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the Need for Vigilance
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From President's Desk

Finance and Business Partnering

Financial resources are a key constraint that organizations have to manage. Sustainability has further heightened pressure to balance financial performance with social and environmental performance. Sustainable organizations achieve long-term economic performance, while generating positive value for society and minimizing their environmental impact. Management accounting aligns sustainability activities with strategy, by linking them to business drivers and the business model.

Boards and senior management are responsible for leading long term sustainable success, and generating value for stakeholder's overtime, by determining strategy, setting the risk appetite, articulating the organization's culture and managing change. Performance management includes strategizing, planning, executing and reviewing. The business model explains how value is generated, delivered and preserved. Knowledge of finance by non-finance staff helps financial discipline get more embedded in the organization.

Management needs to understand the global macro-economic environment. Develop finance departments key performance indicators, to align with organization's strategic objectives for speed and quality of decision making, robustness of organizational strategy and the ability of the organization to innovate and adapt to change.

Finance departments though conservative will be successful by using their distinctive positions to look across the organization, establish what is needed and look to fill relevant gaps in organizational capability. It can make valuable contribution to decision making, commercial negotiations and strategy. Not only finance, but most functional departments such as marketing, IT, HR, all aspire today to greater strategic and decision making influence, through shifting innovation.

Finance's unique positions, and the independence versus involvement dilemma, are getting more pronounced. The involvement of finance professionals in business decision making, strategy development and driving performance is nothing new. Business understanding is gained through talking with stakeholders and observing and involving with business in action. Finance professionals have been striving to play business partnering roles for many decades, while business partnering requires attention to a wide range of challenging areas.

To achieve success, organizations need an effective management accounting function to complement their financial accounting system. Management accounting facilitates integrated thinking so that the full range of decision-relevant information is considered. Management Accountancy combines financial expertise and business acumen, to achieve sustainable success.

Management accounting helps organizations make better decisions by extracting value from information. Rooting decisions on evidence and informed judgment rather than conjecture, makes sustainable success more achievable. All the Global Management Accounting Principles flow from this ambition. Management accounting professionals are expected to be ethical, accountable and mindful of the organization's values, governance requirements, social responsibilities, and behave with integrity, objectivity to constructively challenge any corporate values.

Management accountants have a vital role in supporting organizational performance, through creating plans and monitoring execution. Quality decision making has never been more important. Competition is relentless, as new innovations disrupt the status quo. The volume and velocity of unstructured data is increasing complexity. Communications provide insight and, Cut through silos to encourage integrated thinking.

Management accounting is the sourcing, analysis, communication and use of decision-relevant financial and non-financial information, to generate and preserve value for organizations. All CFOs have responsibility for the management accounting function. Management accounting links strategy to the business model through the performance management system. Management-accounting is a finance business partnering.

Developing effective systems and processes is an ongoing challenge, requiring looking at the whole and starting with the end in mind. Apart from strategy, analytical knowledge of other disciplines like marketing, risk, sustainability and IT are vital. Business partnering, usually include Involvement in strategy formulation, Commercial negotiations and business analysis. A management accounting strategy should be developed setting out measures to close the gaps.

IOD's 'London Global Convention' is being held in London from 7 to 9 October this year. It has a 'Global Business Meet' at House of Lords on 7th morning and 8 and 9 October will look into the latest trends in 'Corporate Governance' and 'Sustainability'. A 'Welcome Reception' and special Panel Discussion is being organized by the 'Institute of Chartered Accountants in England and Wales' (ICAEW) on 7th evening from 1830 hrs onwards. The panel takes on the much debated role of the finance professionals in Business. The discussion, based on the ICAEW's recent thought leadership report on 'Finance Business Partnering', will help clarify the role and position of 'CFO', 'Finance department', and 'Management Accounting'.

Lt. Gen J. S. Ahluwalia, PVSM (retd.)
President, Institute of Directors
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The Role of the Accountant

However unsettled the global economic climate is, the challenges it represents also offer opportunities for the finance profession to demonstrate the crucial importance of the role it plays.

The finance professional brings discipline to business activities and, by extension, serves the public interest, being part of the solution rather than the problem.

It has been looking extensively at its own activities and structures to ensure it is in the best possible shape to provide answers. For example, accountants and regulators have been conducting a re-evaluation of the concept of the independence of the auditor.

The profession's aim is to strengthen the value and the quality of financial reports. ACCA (the Association of Chartered Certified Accountants) is open to the idea that reports should be more informative and less defensive in their format, and we know from the extensive research we undertake and the conversations we have that the profession is reiterating the importance of the concept of professional scepticism.

In the corporate sphere, the skills of the professional accountant are highly relevant to the efforts that companies now have to make to tighten up their corporate governance and internal control arrangements. We need to have a hand-in-glove approach to strengthening governance and disclosure – the two should be inter-dependent - and audit is an important part of the equation.

As a profession, accountants have obligations to always act in the best interests of constituents and employers. But, as seen throughout recent times, accountants are also subject to ethical responsibilities to act within the law and to resist internal pressures for them to do otherwise. This is one of the key disciplines which differentiate professional accountants from individuals who are not qualified, and are therefore not subject to regulation or disciplinary codes.

This short paper is set within this broad context of balancing risk and reward, good governance and ethical behaviour.

To address these issues in turn, this paper has used a number of ACCA's research and insights reports which all consider a number of challenges and opportunities:

The Risk and Threat of Pillage

Pillage used to solely be a term of war which meant 'to take everything of value from a place that has been conquered'. These days, pillage can be used to talk about any organisations who take other peoples' or organisations' assets. As a prosecuted offence, pillage seemed to disappear after the Second World War, but globalisation and the related supply chains have seen it re-emerge in the 21st century. ACCA's report Pillage: a new threat to global supply chains; explored the business risk associated with economic war crimes as supply chains lengthen and activist interest grows.

Shifting regulatory, jurisprudential and public opinion landscapes have revitalised the war crime of pillage as an offence, and business must respond. This is because pillage poses a multilayered threat to multinational business. Its interaction with money laundering offences extends the risk from direct involvement to guilt by association. Businesses can be open to prosecution for money laundering if pillaged goods are found in their supply chain.
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The growth in regulation reflects the enhanced recognition of the role business should play in society. It is not enough simply to provide benefits; businesses must also refrain from doing or promoting harm. From a long-term financial perspective, the only real defence against the possible impacts of pillage on a business will be the ability to refute absolutely any allegation of involvement in or connection with pillaged goods in the supply chain. Proper internal controls are essential for this along with the proper design, implementation and operation of due diligence procedures. The skills and experience of qualified accountants around the world will be vital in these areas.

Business supply chains have become so complex that companies could be at risk of prosecution by paying for goods and materials that have been pillaged by criminals and terrorists, even ISIS fighters in Iraq - without even realising it. This was a key warning from ACCA in this *Pillage* paper, a report which points to the major risks companies around the world face by the vast complexities of supply chains which expose them to paying for goods and materials that may have been pillaged from war zones, exposing those businesses to prosecution.

Recent reports from foreign intelligence agencies identify pillage of raw materials from Syria by ISIS fighters in Iraq as being a source of funding for the group. However, ACCA says the pillage - the crime of theft in armed conflict – is widespread beyond the conflict in the Middle East.

The rise of cross-border supply chains, and the fact they have become longer and more complex makes it easier for raw materials that have been pillaged to enter the supply chain. Simply handling pillaged goods can count as money laundering, vastly expanding the scope for prosecutions.

The fact ISIS fighters have sold raw materials that were pillaged from Syria means those materials have entered the machinery of global trade. It could mean consumers in the UK, US and around the world will be buying products that have pillaged components in them and that multinational businesses are indirectly financing those fighters. Prosecution is an option not just in respect of the original theft, but also for handling the pillaged goods or the proceeds from them.

It is more widespread than the current flashpoint in Iraq. The consumer electronics industry is just one sector that could be at risk with its reliance on tantalum, tungsten and tin, which have links with the various conflicts afflicting the DRC. The risks for businesses go far beyond mineral extraction.

A key element of the initial case against Charles Taylor, former president of Liberia, related to illegal logging activities. Garment manufacturers must deal with the complexities of the cotton supply chain. Coal, palm oil, even works of art could potentially be tainted by pillage and give rise to money-laundering implications.

It is a fact of modern day digital business that goods can be ordered online at the lick of button – from birthday cards to clothes, from mobile phones to holidays. Behind these incredible array of choices lies a global web of trade and manufacture which almost defies comprehension.

Reputation Matters: Guarding Against Pillage

As well as the potential legal threat a business faces by using pillaged goods, there is a crippling reputational impact. While it will depend on a company's customer base, the main risk is that today's customer is more socially aware and concerned about the impact businesses have on the social and physical environment. Companies exposed to pillaged goods and materials through their supply chains will take a hit to their reputations. Who wants to buy a company's products made with the fruits of war, when a competitor's business is squeaky clean?

Finance professionals have an important role to play in designing and implementing assurance systems to guard against pillaged goods and materials in a company's supply chain. The report points to various government-led initiatives around the world, such as the European Union proposed regulations for self-certification of responsible importers (2014/0059 COD) and Section 1502 of the US Dodd-Frank Act.

But the administrative burden of maintaining, for example, a consistent paper trail of accountability at every stage in the production process in respect of every individual shipment of materials is unlikely to be an attractive prospect for businesses. The levels of due diligence required at each stage of the production cycle will vary according to the perceived risk, and the resources available to the business.

However, this comes with a warning - a lack of resource to confirm the status of goods will not in itself constitute a defence
Main objective of **Golden Peacock Awards** Scheme is to raise the Overall Quality and Competitiveness of major corporate functional areas and boost an organization's **BRAND**. It also encourages the Winners to share their **success** initiatives with others.
Businesses may need to look at other ways of ensuring as best they can a pillage free supply chain. Many end manufacturers, such as those in the car industry, may have millions of variants on one product line sourced from an array of multi-layered supply chains. Notwithstanding the abhorrent nature of the underlying crimes, a business must, in managing its risk, maintain a focus on the economic realities of staying in business. If the costs of effective supply chain assurance become too great then competition from less scrupulous competitors may well render the best efforts of a responsible business counterproductive as its goods are priced out of the market. Business may need to give consideration to finding proxies for direct assurance. For example, suppliers' membership of recognised trade bodies or submission to certain levels of audit will demonstrate a commitment to good practice. Whether this can be judged adequate will involve a considered appraisal of the circumstances, a process ideally suited to the skills of the modern accountant.

**Managing Risk – Taking The Business Centric Approach**

Dealing with pillage demands reliable and trustworthy finance and business insights. This is where the finance function comes into its own. A recent report from ACCA and IMA® (Institute of Management Accountants) revealed that successful organisations encourage their other business departments to partner with the finance team to deliver data insights for better decision support. This joint study looked at the progress commercial finance functions are making in business partnering.

The report, “Financial Insight: Challenges and Opportunities,” draws on global survey data; finance leadership roundtables in New York, London, Toronto, Vancouver, Singapore, and Hong Kong; and interviews with more than 750 senior finance executives from some of the world's leading organisations. Taken together, the findings and feedback show that business partnering is one of the critical ongoing challenges which CFOs must tackle, and one which they must get right.

With the wealth of data and information available to enterprises, there is a big opportunity for the finance function to drive future growth, and anticipate risks. There are opportunities that have to be taken, importantly because they are a vital way to manage risks. Rapidly changing business environments and increasingly complex digital environments are listed among the main challenges CFOs and their finance functions face in delivering effective financial insight. However, finance organisations that adopt a business-centric approach and emphasise the importance of good finance-business partnering practices can not only meet those challenges but capitalise on them by extending their influence and leadership across the enterprise.

According to the study, CFO organisations need to take the opportunity in three key areas:

- Create a sustainable mandate for finance-business partnering practices to flourish
- Fix and rework the quality of data insights provided to the enterprise
- Deploy the right finance talent with the right mindset to deliver.

The report predicts that the growing digitisation of businesses and a highly competitive enterprise landscape will have a profound effect on the future of CFO organisations because in a fast-moving, data-rich business environment, enterprise data insights will be increasingly important in creating advantage, corporate value and challenging risks. This leads onto the complicated issues of cyber crime and how that relates to the business world in managing and mitigating risks.

**Cyber-terror Fears and Fuel Increases are Top Concerns for Companies**

The world's business and finance leaders have identified rising fuel costs, cyber-security and the emergence of digital currency as key factors which are driving change across the globe, according to survey findings from ACCA and IMA.

