



# Changing Governance Landscape in the Country

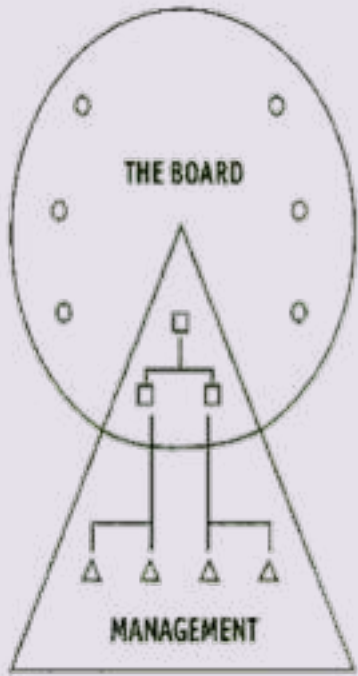
*- Y. M. Kale*

**Saturday, 04<sup>th</sup> June 2022**

WIRC-ICAI's 36<sup>th</sup> Regional Conference at Buntara Bhuvan,  
Baner, Pune

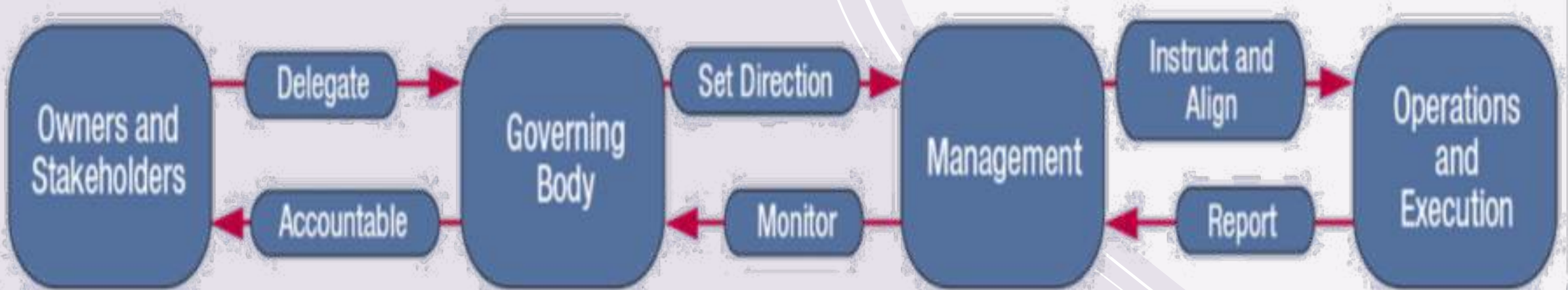
# Governance

**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**.



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

## 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**

**A**rtificial  
Intelligence

**B**lock  
Chain

**C**yber-  
Security

**D**ata  
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**

## Expectations of Internal & External Audiences

# Environmental, Social and Governance (ESG)

## ▪ Business Responsibility and Sustainability

### Report (BRSR) -

- Mandatory in India **1/4/22**
- For top 1000 ListCo
- Size, location, products, employees, CSR

## ▪ Global Standards and Frameworks

## ▪ Sector-specific ESG Reporting Frameworks

# 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  $\geq$  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



# विनियम !

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