



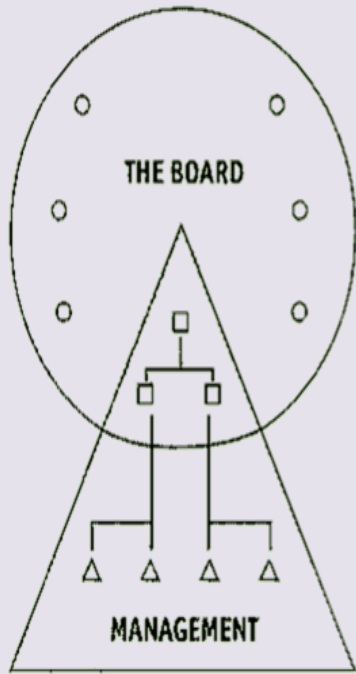
Governance Landscape in India

- Y. M. Kale

Friday, 15th July 2022, 10:30 AM – 11:30 AM

WIRC National Conference, ICAI Tower, BKC

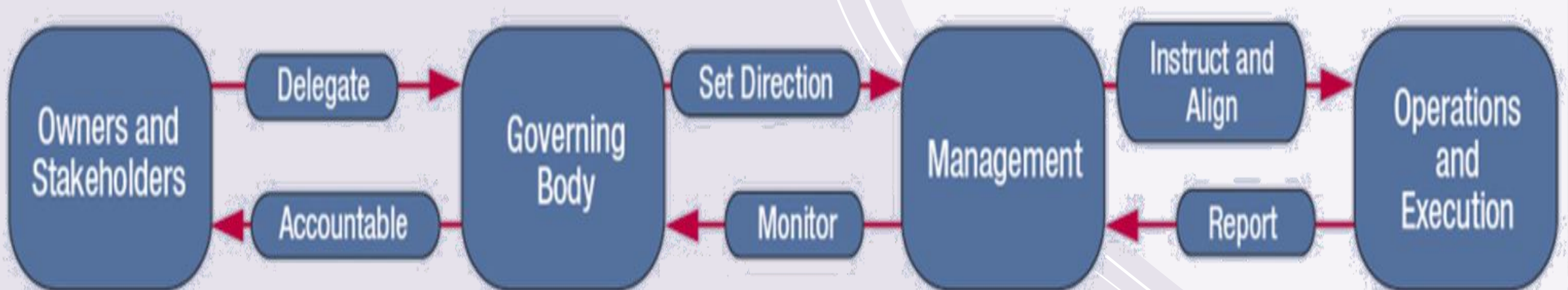
Governance



- Outside, non-executive directors
- Executive directors
- △ Other managers

Governance is the **system, form and style** by which businesses are **directed and controlled** consistent with **Regulatory & Internal Frameworks**, through an **Oversight-body (BoD)** and management in the best interests of the **stakeholders** and others with **transparent and timely reporting**.

Roles, Activities and Relationships



Drivers changing Governance Landscape

- **Leverage** due to **Global Pandemic & Internationalized Businesses**
- **Governance function not seen in isolation**
- **From “Specialist” to “Business Enabler”**
- **New Roles, Skills & Agenda**
- **Expectations of Internal & External Audiences**

Leverage due to Global **Pandemic** & **Internationalized** Businesses

Governance = Caution new landscape **Governance = Value Creation**

- **Free Markets / Light-touch Regulation**
- **Post Pandemic, Governance not to revert to reactive functions**
- **Shift in accent / direction of demands on Roles & Tasks**
- **Change in Emphasis, influence & Pressure Points**

Governance function not seen in isolation

- **Business Complexity & Reach**
- **World Economy as a Whole**
(Overstretch)
- **Credit Crisis / Geographic Segments**
- **Need for a different kind of Leadership**

From “Specialist” to “Business Enabler”