The pan-global survey, *Drivers for Change*, found that 75 per cent of senior company executives and finance professionals across the world saw energy and fuel costs as a major concern for the foreseeable future, while one of the most important drivers within global businesses and amongst accountants was the potential for digital finance to replace money as the main basis of currency exchange over the long term with 54 per cent of business and finance professionals citing it as a future factor.

Survey participants, who were from the UK, US, Asia Pacific, Middle East and Europe and from a range of businesses from different sectors, cited the growing
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requirements of non-financial reporting as well as the increased need of accountants’ roles as business partners as being essential factors within their future strategies in the next four to nine years.

While there were some differences on a market by market basis, similar factors emerged consistently amongst respondents irrespective of the size, sector and location of their business and irrespective of whether they were senior executives or finance professionals. However, the underlying message is that the world’s economy is expected to go through radical change over the short, medium and longer term and businesses and the finance professionals who work with them are ready to adapt together to a more demanding and globally-focused business landscape.

**Other findings that emerged from the survey include:**

- More than 70 per cent of senior executives and accountants saw a closer focus on the accountant’s role as business partner and the broader skill sets required as being a key driver for change.
- Across most regions, the changes in the global reserve currency from the US dollar to a different currency topped the list as the strongest driver for change looking beyond the next 10 years. Respondents from the US and Asia-Pacific gave this the highest rating.
- Cyber-security challenges were considered a major short-term challenge by two thirds of all respondents – executives and finance leaders - with American respondents the most concerned and those based in Asia-Pacific were the least worried about the issue.

Such is the threat, that ACCA USA and Pace University in New York recently published a report called *Skimming the Surface*, which illustrates how criminal enterprises are employing "skimming" mechanisms - often using the latest technologies - to steal countless dollars from consumers. The report provides examples from across the globe to highlight "skimming" growth and scope, and offers recommendations for institutions and individuals to combat such activities.

A skimmer is an electronic device used to read and store electronic data. While there are many different types of skimmers (including devices used to read data from tags embedded in U.S. driver licenses and passports), the new research focused on devices that read and recorded data from consumer payment cards, such as ATM, credit, debit, prepaid and electronic gift cards.

There are 2.2 million ATMs worldwide, which will grow to more than 3 million by 2016. A new ATM is installed every five minutes. North America has the largest ATM market in the world, with the most – approximately 425,000 – in the United States. So the opportunities for fraud are growing and the finance function has to be not one - but ten - steps ahead.

Financial institutions need to accelerate the integration of anti-skimming solutions and fraud investigations into their daily operations and improve cooperation with national and international law enforcement to keep up with the increased sophistication and global nature of skimmer schemes. The future of ATM transactions lies in contactless cards, biometric security, and smartphone withdrawals instead of traditional ATM cards.

**Raising the Alarm**

Poor people management, fraud, scams, pillage, cybercrime: for these to be beaten, they all demand constant vigilance by finance professionals. It may seem trivial statement, but when there is a suspicion of wrongdoing, the alarm always needs to be raised. An employee, a customer or a client needs to be able to blow the whistle.

Whistle blowing laws and policies must be promoted by finance professionals, working in both the public and private sector around the world. From a public sector point of view, this would ensure that communities can have full confidence in how their taxes are being spent. This is a long held view of the UK's Public Accounts Committee, chaired by the RtHon Margaret Hodge MP. In a PAC report, Ms Hodge said recently that: “Far too often whistle-blowers have been shockingly treated, and departments have sometimes failed to protect some whistle-blowers from being victimised.”

Public accountability needs to be bolstered. There needs to be a proper separation between the accounting and auditing functions within all governments. In some countries that does not exist, which impairs accountability and transparency, since the auditors who check the reports prepared by the accountants should be separate and independent.

A proper scrutiny of accounts by an independent and strong audit function is critical if the public is to be reassured that
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money is being spent wisely and that the organisation represents value for money. While the PAC report focused on the public sector, there is much from it that is applicable to the world of business. When it comes to flagging risky behaviour, or reporting unethical behaviour, the business has to be open to such warnings. It has to have the right corporate culture in place, with the right management approaches to deal with it.

Management, the board, the CEO, the CFO, – all must set the right tone. After all, it is people - and not a rulebook's words - that establish a healthy corporate culture. Finance professionals have a critical role to play in building public trust by championing the cause of developing anti-corruption procedures and cultures. It is critical that finance professionals feel able to speak out about genuine concerns that fraud behaviour or corrupt practices are taking place without fear of serious repercussions for them. It is vitally important that finance professionals feel empowered to highlight issues where public money raised through taxation is misspent or misused – and that those responsible can be held to account.

**Conclusion: Building Trust, Being Vigilant**

The boardroom and the 'C suite' is from where trust and vigilance flows. A healthy culture is a prerequisite of good governance and risk management and, by extension, good long-term corporate performance. A board can exhibit leadership by using relevant and timely questions to generate great insights for the executive team. As such, board meetings need to include regular conversations with executive management about the organisation's risk management process. As the saying goes, it is good to talk. In doing so, board members would do well to remember that 'if you never disagree you're irrelevant' (Rockwell 2012; ). And we can take a very relevant insight from a book called Tools for Talking When Stakes are High: 'The best at dialogue...are both totally frank and completely respectful' (Patterson, et al. 2012: 133).

Curiously, this book also notes that "the more important the discussion, the less likely we are to be on our best behaviour. More specifically, we advocate or express our views quite poorly.'

Board group-think has to be eradicated and for that to happen the board also needs to be diverse, to have a diversity of skills and abilities. They also need to trust what management is telling them.

If all this is the case, then fresh thinking must be encouraged and bold conversations need to be had if company governance and risk management are to be strengthened following the deepest global recession the world has ever seen. As such, ACCA is committed to taking a lead on research in corporate governance, including risk management, and culture. We want to encourage better understanding by boards, executives and others of how governance can help create value and of how culture affects decision processes.

Corporate governance is vital to societies that depend on business to create economic wellbeing. Ultimately, governance is about how to make good decisions. As providers of financial and other information to support better decision making, accountants play a key role. Examples of poor culture and the subsequent results have been well documented in both the public and private sectors. Despite regulatory frameworks and best practice, dysfunctional behaviour has been too common.

**References**

As our Drivers of Change report concluded, there are key things the business world and the accountancy profession can do when uncertainty is the 'new normal'; businesses have to factor in turbulence as a very real possibility and develop strategies for a range of different economic and market scenarios. And as businesses adapt to this turbulent environment, opportunities are emerging for accountants to assume a far greater organisational remit. This is a golden age for the profession.

Rockwell, D. (2012), 'Twenty Ways to Disagree with your Boss' 8 May http://leadershipfreak.wordpress.com/2012/05/08/20-ways-to-disagree-with-your-boss>


Financial Insight: Challenges and Opportunities


अपने विभिन्न कार्यों से कोल इण्डिया प्रज्वलित कर रहा है भारत के आर्थिक विकास के सफर को

हम लोगों के जीवन, उनके स्तर को निरंतर बेहतर बनाने में लगे हुए हैं। ज्ञान, अच्छी सेहत, अच्छे घर और कई अन्य खुशियाँ एवं सुविधाएं प्रदान करते हुए, हम लोगों के जीवन को बेहतर बनाने में सहेल प्रवासारत हैं। हम अपने सच्चे एवं निःस्वार्थ प्रयासों से देश के कई शहरों और गाँवों के लाखों लोगों के जीवन में सुधार ला रहे हैं। जहाँ तक एक सामाजिक हिम्मतवाद निवारण के रूप में हमारी भूमिका की बात है, तो विश्व के बड़े बड़े क्षेत्रों उत्तराधिक प्रौद्योगिकी के रूप में हमने सम्पूर्ण प्रतिबिंबलता के साथ अपने दावेदार को उम्मीद से बढ़कर निभाया है।

हमारा विश्वास है कि, राहे लम्बी एवं दुर्गम हो सकती है, पर अंत में उम्मीद रोशन होंगी
Introduction

The oversight, understanding and mitigation of Risks in a volatile, uncertain, complex and ambiguous world have never been more important. This rightly calls attention for promoting a stronger level of risk governance, and highlights the cultural and behavioral aspects of risks, that are so fundamental. Building the right skills and capabilities in the workforce, understanding and aligning the behaviors, developing leadership capabilities, and understanding and evolving corporate cultures are all vital.

The deeper sets of issues, which are strategically critical for company, include the strategically linked issues of risk, innovation and governance. The transparency and relationship between companies, their boards, and major stakeholders call for effective 'stewardship' by the boards.

No business transaction takes place without taking risk. As a matter of fact, the risk associated with every commercial transaction, creates an opportunity for the organization. Vulnerability is an indication of the susceptibility of the Company in the future, notwithstanding uncertainties in the environment. This measures the Company's shortcomings in it's state of readiness, agility, adaptability or even business continuity.

Defining Risk

Risk has been defined as, “Any event that will impact achievement of the Company's objectives, including financial as well as non-financial, for its short term and long term objectives”, or, “the level of exposure to uncertainties and level of vulnerability that the Company must understand and effectively manage, as it achieves its objectives.”

The uncertainty associated with the outcome of an event that can lead to loss or profit is known as Risk. Traditional definitions of risk stop with ‘uncertainty’. The risks are required to be identified, assessed, monitored, and reported on the backdrop of the associated 'vulnerability' to the organization.

Systemic Risk

Following the collapse of Enron and Lehman brothers, the world continues to struggle with the consequences of the first systemic crisis of the twenty first century. Increasing connectivity and growing complexity is leading to increasing systemic risk. Yet larger and potentially more harmful risks are lurking. These include climate change and pandemics. We see fragility in global supply chains and the interdependent physical infrastructure on which they rely. Latent systemic risks are prevalent in many domains. Systemic risk is not simply financial, environmental, or biological, nor can it be confined to infrastructure or social risks. It extends across all these domains, and must be dealt with in an integrative manner.

The long-term survival of a company depends on its ability to develop and implement a robust business model and strategy, and the identification of the nature and extent of the principal risks, take to achieve the company's strategic objectives. We need to help build risk capability at all levels of the organization, so that everyone can identify and manage risk more effectively, rather than building a large risk 'empire'.

The degree of connectivity required across and within the organization to enable them to fulfil their responsibilities and achieve resilience, characterized by volatility, uncertainty, complexity and ambiguity is challenging. It involves a transformation of the risk function moving from a reactive, often compliance-driven, approach to one that is more proactive and focused on building collaboration and creating integration across functional silos; and Embedding an appropriate risk culture at every level of the organization and ensuring that the right roles, responsibilities and controls are in place.

Risk management is further challenged by two factors of the modern operating environment. The
THE ROLE OF INDEPENDENT DIRECTORS

The Handbook for 'Independent Directors' has a special role in enhancing the effectiveness of the board and sustainability of the organization. The Directors shall find this handbook as a handy professional document for quick reference, at all times.

CORPORATE SUSTAINABILITY

The Handbook highlights the concept and Environmental the necessity of business sustainability. The corporate sustainability identifies areas considered key for a comprehensive and coherent sustainable business strategy, governance, stakeholder engagement, disclosure and performance.

INNOVATION MANAGEMENT

This Handbook provides the BoD, guidelines, check-lists and action points towards achieving the aim of reinventing and rejuvenating their own organisation, by resorting to a smart management of creativity and innovation in their organisation or even boosting the same to a greater level, in order to stay ahead of the competition.

EMOTIONAL INTELLIGENCE FOR ORGANIZATIONAL EXCELLENCE

The Handbook on Emotional Intelligence is a brief condensed account of what Emotional Intelligence is, how it is related to Organizational Excellence, and how it affects corporate strategy. It covers the multidisciplinary and multifaceted nature of Emotional Intelligence.

BOARDROOM DYNAMICS & COMMUNICATION

This handbook can be used as a reference on Boardroom Dynamics. It covers basic information on how to make Boardroom communication effective, how to negotiate effectively. Directors are expected to have certain communication skills, both personal and professional.

STRATEGY THROUGH BALANCED SCORECARD

It covers the multi-disciplinary and multi-faceted nature of performance management, its criteria, its development and management. It gives broad insights into the field of strategy building and performance measurement through various facets of Balanced Scorecard.

ENVIRONMENT MANAGEMENT SYSTEM FOR GREEN GROWTH AND SUSTAINABILITY

The Handbook highlights opportunities and challenges facing the industries, engaged in the processes of Environmental Management for ensuring environmental, social & financial sustainability. The areas covered include Climate Change, Water and Waste Management, EMS-ISO14001 certification systems etc.

