for conferences and directors' training.

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News & Views

MERGERS AND ACQUISITIONS

Flipkart acquires Upstream Commerce to optimise pricing of products

Walmart-backed e-commerce marketplace Flipkart has acquired Israeli-based Upstream Commerce for an undisclosed amount as it looks to further optimise the pricing of products on its platform to better compete with rival Amazon. Upstream Commerce is a retail price optimisation platform that tracks prices and availability of products across several retailers including Walmart, Amazon, Barnes&Noble and Costcoto give its customers real time insights that help them be more competitive."They've been around for years and serve multiple e-commerce customers around the world. Their focus will shift a lot towards Flipkart, but will continue to serve their other customers as well," said Anil Goteti, Vice President and Head of the Flipkart Market place and 2GUD.

Altor Executive Search, Vito India merge to tap growing financial sector

Two domestic executive search firms, Vito India Advisorsand Altor Executive Search, will together form India's largest financial sector search and advisory firm 'VitoAltor' Advisors. This is an indication of consolidation to attain scale for tapping opportunities in the rapidly expanding Indian financial sector. VitoAltor will commence joint operations from October 1, 2018, but will take around three months to be fully integrated. The new entity will be India's largest financial services executive search specialist (by market share), said Vito and Altor in a combined statement. The partners and teams of Vito and Altor have entered into a binding agreement to form a larger platform -- VitoAltor Advisors LLP, said Saket Jain, founding-partner of Vito India Advisors, and Supreet Singh, founder of Altor Executive Search. A technical arrangement involves the merger of Altor with Vito. Reuben Mistry, CEO, Vito India, will be the new CEO of the merged entity.

Michael Kors nears $2 billion deal to buy Italy's Versace: Reports

Luxury brand Michael Korsis close to a deal to buy hallowed Italian fashion house Versace for about $2 billion. Michael Kors, whose roots are in the United States but which is headquartered in London, could announce a deal soon. Donatella Versace, the brand's artistic director and vice-president of the group, had called a staff meeting in Milan. Twenty per cent of Versace, known for its Medusa head logo, was bought by US private equity group Blackstone in 2014, and the family owns the rest.The group, founded by designer Gianni Versacein 1978, boasted sales of 686 million euros in 2016 and turnover is expected to exceed one billion euros in the "short term", CEO Jonathan Akeroyd said The transaction would be intended to position Michael Korsmore fully as a competitor to Paris-based LVMH and Kering and the Swiss company Richemontamong global heavyweights in luxury across various product lines, analysts said.

Japan's Orix Corp keen to acquire a majority stake in crisis-hit IL&FS

Orix Corporation of Japan, which owns 23.54 per cent in crisis-hit Infrastructure Leasing & Financial Services (IL&FS), is keen to acquire a majority stake in the infrastructure development and finance company. It wants to infuse fresh capital into the company from overseas so that it can meet its financial obligations. According to a source close to the development, Orix, a global financial services player with revenues of $23.5 billion, has two representatives on the IL&FS board and is the largest shareholder in IL&FS after Life Insurance Corporation, or LIC (25.34 per cent)."With its global reach, Orix has access to cheap and long-term capital. It can raise funds from Japan at 1-2 per cent and that too for 40 years needed for infra projects. The Japanese want expeditious clearance from the Indian government for the transaction and are awaiting special audit reports by the Reserve Bank of India (RBI) on IL&FS and IL&FS Financial for its next move," said a source.

PERSONS-IN-NEWS

Ritesh Agarwal: The 24-year-old who built $5 bn hotel startup OYO in 5 yrs

Finding clean, affordable hotels in India can be a traveler's nightmare. Too often, what looks good on a website turns out to be a roach-infested room in a crumbling building where water has to be schlepped to the bathroom in a bucket. Ritesh Agarwal's solution is a booking app that promises truth in advertising and branded hotels that don't deliver unpleasant surprises. The chain he started in 2013, OyoHotels, has already become the largest in India, a chaotic market worth $4.5 billion, according to New Delhi-based researcher Hotelivate. Now Agarwal is going overseas with his franchise model, which combines a reservation site with a full stack of services for small hoteliers who want to up their game. Yesterday the company said it's raising $1 billion from Soft BankVision Fund, Sequoia Capital and other investors to fund expansion in countries including China, where Oyoo pened in November. Last week it started service in the U.K., bringing the business to a developed market for the first time.

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News & Views

Cyrus, Shapoor Mistry debut in rich list; Mukesh Ambani retains top spot

The Mistry brothers of the Pallonji Mistry Family, the largest shareholders of Tata Sons, have broken into the Top 10 list of rich people in India, according to a new report by Hurun. The Barclays Hurun India Rich List 2018, ranks Cyrus Mistry, erstwhile chairman of Tata Sons, who was ousted in a 2016 boardroom battle, ninth along with his elder brother Shapoor Mistry. Their wealth stands at Rs 694 billion each, ahead of Patanjali co-founder Acharya Balkrishna, who has slipped to the eleventh spot on the list. Balkrishna's wealth this year stands at Rs 570 billion, below Rs 700 billion that was reported last year. This comes as Patanjali's rate of growth has slowed this year owing to stiff competition from rivals. Mukesh Ambani has retained the top spot as the wealthiest Indian for the seventh consecutive year. Wealth of individuals in the report has been calculated based on net worth as on July 31, 2018

Hotstar CEO Ajit Mohan to join Facebook India as Managing Director

Star India's Ajit Mohanwill be joining Facebook India as the new managing director and vice-president. He will join Facebook India early 2019. Mohan was among the many media and FMCG executives that Facebook had approached for the job. Others, reportedly, approached for the job include Star India MD Sanjay Gupta, Viacom18 MD designate Sudhanshu Vats and HUL's Sudhir Sitapti. In this newly created role of MD for India, a VP-level role, Mohan will be responsible for aligning teams, driving Facebook's overall strategy in India, and driving Facebook's investments in the country. This is a new structure for Facebook India of having a senior leader reporting into Menlo Park and not Asia Pacific. He will lead a senior leadership team in India that will strengthen Facebook's relationships with people, businesses, and government and intensify the company's efforts to help people in India connect with the people and things they care about.