- **Restructuring**
- **Divesting underperforming assets**
- **Acquisition targets**
- **Identifying recovery vulnerabilities**
- **Reviewing alliances & Supply Chain**
- **Business Plans & Bankable Financials to investors / lenders**

New Roles, Skills & Agenda

- **Harnessing Technology** - Automation and Digitization
- **Creating Value**
- **Managing Costs**
- **Commercial Focus**
- **Sensitivity to wider “Business” interfaces**

Harnessing Technology

Automation &
Digitization

= **A, B, C & D**

Artificial
Intelligence

Block
Chain

Cyber-
Security

Data
Analytics

Cyber Security

- **Protect Networks & Computers**
- Control unauthorized **access**
- Extending **beyond** the **office**
- Security of **Drives & Disks**
- Precautions Re **Viruses**
- **Updating** devices - hardware, esp. software
- **Responsibility** fixing
- Staff **training** and awareness
- Record keeping & **testing Security** measures
- **Recovery** Plan and **Disaster** Management

Creating Value

- **Investment** Decisions
- Augmenting Asset-based **borrowing** from Lenders
- **Treasury** Management – Rogue traders
- Legal **Entity reduction**
- Transaction **Shared Service Centers**
- **ERP** Consolidation

Managing Costs

- Balance cost **cuts** with long-term **impacts**
- Cost reduction not at expense of **Service Levels**
- **IT Dept Opportunities**
 - Optimizing application portfolio
 - Align **services** to business **needs**
 - Analyse and **rationalize** Software **licenses**

Commercial Focus

- Eye on **Targets**
- Configuring **Efficiencies**
- Driving **value** for money **initiatives**
- **Functional** allocation of working **hours**

Sensitivity to wider “Business” interfaces

- Utilizing **Brands** & **Intellectual Property**
- Using **Consultants** on Assignments –
 - **Standard** Assignments: **Tasks** & **Outcome** broadly **known**
 - **Non-standard** assignments: **Defined tasks** but **unbounded outcomes**
- **Sectoral** Challenges – **Domain** Knowledge

Expectations of Internal & External **Audiences**

- **ESG** etc
 - Key Metrics: Data related to **Ethics**,
Accountability, **Transparency**, **Communication**,
Leadership, other **Initiatives**
- **Triple** Bottom Line Trends
- **Insurers**, **Re-Insurers**, **Fin Markets**, **Banks**
- **Investors** & **Analysts**

Environmental, Social and Governance (ESG)

- Spurred by COVID19, COP26 Summit & IPCC Reports
- Key Metrics: (i) Environmental, (ii) Social & (iii) Governance
- Indian Requirements –
 - BRSR
 - ESG MF Grow > 12K Cr
 - Commitment to Net Zero Carbon by 2070
- Investor & Activist pressure to comply –
 - Multiple ESG Reporting Standards
 - Sector Specific Reporting Frameworks
- Opportunities for both Risk mitigation & Value creation
- India's ESG Agenda backed by Finance Act 2022

Governance Landscape under LODR

(Reg 16 to 27 – Listed Co Eq over 10 Cr. & NW > 25 Cr.
+ high value debt listed entity i.e. NCD ≥ 500 Cr.)

- Board **Composition** etc.
- Board **Responsibilities**
- Publishing **Periodic Results**
- **Related Party** Transactions
- Listed Co/Material Subsidiary Statutory **Auditor**
Resignation
- **Timelines** for periodic compliance

Board **Composition**

- **Number, Distribution, Gender**
- **NED** not less than 50%, **ID** $\frac{1}{2}$ or $\frac{1}{3}$,
ED $\leq 50\%$
- **Managerial** Appointment sanction
- **Meeting periodicity & quorum**

Board **Responsibilities**

- Review, **rectify** non-compliances
- **Succession** Plan
- **Code of Conduct**, **ID** duties, evaluation
- **NED compensation**, GM approval
- Specified **Info before BoD?**
- **CEO & CFO Compliance Cert.**
- **Risk** assessment & management



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