CORPORATE SOCIAL RESPONSIBILITY

This handbook can be used as a primer on Corporate Social Responsibility. As such, it contains information on how to assess the effects of business activities on stakeholders, develop and implement a Corporate Social Responsibility strategy and commitments, and measure, evaluate and report on performance and engage with stakeholders, in the context of the Companies Act, 2013.

ENTERPRISE RISK MANAGEMENT

This handbook is a valuable guide at corporate level, on Enterprise Risk Management. It provides a structured integrated, holistic approach towards a sustainable system of Managing Risks. For an organization to build a sustainable model for creating long term shareholder value, effective management of these risks is of significant importance.

TOTAL QUALITY MANAGEMENT FOR BOARDROOM

There is no single route to quality; there is no standard operating procedure for Total Quality Management. A lot depends on where a company is on the TQM Scale and where it wants to be. The quality journey, again, begins with identification of the critical problems faced by the company.

FINANCIAL MANAGEMENT

This Handbook seeks to demystify apparently complex financial statements, and help create a finance-savvy executive class, the key to fiscally sound and successful business. The guide sets out finance consideration and option for businesses at various stages, providing advice and sources of information to help them start, grow and prosper.
first is the cyber threat, which can encompass all crisis models at once, and impact across an organization in a way that most 'traditional' risks cannot. The second is the collective impact of social media and a 24/7 news cycle, which can turn a very small event into a rolling national and international story.

Transformation of Risk Landscape

The nature of the risk landscape is such that being able to identify and 'manage' all the risks to an organization is no longer possible. The discussion has now turned to how to make the organization more resilient to anticipate change, adapt and recover from a wide range of risk events including unforeseen ones; and how to ensure that risks are turned into value-creating opportunities wherever possible.

The resilient organizations have cultural and behavioral traits, backed by systematic planning and risk management that encourage companies to be flexible, customer-focused and alert to danger.

Board's concerns that continue to dominate: are shifts in economic power, the impact of the misuse of technologies, rapid urbanization, social instability and environmental degradation. The heart of understanding the changing risk landscape is to recognize that not only are the risks interconnected, but the way to resilience is also through greater connectivity inside and outside the organization. The changing nature of the risk landscape aims to help boards dig deeper into their own actions, to illuminate the range of risks they may be facing.

But the same stakeholders provide a key route to resilience. Building effective relationships which are reciprocal and mutually beneficial help provide a stream of intelligence from customers, employees and others, that can provide early warnings of looming risks and prevent boards becoming blind to risks because of inadequate information. These relationships can also give businesses room to manoeuvre and recover during and after a crisis.

Enterprise Risk Management (ERM)

Enterprise Risk Management (ERM) has been defined as, 'A process, effected by an entity's board of directors, managements and other personnel, applied in a strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within it's risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.'

Organizations lay down strategies, which are relatively long term in nature and budgets are prepared to achieve, the set goals in a defined time-frame. However, the strategies, deployment of resources, and the financial strength of the organization are greatly affected by external forces. The external environment influences the organization internally.

The changes in the business culture brought in by globalization, ever increasing burden of regulatory compliance and the multi-dimensional risks associated with the technological advancement, are not getting adequately reflected in the risk management framework. There is a long way to go for the risk culture to sink in, settle and reach to a certain level of maturity.

Risk identification requires complete information of the organization, the market conditions and the legal, social, cultural and political environment. Such identified risks are 'rooted' to the organization, its goals and objective, are termed as embedded risks. These are risks that might be present in an organization, as a result of the activities undertaken.

Except where the business establishes a separate 'Risk committee', the audit committee will typically take the lead in overseeing a company's financial reporting, internal control systems, and risk management systems. Risk was becoming more of a local point for audit committees, as the potential problems faced by companies became more pervasive and harder to manage. Audit committee risk reports often cover top ten most important risks facing the business. The focus is on significant risks that are relevant to the operations.

An initial risk assessment should be done with input from company management and the audit committee. It should be performed in accordance with guidelines of 'ISO 31000' and 'COSO Enterprise Risk Management Frame Work'.

Risk assessment allows an entity to consider, how potential event might affect the achievement of objectives. Management assesses events from the perspectives of risk likelihood and impact. Also, risks are assessed or evaluated for probability and severity, for both inherent risks and residual risks. Residual Risk implies the risk that remains after management's response to the risk. The assessment of risks at the residual level helps determine whether the current risk position of the Organization is acceptable or requires improvement.

Monitoring and reporting are important aspects of the Risk Management Framework. Monitoring can take place through evaluation procedures, or through ongoing activities. It involves an assessment of the process, as well as the functioning of its components and quality of performance over time. The aim of reporting is to provide assurance about the effectiveness of the risk management process, preparedness of the risk events, and changes in risk profiles. The risk information is utilized to aim decision making, and monitor progress of treatments and compliance.

The risk management framework prepares the organization to achieve long term goals, effective and efficient use of resources, dependable reporting and compliance with law. One of the most effective way to implement the risk management process is to link it to performance management.
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QUALITY - RELIABILITY - SUSTAINABILITY
The Company's identified 'risk Factors' that may affect the future performance are often given as caveat to the company's 'Forward Looking Statements', that involve risks and uncertainties. It is worth studying the risks disclosed in the document along with the mitigation plan and analysis of impact. It highlights the way the risk management model has been built, and the effective horizon of the Company's risk management activity. Important components of risk management process are; aligning risk appetite and strategy, enhancing risk response decisions, reducing operational surprise risks, seizing opportunities and improving deployment of capital.

Risk Management is the process of measuring or assessing risk and developing strategies to manage the risk. Risk management is often treated just as a compliance issue. Ideally many of the risks that could severely damage the organization can be resolved by laying down basic rules and strict adherence to those. Howsoever, strict rules set out for managing these risks will not reduce the likelihood or the magnitude/ impact of a disaster in place. The impact can be controlled by putting the risk mitigation plan.

Risk management is a continuous process across the organization, designed to identify, assess and frame a response to threats that affect the achievement of its objectives. It enables management to prepare for risks before they devolve to improve the operational effectiveness. Determination of the risk appetite allows management to deploy resources, according to the need. As it progresses, it enables the management to develop a mature risk culture within the organization.

The success of the Risk Management Framework depends on the efforts taken to mitigate/ reduce either the probability or consequence of the risk/threat. Thus the risk mitigation is the selection and implementation of controls to reduce the risk to a level acceptable to management. The critical risks can be identified by prioritizing the risks. The risks having the residual value beyond the risk appetite of the organization should be treated as critical risks, and related actions need prioritization.

Classification and Trend

Organizations are exposed to different types of risks that can be classified into various categories, basically based on their nature, source of their origin and core aspects required for the survival and growth of organization. The classification facilitates risk assessment and provides a clear risk framework. Adverse events which impact compliance with best practices statutory/ regulatory/ corporate citizenship requirements of the Company are categorized as 'Governance at Risk'.

Not all crises are the same. So a 'one size fits all' approach to prepare and respond for a crisis fails to address the wide range of causation and form that any event might take. More challenging are the operational disruptions that bubble along at a regular pace with supply-chain failures or IT outages. The crisis can be masked by this constant flow of noise and weak signals, and as a result one of those outages could tick-upwards to cause a major crisis, that would arrive with very little warning.

Serious frauds or ethical breaches tend to have a similar path to major physical events but their arrival is hidden, either because of their nature or because they are contained within parts of the organization before emerging as a serious crisis. And finally there's the long-term strategic crisis, which is so slow in its build up, such as the financial crisis, that the squeeze is felt over time but not considered a crisis event itself, until the very operating model of the organization is challenged and tipped over the edge.

While financial, strategic and operational risks remain the 3 primary areas of focus, they are now closely followed by regulatory risk, and the potential for financial or reputational damage arising from a compliance miss. The significance of 'Horizon Scanning' is being increasingly appreciated by both commercial organizations and governments. The UK government recognized its strategic and innovative value by establishing it's 'Horizon Scanning Unit'. Horizon Scanning is now making a greater contribution to strategic planning, risk management and policy development across commercial and governmental arenas.

The attractiveness of adopting cloud services continues to grow. How to manage its risks, using a real world approach? Organizations when moving to the cloud, must obtain assurance and risk transparency from the cloud service provider(s).

Uncoordinated and fragmented attempts to 'combat fraud' are inefficient and ineffective. The deployment of an overall framework for managing activities that address fraud is essential to provide a holistic approach to ERM. Multinational organizations need to understand fraud risks faced by them, and how to mitigate them.

As per the disclosure requirements specified in the revised SEBI clause 49, it has become mandatory to lay down procedures to inform Board Members, about the risk assessment and mitigation plans that are to be reviewed by the Board, at periodic intervals.

Board Leadership for Risk

Risk is present in every decision a company makes, but all cannot, nor should be eliminated. Recent and recurring failures of corporate leadership have highlighted the scope for improvement in the understanding of good corporate governance. Simply observing the rules, regulations and compliance procedures alone, will not deliver a well run ethical company. The complexity of the business environment and risk landscape demand a deep appreciation of the link between risk, reward and strategy. Leading this agenda well is fundamental to building the
resilience that companies need, to achieve business success in the short, medium and long term. Boards will need to take a lead in creating and embedding the right culture.

The risk landscape and risk agenda are constantly evolving and becoming more complex. It is a priority not just because of the need to avert crisis, but also to ensure the opportunities for value creation are identified and leveraged. Not all boards are navigating the uncertainties inherent in this changing risk landscape effectively, resulting in significant loss of value. There is a danger that different risks are still being dealt with in silos. Yet risks are interdependent and do not respect functional boundaries. An integrated approach to risk is vital.

Risk leadership is not only about ensuring that the right people in the organization have the skills, information and systems to assess and manage the company's risks. It also means enabling the board to have a strategic review of the risks that may affect the longer-term viability and reputation of the company, and communicating the results clearly throughout the organization. Regulation and reputational risk, a more complex environment with a changing stakeholder mix and an evolving customer dynamic is driving a rethink of how to manage risks.

Boards need to find a way for balancing opportunity and risk, as strategy is converted into action. Board agendas are already being stretched, but boards cannot delegate their ultimate responsibility for risk management and internal control. The determination of risk appetite and consideration of risk must take place in the context of the organization’s strategy, and is therefore an integral part of the board's strategic debate. Neither can boards delegate their responsibility for ensuring that an appropriate risk culture has been embedded throughout the organization. The tone has to start at the top.

Board level responsibility for risk oversight and governance has been clearly established over many years. The risk management challenge for most organizations is becoming ever more complex and more demanding. The reasons for this are:

- Businesses are becoming more global, and exposed to risks from global markets (e.g. through its supply chain or sales networks).
- Companies are outsourcing or subcontracting more and more of the process work in their business, and focusing on soft assets such as brand, reputation, IP, R&D, people and technology. This does not outsource the risk, but the management of these risks may well be beyond the current oversight of the board.
- Many organizations are extending their dependencies on technology. Board members may well have only a limited understanding of the specific technological threats.

The board has responsibility for an organization’s overall approach to risk management and internal control, which include:

- Ensuring the design and implementation of appropriate risk management and internal control systems, that identify the risks facing the company and enable the board to make a robust assessment of the principal risks;
- Determining the nature and extent of the principal risks faced and those risks which the organization is willing to take, in achieving its strategic objectives (determining its “risk appetite”);
- Ensuring that appropriate culture and reward systems have been embedded throughout the organization;
- Agreeing how the principal risks should be managed or mitigated to reduce the likelihood of their incidence or their impact.

Monitoring and reviewing the risk management and internal control systems, and the management’s process of monitoring and reviewing, and satisfying itself that they are functioning effectively and that corrective action is being taken where necessary; and ensuring sound internal and external information communication on risk management and internal control.

Boards need to consider the appointment of dedicated resource to act as an adviser to the board on risk issues, by developing close partner relations with the critical functions and operating divisions, and to provide to the board prioritized risk information and recommendations for board actions.

**Risk Leader**

Operational risks may need statistical analysis, business and strategic risks may need other tools such as scenario analysis, but the key is to have risk leadership that can help the board identify priorities and mitigate risk at all levels in the organization. The 'Risk Management' must be able to see, and integrate, the whole risk agenda for the business, within the context of its business model and strategy, and navigate this agenda over immediate and longer-term horizons, with independence and assuredness. This involves having a strong forward-looking and external focus, scanning the business environment for risks and opportunities that can impact business performance.