Pradosh Kumar Rath assumes charge as CMD of Rashtriyalspat Nigam Limited

Pradosh Kumar Rath assumed charge as the new Chairman-cum-Managing Director of Rashtriya Ispat Nigam Limited, the corporate entity of Visakhapatnam Steel Plant(VSP).He was earlier the Director (Operations) of RINL. Addressing the employees, Rath said RINL- VSPis known for the commendable work and team spirit shown by its people. He exhorted the employees to continue to exhibit these qualities, demonstrate aptitude to learn, implement and overcome all challenges to take RINL to greater heights. Rath started his career in RINL- VSPas a Management Trainee in 1983 and has worked in various capacities during his 35 years of experience in steel making process in VSP itself. RINL Directors, senior officials across the organisation, representatives of Steel Executive Association, trade unions and a large number of customers extended their greetings on the occasion. ■

INTERNATIONAL

Crypto boom over, blockchain startups tap Nobel winners to stay in business

With crypto currency mania over for now, block chain start ups need to dig a little deeper to attract attention. Their latest secret weapon being Nobel laureates. Covee Network is the latest venture to announce a partnership with an economist of the highest standing: game-theory and market design expert Alvin Roth, who shared the economics Nobel in 2012. Prysm Group is borrowing the brain -- and name -- of Oliver Hart of Harvard University, a 2016 co-laureate; and Cryptic Labs LLC has partnered with both Eric Maskin -- who shared the prize in 2007 -- and Christopher Pissarides -- a 2010 co-laureate.A year ago, just uttering the word "blockchain" was enough to spark interest. Photography pioneer Eastman Kodak Co. last year had a brief return to fame, and a 272 percent share-price jump, after a crypto currency licensing its name was announced. And soft-drink company Long Island Ice Tea Corp. rebranded as Long Blockchain Corp., with similar results, only to end up accused of misleading investors.

Malaysia in talks to become first in Asia to legalize medical marijuana

Public outrage over a death penalty handed to a 29-year-old man is spurring Malaysia to start talks to legalize marijuana for medical use, racing to become the first Asian country to do so.The cabinet "very briefly" discussed the medicinal value of marijuana and have started early and informal talks on amending the relevant laws, Minister of Water, Land and Natural Resources Xavier Jayakumar said in an interview in Putrajaya, the country's government center.For now, the focus is on overturning a death sentence handed last month to a man convicted of possessing, processing and distributing medicinal cannabis oil. Prime Minister Mahathir Mohamad, 93, has said the verdict and relevant law should be reviewed in the country, where Muslims make up more than half of the population. The cabinet has reached consensus to remove capital punishment in the man's case, but garnering support for legalizing medical marijuana will be "an uphill battle," Xavier said.

China announces plan to cut import tariffs amid brewing trade war with US

China unveiled plans to cut tariffs for products including machinery, electrical equipment and textile products beginning on Nov. 1, as the country braces for an escalating trade war with the United States.The cuts on over fifteen hundred industrial products are expected to lower costs for consumers and companies by about 60 billion yuan this year. The overall tariff level will be reduced to 7.5 percent in 2018 from 9.8 percent in 2017 as a result. Beijing has pledged to take steps to increase imports this year amid rising tension with some of its biggest trade partners, such as the United States.Beijing accused Washington of "putting knife to its neck" as US tariffs on $200 billion worth of Chinese goods kicked in on Monday, prompting Beijing to retaliate with additional tariffs on $60 billion of US products including liquefied natural gas (LNG).

Average tariffs for machinery and electrical equipment - one of China's biggest imports by value - will be reduced by nearly a third to 8.8 percent from 12.2 percent.

After Whatsapp, Instagram founders quit amid tensions with Zuckerberg

The founders of Instagramare leaving Facebook Inc. after growing tensions with Chief Executive Officer Mark Zuckerberg over the direction of the photo-sharing app. Kevin Systromand Mike Krieger, who have been at the company since Instagram's acquisition by Facebook in 2012, had been able to keep the brand and product independent from Facebook. Lately, they were frustrated with an unusual uptick in day-to-day involvement by Zuckerberg, who is now more reliant on Instagramfor Facebook's future growth. Without the founders around, Instagram is likely to become more tightly integrated with Facebook, making it more of a product division within the larger company than a separate app. ■

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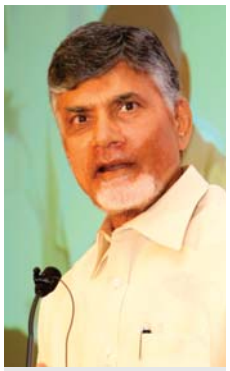

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