While different organizations have different structures and relative roles and responsibilities for risk, the risk leadership role needs to be close to the board or at board level. Risk leaders work with the board, its committees and other senior leadership teams to reduce levels of risk and respond to uncertainty. They also work in partnership with the business to strengthen resilience and to facilitate the balancing of risk with reward and of opportunities with consequences.

None of this is effective unless it is built into ‘the way we do business around here’
i.e. the culture of the organization. It needs a robust individual with wide business experience to effectively challenge an executive or board team. The role of Risk Manager is not about removing the responsibility for risk from members of the board, it is to help support them in managing today's and tomorrow's risk agenda. Risk has a historic reputation for being 'box-ticking and a business blocker'. An executive risk leader can be a tough appointment to make. Risk does not respect functional boundaries, and responsibility can be divided amongst a number of senior executives; appointing one may offend or alienate a number of others.

Risk leaders have a deep understanding of their stakeholders and business models, as well as the inherent internal and external vulnerabilities and threats. Their approach is business based and intelligence led, focusing on performance and how it fits into the shifting competitive, economic, political, technological, regulatory and societal landscape. Context and insight help identify a compelling and relevant risk agenda at a strategic, tactical, and operational level that pro-actively engage a workforce.

A risk leader in an organization should no longer be discretionary; it should be the norm for good management practice. The senior risk professional, bringing an objective and authoritative perspective on the risk side of managing a business and demonstrably adding to the success of an organization is something every management should embrace. Equally there is a real opportunity for the risk management community to step up and act as a business partner, bringing a forward looking perspective and real solutions.

There is an increasing demand for appointment of risk leaders, such as 'Chief Risk Officers' or 'Enterprise Risk Leaders'. Responsibilities include being the portal for risk information, provider of education, and tasked with enhancing risk and resilience across an organization. Few organizations will find the perfect candidate. The board and CEO should agree on what the company needs; where are they today and what role do they want risk to perform. Any search will look for candidates from various sectors and role types, but success is often dependant on prioritizing requirements and considering supporting a leader with the technical expertise, whilst they come up the curve.

**Conclusion**

Organizations need to adopt comprehensive risk management to improve the probability of success and reduce the probability of failure. The entire process needs to be looked at beyond mere 'compliance', because business organizations 'Play to win'. Risk Management framework provides early warning system, and helps in making more informed timely and, hopefully, better decisions.

Risk avoidance is not risk mitigation. When it comes to doing business, obviously what comes first is 'risk', which may be a calculated one, and successfully so if a strong risk management process is in place. By successfully harmonizing the decision making and risk management, one can bring out the value added to the fore and increase the acceptability of the process, beyond theory.

In conclusion, risk leaders champion a proactive risk culture that recognizes the need for broad stakeholder support, mature ethical values and helps to ensure that the thousands of decisions made each day build valuable trust, even in times of crisis.
The sun spreads its warmth across the earth.
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The Future of Governance:
Issues and Questions for Directors
* Prof. Colin Coulson-Thomas

Corporate governance is particularly associated with companies listed on the stock exchanges of developed countries, where ownership and control is more clearly separated than in other contexts. Effort has also been devoted to improving the governance of public bodies, but how applicable are governance principles to new and emerging challenges, the changing nature of organisations, private companies, family businesses, SMEs, social enterprises, the voluntary sector and professional bodies? What issues and questions should today's directors be considering?

The Role of Governance

How should those with the power to influence governance arrangements best ensure that enterprises pursue appropriate aims, engage in relevant activities, and use capabilities and resources effectively and sustainably? How can they either prevent or reduce the risk of individuals and cliques in positions of power taking advantage of their positions and pursuing their own interests, for example by paying themselves excessive remuneration?

In the case of family businesses, owners may be intimately involved, perhaps attending board meetings. Where ownership is widely spread, shareholders use periodic communications such as an annual report and accounts to assess how directors have performed. They are reliant upon the judgements of others. The protection of their interests can partly depend upon governance arrangements and how they are implemented.

Appropriate governance structures can be accompanied by the inappropriate behaviours of directors. Given the nature of human beings and extent of temptation, many investors do not entirely trust governance arrangements. By investing in a diversified portfolio they spread their risks and avoid excessive exposure to particular boards that may underperform, for example by taking mistaken decisions or missing opportunities.

General or Contextual Responses

Many directors associate corporate governance with principles set out in codes of practice. Such documents can suggest norms and create concerns that deviations from them need to be justified if they are not to result in adverse reactions. Might this inhibit innovation and diversity to address particular circumstances?

In other walks of life a departure from standard could indicate that one has gone beyond a norm and taken the time to address the requirements of a specific situation. Customers often pay a premium for responses that meet their individual requirements. How should directors best determine the most appropriate course of action in a particular situation and context?

One can understand collective efforts to identify fundamental principles such as seeking to prevent an unhealthy concentration of power, but in relation to corporate governance the duties and responsibilities of directors are set out in legislation. Companies Acts are often quite specific in terms of what directors should and/or should not do. Beyond this, while some might benefit from guidance, to what extent should governance be general and standard as opposed to appropriate to the context?

Relating Governance to Individual Companies

Are directors following fashions or thinking about the right form of governance for specific situations and contexts? Is there too much prescription and
too little guidance? Has corporate governance become a process of compliance with standard and external approaches, codes and models that seem detached from the practical process of business building and satisfying stakeholder interests? Some boards delegate the observance of codes - or doing just enough to justify ticking a box - to a corporate legal or company secretarial team, rather than think about better ways of operating, or how a board might add more value.

Why should we assume one model of governance should apply to an entrepreneurial start up, a long established family business, a diversified international conglomerate, or a professional, public or charitable body? Why should directors imagine that one approach will be appropriate at all stages of an enterprise’s development from start-up and through new lines of business, international expansion, technological innovations, mergers and acquisitions and changing market, regulatory, economic and social contexts?

Given the diversity of organisations, situations and contexts and the range of contemporary challenges and developments, why is there such a lack of variety in governance approaches, models and practices? Given also that much of the governance infrastructure is designed to prevent a recurrence of past ‘scandals’, should boards do just enough to comply in some areas, while focusing their attention on priority challenges and opportunities and remaining alert to new and emerging areas of risk that the governance community has yet to address?

Governance academics, advisers, consultants, committees, codes and publications abound. Yet where is the return in terms of innovation, relevance and proportionality? Where are bespoke responses that are easy to implement and which build board effectiveness and contribute to sustainable business development? Where is the creative exploration of better alternatives, as opposed to occasional reviews of our inheritance from governance pioneers?

**Corporate Governance and Innovation**

Does governance deter risk taking? Some entrepreneurs whose businesses are growing rapidly recognise that greater scale, international operation and new activities may require different ways of operating at board level. They may face particular problems such as succession when founder directors step back, or how to maintain family control as new people are brought in. However, they may also worry if a standard approach is appropriate and whether more formal and complex approaches being suggested and greater focus upon compliance might reduce healthy diversity, stiffe creativity and inhibit innovation.

Will procedures suggested by advocates of more formal governance processes be so time consuming that people with ideas for better ways of operating may lie low rather than suggest changes? Where business units need to operate differently, will imposing common approaches act as a straight-jacket? Should companies within a diversified group have their own governance structures and practices according to what is appropriate for their individual circumstances?

For many growing businesses and family companies, would adoption of the prevailing governance structure with its origins in particular problems of listed companies in certain countries damage what is different and special about each of them? Would a better option be to build upon what already works and put in place governance arrangements that match the aspirations and requirements of each set of stakeholders for the next stage of development of each entity?

**Assessing Corporate Governance**

Given its high profile, should we expect a direct cause and effect link between the observance of governance codes and measurable benefits? Are there fewer business failures today? Is there less favouritism, fraud and corruption? Are directors taking smarter decisions and adding more value? Do entrepreneurs ascribed success to governance arrangements? Are the later more relevant, flexible and conducive of value creation, or are danger signals still apparent in boardrooms?

How should directors measure governance success? Is observance of principles, compliance with codes and laws, or the degree of challenge and/or the quality of thinking, debate and decisions in the boardroom? Should a board assess itself and/or commission an independent evaluation and/or seek external views from investors and other stakeholders? Are there indicators of external recognition such as awards? What criteria should be employed: vision, strategy, accountability, implementation, risk management, growth, profitability, innovation, sustainability or transparency?

Is corporate governance more relevant to some functions of the board than others? Does it make dilemmas faced by directors easier to handle? Does it favour some stakeholder groups over others? Are activities from visioning and delegating to implementing strategy and reporting noticeably better or worse? Could changes be explained by factors other than corporate governance? Where does it rank in terms of impact, compared with director and board development, or changing the composition of the board as a company?
Reviewing and Disaggregating Governance

Governance arrangements should reflect how people are rather than how we would like them to be. What about digital governance? What arrangements and policies should be in place to address risks such as hacking, money laundering, terrorism, funding banned organisations and the stealing of personal and corporate information? Are boards reviewing governance arrangements and re-shaping them for the next phase of business development? If directors are doing just enough to show willing, how do we move on from compliance with general codes, rules and regulations to getting governance arrangements right for particular enterprises?

Rather than a standard code, do we need a series of codes and/or guidelines to address the needs of different types of entity and/or sectors, or particular challenges and opportunities? Each would need to be updated, but who would do this and under what auspices? Would a family of codes be a staging point en route to boards putting in place governance arrangements appropriate for the entities for which they are responsible? Should this be a statutory duty, with the lazy adoption of a standard model a possible indicator that directors are not doing their jobs?

Is separate guidance required in particular arenas, for example, innovation, knowledge, risk or talent management, IT or strategic planning? Potential adopters would need to ensure that general guidance is not inappropriate for particular companies. In some sectors intelligent steering rather than annual corporate planning may be required. Guidance relating to human capital might not be a priority if a company's strategy is to replace people with robots, drones and self-help systems.

Challenging Assumptions

Governance is preoccupied with preventing downsides. The need for vigilance is justified by reference to past corporate scandals. However, what about upside potential? For every negative example, there may be thousands of boards that are missing opportunities and not operating as effectively as they could for a variety of reasons. What is governance contributing to improving the competence of directors and boards that could not be accomplished by other means?

Entrepreneurs and owners of SMEs and family companies often keep a close watch on their investments, or are intimately involved in ‘building the business’. Many governance approaches and codes have evolved to address a different situation, namely a separation of ownership and control and the reality that many investors have a diversified portfolio of investments and/or invest via institutions. They have less motivation to be actively involved in the affairs of a particular company.

Few individual shareholders of major quoted companies can exert much influence. But the issue of the relative advantage of standard and bespoke approaches still applies. The ideal governance requirements of an integrated utility considering a new generation of nuclear power stations may differ from those of a seasonal fashion business or an e-business in terms of board composition, frequency of meetings, agendas or how the business of the board is conducted. Why do those whose governance experience derives from some arenas assume it is relevant in quite different contexts?

Does current corporate governance assume certain forms of organisation? Is it equally relevant to the internet age and the different models of operation that are emerging, and which can quickly mutate and enable relatively small numbers of people to rapidly build valuable businesses?

Governance and Sustainability

Governance and sustainability ought to be natural complements as continuity, effective challenge, the efficient use of resources and the best long-term interests of organisations and their stakeholders are concerns of practitioners in both arenas. Are they engaged in a productive dialogue? What are boards doing to reflect greater public interest in sustainability? Are people with sustainability credentials being brought onto boards? How does one assess whether or not directors and boards are environmentally aware and alert to sustainability issues?

Mobile devices and social media quickly disseminate failings. Can responses wait until the next board meeting? Directors can face challenges and opportunities that raise issues relating to direction, policy and/or strategy. In order to cope, many directors need to review governance arrangements and possibly operate in new ways. IOD India’s 2015 London Global Convention represents an opportunity to share the latest thinking and learn what others are doing in areas such as the measurement of board effectiveness.

How should boards reshape themselves for tomorrow’s concerns, challenges and opportunities? What roles should owners and directors play in building more effective boardroom teams? Do we need a revolution in governance, a new model, different approaches for various situations, or is it just a question of a shift of emphasis? Should more effort be devoted to appointing honest people to boards, people who can think for themselves and put the interests of others before their own? Our best hope for the future may be the integrity and competence of company directors.
Here are ten ways a board can oversee ethics:

Ask the right questions.

Good questions for boards, when faced with an ethically problematic action, are: (i) How will this action impact our reputation? (ii) How will this action impact us over the long-term? (iii) What are the aggregate effects of this action? (iv) What will the view of this action be by objective parties, especially if current circumstances change? (v) Even if this action is technically correct or permitted, does it meet the principle or spirit of applicable guidelines and rules? and (vi) Are we doing the right thing?

Management should have detailed answers to these questions. And they should leave the room so only independent directors can discuss.

Have a line of sight over ethics, integrity, reputation and culture.

Many behavioural and integrity controls fail in their design and implementation, and because they do not go far enough or are subject to management override. These controls should be independently audited. Good companies are measuring and assuring reputation, integrity and risk culture for boards. It is important that this assurance reach the board un-funneled by reporting management. Good Audit and Quality Committees are reaching deep into organizations to view culture, quality and “tone in the middle.” Toxic culture or wrongdoing can bring enormous and rapid harm to brand and reputation. Bad news needs to rise, without delay, and good boards do not want surprises. The days of boards overseeing just the CEO and other senior management are gone.

Management needs to accept more activist boards. This does not mean boards are running companies, but they are overseeing conduct.

Use executive sessions, questions and information as your leverage touch-points.

Have the authority in your board and committee charters to obtain any information, to interview any personnel, and to obtain any outside assistance that you need to in order to fulfill your duties. If management blocks access, you now work for them. Obtain disconfirming information from the outside as well. Meet directly with auditors, consultants, the risk function, and the compliance function, including without any manager in the room. Meet also with major long-term shareholders without any manager present. Only then will you hear what others hear. Boards can live in an echo chamber otherwise. You do not want to be the last to know.

Make sure your lawyer is Independent.

The person drafting the above charters, including your clawback clause (see 6. below), should not be the general counsel or the external counsel who works for management, or colleagues of lawyers at the law firm. None of these parties is independent. Just like auditors and compensation consultants must be independent, so should the board’s counsel. Independent assurance on related party transactions, conflicts of interest, the code of conduct, investigations, integrity risks, and whistle-blowing cannot occur by management or their advisors. Only independent advisors will be free to recommend action that corrects and directs (and when necessary, terminates) reporting
management.

**Address whistle-blowing defects.**

Once the Ontario Securities Commission enacts a whistle-blowing reward regime like has been done by the Securities and Exchange Commission in the U.S., there will be a changeover from defective regimes currently in place. If the point of contact for a whistle-blowing program is any manager, the policy is defective. The point of contact must be an independent person or party who reports directly to the Audit Committee. Only then will anonymity be preserved and will the channel be used fully. Bad news needs to rise, and investigations need to occur when warranted, and neither happens if it is management investigating management.

**Pay for conduct and performance.**

Pay drives behavior, including ethics. Many pay committees under-utilize their executive pay toolbox and control over management.

Because pay practices can incent risk-taking and unethical conduct, good regulators and pay committees require ethical conduct to be tied to executive pay. If risk management or the Code of Conduct is breached, executive pay should not vest and be clawed back if it has vested. Conduct and risks should be evaluated every pay period before the pay committee allows equity to vest or a bonus to be received. And ethics and morals clauses should be in every executive and employee contract. And directors need to lead by example, with ethics clauses drafted into their terms of service. A good board insists on resignation in advance if an ethics clause is breached.

**Oversee the oversight functions.**

Your eyes and ears in the company are internal audit, risk and compliance. These functions must now have reporting channels right into the boardroom and committees. Does your board directly oversee these functions? Does your company have these functions? I have recommended to numerous boards the hiring of these functions and doing so can greatly improve toxic culture, flawed risk management, and unethical conduct. Just as in the early 2000s when the audit committee began to hire, fire and pay the external auditor, now the audit and other committees and the board hire, fire and pay risk, compliance and internal audit.

**Speak up and recruit a board challenger.**

When directors and chairs are chosen on the basis of pre-existing relationships, which many or most are, this means directors are beholden to each other, or worse yet, to management. These directors will not speak up or ask tough questions, as they are owned by their extra-boardroom relationships. The board becomes accountable to management rather than the other way around. Boards where fraud has occurred often met governance guidelines, including Enron. Andy Fastow said that the Enron board not only approved but encouraged his actions (in the words of one director): “Fastow you are a ---- genius!” Recruit directors who have no pre-existing relationship to any other director or manager. This includes female directors.

**Recruit independent, competent directors with courage.**

Independence of mind is not formal independence. Smart managers can capture directors through relationships, perks and incentives. There are directors on boards who are well out of their depth. They are there because of relationships, profile and glow, but know little about the actual business and cannot or will not challenge because they are captured. Seeing them ask perfunctory questions is akin to a fork trying to hold water. Only when a director is truly independent and competent, can that director then challenge. Often directors are docile because they simply do not know what to do.

**Set tone at the top.**

Lastly, and most importantly, set the ethical tone. The actions and behavior you observe as a director is the tone that you have just accepted. Good tone at the top is unambiguous, applies to everybody, and is consequential. And it is exercised. It is the board, not just management, that sets tone. I recall the story of the audit committee chair who saw the CFO go through customs at an airport and not declare a bottle of wine. The next morning, the CFO was fired.

Management is fond of explaining unethical conduct away by saying it was a “rogue” employee. Boards are fond of explaining unethical conduct by saying “we missed it.” If boards and management teams are truly honest, they know they should not have missed it and that it was not a rogue employee. It was an employee operating within the culture that was accepted.

In all of my interviews of directors over the years, including during ethical failure, when I ask about directors’ greatest regret, the answer is consistently, “I should have spoken up when I had the chance.” Speaking up is incredibly important when it comes to tone at the top. If you are uncomfortable, “speak up” is the best advice I could give a director. Chances are, several of your colleagues are thinking the exact same thing.

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Boards need to understand each other in terms of values, beliefs, and purpose. This session is “Evaluation Board Performance,” a formal evaluation of the Board and individual directors are one potentially effective way to respond to the demand for greater board accountability and effectiveness.

Section 134(3)[p] of the Companies Act, 2013 [the Act] read with Clause 49[1] [D](2)(i) of the Listing agreement mandates Board's performance evaluation for every listed company. Further the said evaluation is required to be carried out by public companies whose paid-up capital is twenty five crores or more calculated at the end of proceeding financial year. The Evaluation has to be done every year as the Act has clearly laid out that the re-appointment of Independent Directors as laid out in Point No. VIII of Schedule IV-Code for Independent Directors read with Clause 49[ii] (B) Explanation (5).

The Extracts from Companies Act, 2013 and Listing Agreement necessitating for Board’s Performance evaluations is listed out here under:

Under Companies Act, 2013

- Section 134(3)[p]- Financial statement, Board’s report- In case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which Formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors shall be included in the Board’s report.

- Section 178[2] - Nomination & Remuneration & Stakeholders Relationship Committee: The Nomination and Remuneration Committee shall carry out evaluation of every director’s performance.

- Schedule IV-Code for Independent Directors- Under the role and function of Independent Director, it is mentioned that the independent director shall bring an objective view in the evaluation of the performance of Board and management.

- Schedule IV- Code for Independent Directors- Point No. V provides for re-appointment of Independent Director, it is mentioned that re-appointment of independent director shall be on the basis of report of performance evolution.

- Schedule IV- Code for Independent Directors- Point No. VIII provides for evaluation mechanism, it is mentioned that the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated. [2] On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of independent director.

Under Listing Agreement

- Clause 49 [I] [D (2)] [i] - It specifies that the Board should fulfill certain key function including Monitoring and reviewing Board evaluation framework.

- Clause 49[I]I] [B] Explanation [5]- Provides for performance evaluation of Independent Directors as follows:-

Article by Sundharesan Jayamoorthi, Life Coach for Directors & Compliance Guru

- a) The Nomination Committee shall lay down the evaluation criteria for performance evaluation of independent directors.

- b) The company shall disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.

- c) The performance evaluation of independent
directors shall be done by the entire Board of Directors (excluding the director being evaluated).

d) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

**Role of Nomination and Remuneration Committee:**

The role of the committee shall, inter alia, include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, related to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in Senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

**Who Should Be Evaluated?**

The following persons are required to be evaluated:

1. The Board - Section 134(3)[p]
2. Independent Directors – Clause 49{II][B] Explanation [5], Schedule IV – Code for Independent Directors - Under Point No. VIII
3. The Committee Members- Section 134(3)[p]
4. All the directors- executive & Non Executive- section 134 [3](p) read with 178(2)
5. The Chairman- Best Practices
6. The CEO – Best Practices

**Who Can Do Board Performance Evaluation?**

The following can carry out a Board performance evaluation:

1. Nomination & Remuneration Committee—Section 178(2)
2. The Board of Directors- Schedule IV- Code for Independent Directors Point No. VIII read with Clause {(II) [B] Explanation [5].
3. External evaluator- Best Practices

**Why Board's Performance Evaluation?**

Board's performance evaluation is required for following reasons:-

- It is mandated under Companies Act 2013 and the Listing Agreement
- Point V &VIII of schedule IV of the Act and clause 49 of the listing agreement makes it mandatory to do a performance evaluation of the Board and the re-appointment of a director is based on such evaluation.
- The entire evaluation process has to be disclosed in the Annual report.

**Penalty – Cause & Effect**

- The Independent Directors cannot be re-appointed unless performance review is done Clause 49 (II) [B] Explanation [5]. Schedule IV –Code for Independent Directors- Under Point No. VIII
- The Compensation of the executive directors is based on the evaluation mechanism and the onus is on the Independent directors.

The penalty for not carrying out an evaluation and reporting is as follows:

**Penalty under Section 172 of Companies Act (not complying with Schedule IV requirement)**

If a company contravenes any provisions of this chapter, and for which no specific punishment is provided therein, then the company and every officer of the company who is in default shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.

**Penalty under Section 134 of Companies Act [not complying with reporting requirement in Board's Report]**

If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

Penalty under section 15HB OF SEBI Ac for contravention where no separate penalty has been provided [not complying with listing agreement]

Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board there under for which no separate penalty has been provided, shall be [liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.
Who is A 'secretary'

The term secretary originated from the word 'secret'. In olden times a secretary denoted a person entrusted with 'secrets' or custody of important documents or confidential information. Today, a secretary of any organisation represents a senior person, often CEO or equivalent, who is responsible for functioning of the organisation. In USA and UK, ministers in the government are called secretaries. In Government of India, the top official in each ministry is designated as secretary of that ministry. In a typical NGO or society, secretary is the official responsible for its day to day running.

In corporate world, the board of directors is responsible for laying long term goals, providing direction to management and overseeing latter's performance. The company secretary has to support the board in efficient and effective discharge of its functions.

Evolving Role of Company Secretary

The role of company secretary has evolved over a couple of centuries and more especially during last few decades. A century ago, a company secretary was a sort of assistant to board of directors with no managerial role. Evolution in company form of business gradually widened his role to managerial one. As laws and regulations became more and more stringent, the role of company secretary assumed more importance. The directors could no longer keep track of newer regulations. Dependence on a professional like company secretary was natural. As a person trained in corporate laws, he was the person to be looked to by the board for advice and guidance.

As businesses grew, companies needed more and more funds, which led to evolution of newer and exotic instruments for raising capital. The company secretary was looked to for planning and executing this exercise. Simultaneously, the phenomenon of listed companies with thousands or lac's of shareholders created another dimension. Servicing of these shareholders was a major task which naturally fell on company secretary's shoulders. Further, as businesses grew across geographies, mergers and acquisitions became common place. The company secretary was again automatically at the centre of any such exercise.

As the number of stakeholders in the company increased, there arose a need to protect their interests. This led to increasing and stringent regulations. These regulations imposed strict duties on companies in respect of payment of dividends in time, timely repayment of deposits, holding of Annual General Meetings, periodic financial and other disclosures, filing of various returns with Government/regulators etc. Noncompliance with these regulations was punishable with fines and imprisonments. It was evident to companies that a senior person should be made responsible for compliances. Again it was usually the company secretary who was given the compliance role in companies.

Thus, today a company secretary plays a very important role in any company. He is looked to for guiding the board and management on all legal and compliance issues. No large company can do without a company secretary. We can study the role of a company secretary in a typical large company from different facets.

Advising the Board

In today's complex regulatory environment, the board of directors often need guidance and advice on various day to day issues. They not only need explanations and clarifications on various agenda items, but also need updating on the constantly changing legal and regulatory landscape in general. They also are keen to understand their rights, duties and legal liabilities. The company secretary is the person whom the board can look to.

Again, in today's dynamic world, the board often
has for consideration, major transactions such as takeovers, mergers/demergers, issue of capital or debt instruments, buy back of shares etc. Further there could be enquiry under competition law or SEBI regulations. There could be inspection of books under company law. In all these situations, the company secretary has to play a cardinal role and advise the board.

Some provisions of law impact individual directors and they would look to the company secretary to guide them. Typical cases would be

- maximum number of directorships or committees that a director can have
- qualifications for being and continuing to be an independent director
- determining contracts or arrangements where a director is considered interested
- various disclosures to be made

**As Bridge Between Board and Management**

While the board of directors is responsible for laying down long term goals and directions for the company, the day to day management of the company rests with the management. The Managing Director or CEO along with his team comprise management.

The Company Secretary acts as a bridge between the board and management. His role includes:

- Discussing with management and ferreting out items requiring approval by board.
- Presenting details to board as part of agenda with proper details, explanations and justifications and securing board approval.
- Arranging business presentations by senior executives to the board.
- Informing Board decisions to the management for taking appropriate action.
- Regularly submitting to the board 'action taken report' on decisions taken by the board.

**Facilitating Board Processes**

The foremost function of the company secretary is to facilitate board processes enabling board of directors to take well-informed decisions.

He needs to see that the composition of the board itself is as per legal requirements, that committees are properly constituted, that all required policies are in place and that there exist proper charters for board and committees.

He also has to ensure proper conduct of meetings in compliance with legal requirements. He has to ensure that:

- Notices and agenda are sent well in advance and contain essential details to enable taking informed decisions
- Minutes are circulated soon after the meeting.
- Proper follow up action is taken on board decisions
- The board is updated on status of legal compliances and any areas of concern

**Supporting Committees**

Today a lot of business is delegated by the board to its committees. This is in order to give focused and detailed attention to important aspects. Law has also mandated constitution of several committees.

Some of the important committees are:

- Audit committee
- Nomination and remuneration committee
- Stakeholders relationship committee
- CSR committee
- Risk management committee

In addition, there could be other committees depending upon exigencies. As ex officio secretary of these committees, the company secretary has to ensure that

- The committees are properly constituted
- The committees have proper charters or otherwise clearly defined role and responsibilities
- The meetings take place in compliance with legal requirements
- Notices and agenda are sent well in advance and contain essential details to enable taking informed decisions
- Minutes are circulated soon after the meeting.
- There is proper action taken on committee decisions

**Overseeing Compliances**

SEBI regulations mandate that the company should have a company secretary as compliance officer responsible for all SEBI regulations. Under Companies Act 2013, the company secretary is treated as a Key Managerial Person and is also treated as officer in default for various violations. Further, as per the Act, his functions include:

- reporting to the Board about compliance with the provisions of the Act, the rules made thereunder and other laws applicable to the company.
- ensuring that the company complies with the applicable secretarial standards.

As such, as compliance officer, the company secretary has to ensure that the company complies with all laws and in particular to ensure that:

- All business transactions are approved by a person who has been authorized through resolutions of the board or by a person who has been delegated necessary powers by the board.
- In case the law so requires, approval of general meeting is obtained.
- In day to day running of the company,
all laws are complied with.

- Secretarial Standards for board meetings and general meetings are complied with.
- All returns required to be filed with regulatory bodies are filed accurately and within time.
- All records/registers required under various laws are maintained properly and accurately.
- There exists proper procedure for informing board of legal compliance status.

A company secretary is often looked to as the conscience keeper of the company. Many companies designate him as chief ethics officer. Through implementation of code of conduct, whistle blower policy, insider trading policy etc., he ensures that the organisation has a culture of ethics, compliance and disclosures.

**Role in Framing Various Policies**

A company operates through systems. The systems are laid down through various policies. Many of these policies are mandated by law; others may be required for better governance. The company secretary has to play a pivotal role in framing of various policies. He has to ensure that all legal requirements are complied with; the policies are approved by the board; these are properly disseminated among relevant persons and whenever required, these are modified.

Some important policies are:

- Insider trading policy
- Code of conduct
- Whistle-blower policy
- Remuneration policy
- Sustainability policy
- Risk management policy
- Corporate communications policy
- Succession policy
- Sexual harassment policy

- Related parties transactions policy
- CSR policy
- Board diversity policy
- Performance evaluation policy

**Servicing the Shareholders**

A very important role of company secretary is to service the shareholders. He has to ensure streamlined system for various investor services including:

- Transfers/transmissions of shares
- Payment of dividend
- Demat/ remat of shares
- Redressing shareholders grievances

He also needs to ensure that Annual General Meeting is conducted efficiently and as per legal requirements; proper notice is given for the meeting; opportunity is given to shareholders to speak on relevant issues etc.

Similarly, in respect of debenture holders/ deposit holders etc. he has to ensure proper service to them and comply with regulations.

**Custodian of Corporate Records**

A company has perpetual existence. In contrast, shareholders, directors or employees would normally have limited life/tenure. It is therefore very important and sacrosanct that all important corporate records are maintained and preserved for posterity.

As custodian of corporate records, the company secretary has to ensure that all original documents are kept and preserved as per legal requirements. Some records like minutes books are legally required to be kept permanently. Some records such as agenda and connected papers need to be preserved for 8 years. Even thereafter, these may be destroyed with board approval only.

Wherever practicable, the company secretary may keep electronic copies of the records.

**Role in Conducting Performance Evaluation**

As per Companies Act, 2013, annual evaluation of performance of board of directors, individual directors and committees are mandatory for specified companies.

The law leaves it to the company to have the evaluation done in-house or have it out-sourced. In case it is done in house, the company secretary can play an important role in devising its structure and actual implementation.

In case it is out-sourced to an external agency, the company secretary is again the best person to co-ordinate with the agency doing such exercise on the one side and the directors on the other side.

**Conclusion**

The effectiveness of the board of directors lies in giving effective direction to the company. However, while board members may have experience and expertise in their individual areas, in matters of corporate laws and corporate governance, they essentially look to the company secretary for constant advice and guidance and for ensuring proper and efficient board processes and compliances across the organisation.

In the famous Indian epic ‘Mahabharata’, Lord Krishna acted as the charioteer for Arjuna and was able to effectively guide Arjuna to success. The role of a good company secretary is somewhat akin to that – very subtly guiding, counselling and supporting the board in achieving its corporate objectives. If the board functions effectively, there is, in all probability, a competent and effective company secretary working quietly in the background!
Introduction

The concept of Corporate Governance is not new in India. It is rooted in Kautilya's Arthashastra. The basic principle of Corporate Governance is based on development with sustainability. It is the process of governance in the best interest of all stakeholders without abdicating the bottom line of the very existence of corporate, i.e., profit making. People, Planet and Profit are the sole of Corporate Governance. It is the way of governance based on transparency, accountability, integrity and disclosure. The heart of good governance flows from ethical business practices even when there is no legislation as mere legislation does not ensure good governance.

Developments in India:

The initiatives taken by Government in 1991, aimed at economic liberalization and globalization of the domestic economy, led India to initiate reform process in order to suitably respond to the developments taking place all over the world. On account of the interest generated by Cadbury Committee Report, the Confederation of Indian Industry (CII) and the Securities and Exchange Board of India (SEBI) constituted Committees to recommend initiatives in Corporate Governance. Some of the committees on corporate governance constituted by Government/ Institutions are as under:

- Confederation of Indian Industry (CII) Desirable Corporate Governance
- Kumar Mangalam Birla Committee
- Task Force on Corporate Governance Excellence through Governance
- Naresh Chandra Committee
- N.R. Narayana Murthy Committee
- Dr. J J Irani Expert Committee on Company law
- Corporate Governance through Listing Agreement
- Corporate Governance Voluntary Guidelines

Corporate Sustainability

Corporate sustainability is a business approach that creates long-term consumer and employee value by creating a "green" strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural, and economic environment. It also formulates strategies to build a company that fosters longevity through transparency and proper employee development. It is the concept based on Triple Bottom Line, i.e., People, Planet and Profits.

Under this approach, all the three bottom line get equal importance so as to make the business sustainable and in this way corporate gain in long term. Basically sustainability is the way of making equilibrium among three important factors that justifies existence of corporate without having any adverse impact on profit making in long run.

Legislative and Regulatory Framework of Corporate Governance in India

Though only legislation is not enough for good corporate governance, however, in order to streamline the process of corporate governance and its evaluation, the government has come out with various legislation to inculcate corporate governance in corporate and to ensure overall welfare of all stakeholders. Though various laws are applicable in their respective field, the aim and
objective of all these enactment is to ensure good corporate governance and sustainability.

Corporate Governance under the Companies Act, 2013

Advent of the Companies Act 2013 was a new era and major development in the field of corporate governance as it is likely to have significant impact on the governance of corporate in the country. The new Act was enacted to replace the Companies Act, 1956 with the aim to improve corporate governance standards, simplify regulations and enhance the interests of all stakeholders including the minority shareholders. The new Act is a major milestone in the corporate governance arena in India. The main provisions related to corporate governance that have been incorporated in the Companies Act, 2013 are:

a) The Companies Act, 2013 introduces new definitions relating to accounting standards, auditing standards, financial statement, independent director, interested director, key managerial personnel, voting right etc. The concept of one person company' (OPC), as a vehicle in the hand of individual to carry on business with limited liability along with the existing categories of corporate, has also been introduced with the aim of widening the ambit of corporate governance.

b) Board of Directors (Section 166): The Board of Directors is the brain behind the important business activities of the Company including good corporate governance. In order to ensure good corporate governance through the Board of Directors, the composition as well as standard of the Board needs to be regulated. In order to achieve these purposes, the new Act has made provisions for both academic and professional qualifications for Directors including the Independent Directors. It further prescribes that the company can have a maximum of 15 Directors on the Board; appointing more than 15 Directors, however, will require shareholder approval. It mandates that the majority of members of Audit Committee including its Chairperson should have the ability to read and understand the financial statements. In addition, for the first time, duties of Directors and Code of Conduct for Independent Directors (Section 149) have been defined in the Act. The Act considerably enhances the roles and responsibilities of the Board of Directors and makes them more accountable.

c) Independent Director (Section 149): For the first time in India the concept of Independent Directors (IDs) has been incorporated in the Company Law. It mandates that the Board of all listed companies must have at least one third of its members as IDs. However, those unlisted public companies having paid up share capital of Rupees Ten Crore (INR 100 million) or turnover of Rupees 100 Crore (INR 1 billion) or the aggregate outstanding loans, debentures and deposits exceeding Rupees 50 Crore (INR 500 million) shall have at least two Independent Directors. The appointment of Independent Directors may be for a term of up to five consecutive years. The introduction of concept of Independent Directors in the new Act is a welcome move.

d) Resident Director (Section 149): The new Act has made provisions for a director on the Board of a company who is called Resident Director. It has made mandatory for every company to have a Director on the Board of a company who has stayed in India for a total period of not less than one hundred and eighty two days in previous calendar year, i.e. Resident Director.

e) Women Director (Section 149): The introduction of the concept of Women Director on the Board is a forward step. It has now become mandatory for every listed company and every other public company having paid up share capital of rupees one hundred crore (INR one billion) or turnover of rupees three hundred crore (INR three billion) to appoint at least one woman director on their Board.

f) Related Party Transactions (RPT) (Section 188): The new Act requires that no company should enter into any contract or arrangement with a related party pertaining to

i. sale, purchase or supply of any goods or materials;

ii. sale or dispose of or buying, property of any kind;

iii. leasing of property of any kind;

iv. availing or rendering of any services;

v. appointment of any agent for purchase or sale of goods, materials, services or property;

vi. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
vii. underwriting the subscription of any securities or derivatives thereof, of the company.

In case such a contract or arrangement is entered into with a related party, it must be referred to in the Board's Report along with the justification for entering into such contract or arrangement. Related Party Transactions beyond threshold limit requires prior approval of shareholders who are not related, directly or indirectly with the transaction.

g) Corporate Social Responsibility (CSR) (Section 135): The new Act has mandated for the profit making companies to spend a certain percentage of their earnings on the activities related to CSR in the prescribed manner. Every company having net worth of rupees five hundred crore (INR five billion) or more or turnover of rupees ten thousand crore (INR ten billion) or more or net profit of rupees five crore (INR fifty million) or more during any financial year shall constitute a CSR Committee of the Board consisting of three Directors out of which at least one shall be an Independent Director. The CSR Committee shall be responsible for formulation of CSR Policy for the Company and shall also ensure that the company spends (in every financial year) at least 2 percent of the average net profits of the company made during the three immediately preceding financial years. In the previous financial year 2014-15 which was the first year of implementation of CSR, an estimated amount of rupees ten thousand crore (INR 100 billion) has been spent by the corporate India on CSR activities as against estimates of rupees fifteen thousand crore (INS 150 billion) which was expected by the Government when the Finance Minister made a statement in the Parliament.

h) Financial Statements, Board's Report, etc. (Section 134) To ensure collective responsibility and accountability, the new Act has made provisions that the financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by chairman or by two directors out of which one shall be Managing Director and Chief Executive Officer if he is Director in the company, Chief Financial Officer and Company Secretary. The company is under obligation to attach a report on the extract of annual report; the number of meetings of the Board that has been held during the year; Directors' Responsibility Statement; a statement on declaration given by the independent director; company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of director, etc; explanations or comments by the Board on every qualification, reservation or adverse remark in the audited financial statement; particulars of loans, guarantees or investments; particulars of contract or arrangement with related party; state of affairs of the company; material changes and commitments, if any, affecting the financial position of the company; a statement indicating development and implementation of a risk management policy for the companies; the policy developed and implemented by the company on CSR; a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors, etc.

In this way the Board's Report and financial statement give a complete insight of various facets of internal management and provide a glimpse of overall performance of the corporate.

i) Auditors (Section 139): In order to ensure independence, accountability, transparency and proper and timely discloser, the new Act has made provisions that a listed company or specified class of companies cannot appoint or reappoint an individual as auditor for more than one term of five consecutive years, or an audit firm as auditor for more than two terms of five consecutive years. Further, to avoid any sort of conflict of interest, the Act has mentioned the services that an auditor cannot render, directly or indirectly, to the company, which include: accounting and book keeping services, investment banking services, investment advisory services, management services etc.

j) Disclosure and Reporting (Section 92): In the new Act, there is significant improvement in non financial annual disclosures and reporting by companies as compared to the earlier format in the Companies Act, 1956.

k) Serious Fraud Investigation Office (SFIO) (Section 211): The Act has contemplated statutory status to SFIO. Investigation report by SFIO filed with the Court for framing of charges shall be treated as a report
filed by a Police Officer. SFIO shall have power to arrest in respect of certain offences of the Act which attract the punishment for fraud. Further, the new Act has a provision for stringent penalty for fraud related offences.

1) **Class action suits (Section 245):** For the first time, a provision has been made for class action under which it is provided that specified number of member(s), depositor(s) or any class of them, may file an application before the Tribunal seeking any damage or compensation or demand any other suitable action against the Company, other officer, an audit firm and all those who are associated directly or indirectly in committing the fraud.

**Clause 49 of Listing Agreement**

I. Clause 49 of the Equity Listing Agreement comprises of mandatory as well as non-mandatory provisions. Mandatory provisions are those provisions which are absolutely essential for corporate governance and which can be enforced. Any contravention of the mandatory provisions attracts penal provisions. Others, which are desirable are classified as non-mandatory. The non-mandatory requirements may be implemented at the discretion of the company. However, the disclosures of the compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be made in the section on corporate governance of the Annual Report.

ii. As per the Listing Agreement, there should be a separate section on Corporate Governance in the Annual Reports of listed companies, with detailed compliance report on Corporate Governance. The companies should also submit a quarterly compliance report to the stock exchanges within 15 days from the close of quarter as per the prescribed format. The report shall be signed either by the Compliance Officer or the Chief Executive Officer of the company.

iii. As per the Listing Agreement, for a company with an Executive Chairman, at least 50 per cent of the Board should comprise Independent Directors. In the case of a company with a Non-Executive Chairman, at least one-third of the Board should be Independent Directors.

iv. It would be necessary for Chief Executives and Chief Financial Officers to establish and maintain internal controls and implement remedial and risk mitigation towards deficiencies in internal controls, among others.

v. A company is also required to obtain a certificate either from Auditors or practicing company secretaries regarding compliance of conditions as stipulated, and annex the same to the director's report.

vi. Apart from Clause 49 of the Equity Listing Agreement, there are certain other clauses in the listing agreement, which are protecting the minority share holders and ensuring proper disclosures:

1. Disclosure of Shareholding Pattern
2. Maintenance of minimum public shareholding (25%)
3. Disclosure and publication of periodic results
4. Disclosure of Price Sensitive Information
5. Disclosure and open offer requirements under Takeover Code

In India, there is no single apex regulatory body which can be said to be the regulator of Corporate Governance but there exists a coordination mechanism among various functional regulators. For example, in India, we have different regulators for the following:

1. Implementation of Company Law/LLPs (MCA)
2. Capital Market and Stock Exchanges (SEBI)
3. Money Market and Banking (RBI)
4. Insurance- Life and Non Life (IRDA)
5. Communication (TRAI)
6. Foreign Business (FIPB/DIPP)
7. Imports and Exports (FEMA, DGFT)
8. Prevention of Money Laundering (FIU-India/ Enforcement Directorate)
9. Listed Companies, Stock Brokers (Stock Exchanges)
10. Professions (Professional Institutes like ICSI, ICAI, ICAI (CMA) etc.)

**Need for Corporate Governance**

Corporate Governance is integral to the existence of the company.

1. Corporate Performance
2. Enhanced Investor Trust
4. Combating Corruption
5. Easy Finance from Institutions
6. Enhancing Enterprise Valuation
Benefits of Corporate Governance

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in the interests of the shareholders and the organization.
6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
7. It helps in brand formation and development.
8. It ensures organization in managed in a manner that fits the best interests of all.

Ministry of Corporate Affairs formulated a National Voluntary Guidelines on Social, Environmental and Economic Responsibilities (NVGs) policy in the year 2011

NVGs guidelines emphasize the role of business sector in helping India achieve the goal of sustainable development and economic growth. The Guidelines provide a framework for responsible business action which can be used by all type of businesses.

Nine Principles of NVGs

- **Principle 1:** Ethics, Transparency and Accountability
- **Principle 2:** Providing Goods and Services that are Sustainable over entire Life Cycle
- **Principle 3:** Well-being of Employees
- **Principle 4:** Being Responsive towards Stakeholders, especially the disadvantaged
- **Principle 5:** Respecting and Promoting Human Rights
- **Principle 6:** Protecting and Restoring the Environment
- **Principle 7:** Responsible Policy Advocacy that enhances Public Good
- **Principle 8:** Supporting Inclusive Growth and Development
- **Principle 9:** Providing Value to Customers responsibly

The Ministry of Corporate Affairs has introduced the Annual Business Responsibility Reporting (ABRR) in the form a reporting format that requires principle-wise (NVGs) disclosure by corporate. This reporting framework helps Indian companies implement the NVGs and communicate the same to its stakeholders. Its aims are assisting corporate to re-examine their processes and align them with the ethos of the NVGs.

The Securities and Exchange Board of India (SEBI) has mandated the top 100 listed companies to report on their Environmental, Social and Governance performance through a Business Responsibility Report (BRR) which would form a part of their annual report. Current financial year is the second financial year of BRR as companies falling under the purview of the mandate have started filing their BR reports along with the annual reports in the financial year 2013-14. However, a lot is to be done like including top 500 listed companies under BRR.

GRI based sustainable reporting in India

The Global Reporting Initiative (GRI) is an organization that provides a comprehensive sustainability reporting framework. It prescribes disclosure of organization's economic, environmental, social and governance performance in a credible way. India is adopting GRI and blending it with BRR.

Millennium Development Goals (MDGs)

India is a signatory to the Millennium Declaration adopted at the United Nations General Assembly in September 2000, and has consistently reaffirmed its commitment towards the eight development goals. The targets of the MDGs have converged with India's own development goals to reduce poverty and other areas of deprivation.

Impact Assessment

The current legislative framework has made stringent provisions regarding CSR spending and reporting. Schedule VII of the Companies Act, 2013 has listed the activities that qualify as CSR initiatives: These are poverty eradication, promotion of education, gender equality, and women empowerment, reducing child mortality and improving maternal health, combating AIDS/HIV, malaria, and other diseases, ensuring environmental sustainability, employment-enhancing vocational skills and social business projects, relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities, and women, Swachh Bharat Kosh and Clean Ganga Fund.

Accordingly, the impact of CSR has to be...
assessed in the light of present status of the aforesaid parameter. India has achieved significant improvements on the above parameter; however a lot needs to be done to achieve the aims and objective of CSR.

The ultimate test of the success of any CSR and Sustainability activity is the social, economic or environmental impact. Every such activity is planned and implemented with some anticipated impact on society or environment. Various Government agencies have come out with detailed regulations to regulate the activities of the corporate so as to ensure the overall welfare of all stakeholders. Due to initiative undertaken by the corporate in the line and spirit of CSR, a lot have been achieved. However, the impact of such activities needs to be augmented and voluntary participation of corporate beyond the corporate spending limit is the need of time.

**Stakeholders Expectation**

Corporate Governance is concerned with how the concern of the stakeholders is addressed by corporate. Every organization inherently has a multitude of internal and external stakeholders, each possessing some vested interest in the organization. The primary stakeholders, who close to the organization, are likely to have greater interest in the perpetuity of the corporate though the relative importance and claims of each stakeholder group is a matter of arguments. The key primary stakeholders such as employees, customers, and owners/ investors have a considerable interest in the long-term viability of the organization.

**Analysis and way forward**

The Good Corporate Governance is the need of time. It integrates all aspiration of stakeholders and helps in achieving the goal of the very existence of the corporate. It is a method of streamlining the corporate activities in the overall interest of the corporate. The current legislative framework has been made having regard to the needs in the current perspective, however, the corporate must make an internal mechanism to ensure voluntary compliance of mandatory as well as non mandatory requirement of law. For example, the Government is urging the corporate to work with the committed social organization to help in transforming social sector and not restrict themselves only to mandatory CSR spending. On the occasion of launching the Economic Times CSR Compendium, Minister of State for Finance Mr. Jayant Sinha said “In a Country like India, the role of business is not just profit making or creating job.” He further added “their true potential could be met only if they become as a force for good in society.” The Government has set up a six member high level panel to suggest steps for improved monitoring of social welfare activities done by the corporate under the CSR initiatives.

**Conclusion**

The new Act has come out with the provisions to make governing of business by corporate to ensure transparency, accountability, integrity and disclosure. Various sections of the Companies Act, 2013 has been incorporated to achieve above aims aim and objectives so as to make the corporate viable in long run and to benefits all stakeholders. However, only legislation cannot do it alone. Voluntary participation by the corporate to transform social sector is the need of time so as to make them sustainable.

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**141st Batch, 11-13 September 2015, Mumbai**

- Mr. Nayankumar Bipinchandra Bhatt, AVP, Roquette Ridhi Sidhi Pvt Ltd
- Mr. V Shanker, Founder, Capri3 Consultants
- Mr. Jayanta Mukherjee, MD, Fischer FZE
- Ms. Sushma Bhayani, Executive Business Development, IBM India Pvt Ltd
- Ms. Smruti Suresh Shelke, Director, uroasia Institute for Advance, Languages and Careers Pvt Ltd
- Ms. Rina Kamath, Independent Director, IL & FS
- Ms. Jyoti Palekar, MD, STEP Private Ltd
- Mr. Nayan Rawal, Advocate, Nayan Rawal & Associates
- Mr. S Ravichandran, VP - Commercial, Tecnimont ICB Pvt Ltd
- Mr. V.K. Kalra, Member - Power, Bhakra Beas Management, Board
- Mr. S.K. Sharma, Member - Irrigation, Bhakra Beas Management Board
- Mr. Kapil Bahl, Director, Bibby Ship Management Pvt Ltd
- Mr. Ramesh Chandra Nautiyal, Director - Personnel, Garden Reach Shipbuilders & Engineers Ltd
- Mr. Haresh Shivdasani, Founder, Echess Consulting
- Ms. Jasmin Ajmera, Director, Ajmera Pharmasure Pvt ltd
- Ms. Harsha Mukherjee, CEO, International Institute of CSR
- Dr. Preeti Rawat, Professor - OB & HR, K.J. Somaiya Institute of Management Studies and Research
Introduction

For a decade or so, there has been a fairly dramatic shift in the way in which psychologists look at the human condition. For the last hundred years or more, they have based most of their understanding on our problems... essentially by studying people with known medical conditions and mental health issues, they have evolved a science of human dysfunction.

The radical change in direction has been to study instead what is 'normal' and what makes the majority of humans 'normal'. At one extreme of this has evolved a branch of psychology known as 'positive psychology' – which takes as one of its guiding principles the idea that it is not satisfactory to be 'normal' but instead it is preferable to be positive.

'Positive psychology' emerged as a new area of psychology in 1998 when Martin Seligman chose it as the theme for his term as president of the American Psychological Association. The term originates though with Abraham Maslow, who coined it in his 1954 book 'Motivation and Personality'.

Recently a number of 'meta-analyses' of positive psychology have been published, and from them some interesting aspects unfold. One such dimension involves happiness and what makes some of us predominantly happy and some of us predominantly unhappy. Three studies in particular have contributed to our current view of happiness – the German Socio-Economic Panel, the US General Social Survey and the World Values Survey. The findings provide a useful focus for those of us working with individuals who would like to be happier, organisations seeking to become places renowned for the happiness of their employees, as well as to policy makers in Government who are concerned with ways of promoting happier societies. If you are interested in a detailed summary of these issues, check out Lord Layard's book “Happiness – Lessons from a new science” on which much of the following is based.

Firstly, let's be clear about a few things that we can be sure do NOT really contribute to happiness:

* Age
* Gender
* Appearance
* IQ
* Physical energy
* Mental energy
* Education

Individual Happiness

For each of these, we now know that the contribution to an individual's happiness is extremely low or non-existent at all.

Instead, we can say that there are seven factors that contribute to the bulk of an individual's happiness. In order of decreasing importance, they are:

1. Family relationships
2. Financial situation
3. Work
4. Community and friends
5. Health
6. Personal freedom
7. Personal values

Family relationships – When most people marry or have children they enjoy a peak of happiness for a year or so before returning to their previous level. When they separate or divorce they suffer a drop in happiness for a year or two. Men return to their underlying level sooner than women. Half of US children will be living in a single parent household by the time they are 15, so marriage break-up is a very real cause of reduced happiness. Couples who remain 'in love' tend to have better sex lives, have better hormonal balance, be
healthier, live longer and be happier than they were four years before they were married.

Financial situation – There have been some fascinating studies on income. Absolute income has little or no effect on happiness. Two things do. Firstly, the relative level of income to who ever we compare ourselves with (generally our local community). Secondly, changes in our income. We are generally happier being poor but with good prospects of an increasing income than being well-off but with little chance of an increase.

The prospect of a drop in income of one third is used as a benchmark of many other factors in studies of happiness. For example, the impact of separation (as in splitting up with a life-partner) is FOUR times greater than that of a drop of income by one third, and the impact of being widowed is DOUBLE.

Work – Work provides not only income but also meaning in our lives. It also provides self-respect and a social network. The impact of being unemployed is three times greater than our benchmark of one third income drop. Being employed but in an environment where unemployment is increasing substantially, is also seriously bad for happiness. So, believing our job is stable and living in a society where unemployment is low and also stable are good predictors of happiness.

The nature of the work is also important. Dull repetitive work has a direct and substantial effect on our health, literally doubling the likelihood of arterial related diseases.

Community and friends – The impact of the quality of our community is two-fold – how much we trust people and how safe we feel. We feel happiest when we live in a community where we can trust people around us. Asked whether they could trust most people around them, 5% said so in Brazil and 64% in Norway. The impact of this on national happiness (still measured at an individual level) is the same as a drop of one third of income.

Health – Although we generally care about our health, it doesn't feature as a particularly high factor in determining happiness despite lots of reports in the 80s and 90s about endorphins as nature's 'prozac'. Generally, people adapt well to the loss of health and it has little impact on happiness, with two exceptions – mental illness and chronic pain. These two elements are largely a reflection of our inner feelings than any physical limitation. Their impact is roughly the same as becoming unemployed.

Personal freedom – A fascinating effect on happiness (again, measured at the individual level) is that of perceived personal freedom. When people feel that they have more control over the government policies affecting them they feel happier. The impact is huge – as much as marrying (and this is sustained throughout rather than dropping off after a couple of years)! Personal values (our personal philosophy of life) – There are two factors that have the greatest impact on personal happiness; believing in some kind of higher purpose for society and caring for others. People who care about other people, rather than being pre-occupied with themselves are happier. Interestingly, people who worry about “doing well” in their lives suffer from more anxiety than those who worry about “doing good” for society in general.

Whatever the belief system, when people believe in some higher purpose (whether it is God, spirituality, or mindfulness) they are TWICE as happy as the effect of our benchmark 1/3rd drop in salary.

The implications for organisations and their leaders

Most of these key factors can be directly managed, or at least influenced, by organisations and their leaders, for the benefit of staff.

* Family relationships - These days, peoples lives are complex. Nuclear families are far less common, and the generations within families are often separated by long distances. Organisations have spoken of trying to create a 'family friendly' workplace, and some achieve this through the provision of flexible hours, subsidised childcare, insurances and so on. However, what has been lost in the last half century and that has a profound impact on an individual's sense of family, is the permanence of their employment working alongside family members in one place. The obvious examples include coal pits, major manufacturing works, and family firms including those in the City of London where the enterprise revolved around the servicing of money. When they had the security of a job for life, employees formed a special bond similar to that of being within a family. While this kind of arrangement is probably gone for ever, there is a lot that an organisation can do to stimulate the sense of family. Few do.

* Financial situation - Recognising that pay inequality leading to comparisons with peers, and that frustration with pay rather than absolute pay were significant demotivator, Dan Price of Gravity Payments was already aware of the problems of their personal financial situation on employees. However, it was when he discovered that there is an absolute level above which financial worries cease to impact on staff happiness, that he surprised his 120-person staff by announcing that he planned over the next three years to raise the salary of every employee to $70,000 a year. For decades, HR professionals have valued themselves on the basis of how much they could save their firm
by keeping wages in check. We don't always have to be so radical. A young woman recently described her employer's approach - whenever a member of staff was thinking of taking out a loan to pay for something, they were encouraged to approach the firm first. The company was happy to lend at zero rate a significant proportion of an annual salary, paid for by affordable deductions from pay over an agreed period. This is just a simple example, but again, there's a lot more that firms could do to ensure that their staff's financial situation enhances happiness rather than detracting from it.

* **Work** - Work provides not only income but also meaning in our lives, self-respect, and a social network. Leaders often assume that their employees come with a sense of values that already align to the purpose of the organisation, or that this purpose is self-evident anyway. This is rarely the case, and yet by simply making the connection between what the firm does and a greater humanitarian purpose they can palpably improve happiness with them. Helping employees explore themselves and their personal development, their emotional and spiritual needs, through discussions, courses, meditation and talks, costs little, but can deliver a great sense of happiness across the board.

* **Community and friends** - We've already mentioned the ways in which firms can enhance the sense of family. But what about reaching out into the community? Fostering good links that deliver to both, creates a stronger bond with that community, and greater pride in the employee's minds.

* **Health** - The response to this varies enormously across the world, nevertheless taking a strong interest in the health of staff, through gyms, occupational health advisors, insurance schemes and generous allowances for those who are affected by poor health, will promote the culture of happiness.

* **Personal freedom** - While studies tend to focus on the impact on national happiness, a savvy employer will find ways of allowing their staff to largely self-direct. Giving them control over their own work and life can now be seen to enhance their sense of personal freedom and thence happiness.

* **Personal values** - Discovering a personal sense of higher purpose improves happiness, as does contributing to other people's happiness. The latter is easy to orchestrate. Whether it is painting a school, collecting donations, or whatever - looking for creative ways of reaching out by the employees is a powerful reinforcer of happiness.

So, to capture all of this; working on our relationships, managing our finances, having meaningful work, living in a community in which we feel safe and can trust people, seeking help promptly for mental health and chronic pain, taking an active part in government and developing our sense of connectedness and spirituality, will all have a profound impact on our own happiness.

Savvy organisations recognise this and seek to institutionalise the behaviour, knowing that they will benefit enormously.
The United Nations General Assembly has approved, during its session on 24-25 September, 2015, the Sustainable Development Agenda for the Post 2015 era to transform our world by the year 2030. There have been numerous inputs to the Agenda, notably a set of Sustainable Development Goals proposed by an open working group of the General Assembly, the Report of an Inter-Governmental Committee of Experts on Sustainable Development; and Finance and General Assembly Dialogues on Technology Felicitation and many others. The United Nations played a facilitating role in the global conversation on the Post-2015 Development Agenda and supported broad consultations. It also has the responsibility of supporting member states by providing evidence-based inputs, analytical thinking and field experience.

The Agenda is a Plan-of-Action for people, planet and prosperity. It also seeks to strengthen universal peace and larger freedom. The global leaders have recognized that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. The governments therefore committed to take and bold and transformative steps which are urgently needed to shift the world on to a sustainable and resilient path. The effort is to ensure that no one is left behind.

Goals & Targets

The journey is not so simple. The 17 Sustainable Development Goals and 16 targets approved by the UN demonstrate the scale and ambition of this new universal agenda. They seek to build on the Millennium Development Goals and complete what these did not achieve. They seek to realize the human rights of all and to achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental.

The UN General Assembly also determined to mobilize the means required to implement this agenda to a revitalized global partnership for sustainable development, based on its spirit of strengthen global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people.

Vision

The vision set forth in the Goals and Targets is supremely ambitious and transformational. It is envisaged that the world free of poverty, hunger, disease and want is created where all life can thrive. A world with be equitable and universal access to quality education at all levels, to health care and social protection will ensured, where physical, mental and social well being are assured. We have to ensure safe, resilient and sustainable human habitats with universal access to affordable, reliable and sustainable energy.

Process of Development

The development process has to be such in which every country enjoys sustained, inclusive and sustainable economic growth and decent work for all. A world in which consumption and protection patterns and use of all natural resources are sustainable. Democracy, good governance and the rule of law as well as an enabling environment at national and international levels, are essential for sustainable development, including sustained and inclusive economic growth, social development, environmental protection and eradication of poverty and hunger.

Introduction of New Goals & Targets

The new goals and targets will come into effect from 1 January 2016 and will guide the decisions we take over the next 15 years up to 2030. All of us are expected to work to implement the agenda within our own countries and at the regional and global levels, taking into account different national realities, capacities and levels of development and respecting national policies and priorities.

The global leaders seek to build strong economic foundations for all our countries. Sustained,
inclusive and sustainable economic growth is essential for prosperity. This will only be possible if wealth is shared and income inequality is addressed. Countries will have to build dynamic, sustainable, innovative and people-centered economies, promoting youth employment and women’s economic empowerment, in particular, and decent work for all. All countries stand to benefit from having a healthy and well-educated work force with the knowledge and skills needed for productive and fulfilling work and full participation in society. The governments will strengthen the productive capacities of least developed countries in all sectors, including through structural transformation. The governments will adopt policies which increase productive capacities, productivity and productive employment; financial inclusion; sustainable agriculture, pastoralist and fisheries development; sustainable industrial development; universal access to affordable, reliable, sustainable and modern energy services; sustainable transport systems; and quality and resilient infrastructure.

**Role of Corporate World in Transformation**

The government is also committed to making fundamental changes in the way our societies produce and consumer goods and services. Governments, international organizations, the business sectors and other non-state actors and individuals must contribute to changing unsustainable consumption and production patterns, including through the mobilization, from all sources, of financial and technical assistance to strengthen developing countries’ scientific, technological and innovative capacities to move towards more sustainable patterns of consumption and production. The governments have also encouraged the implementation of the 10 Year Framework of Programmes on Sustainable Consumption and Production. All countries take action, with developed countries taking the lead, taking into account the development and capabilities of developing countries.

Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. The diversity of the private sector was acknowledged, ranging from micro-enterprises to cooperatives to multinationals. All businesses were called to apply their creativity and innovation to solving sustainable development challenges. A dynamic and well-functioning business sector will be fostered, while protecting labour rights and environmental and health standards in accordance with relevant international standards and agreements and other ongoing initiatives in this regard, such as the Guiding Principles on Business and Human Rights and Labour Standards of ILO, the Convention on the Rights of the Child and key multilateral environmental agreements, for parties to those agreements.

International trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development. Countries will continue to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the World Trade Organisation (WTO), as well as meaningful trade liberalization. All WTO members were called upon to redouble their efforts to promptly conclude the negotiations on the Doha Development Agenda. Great importance was attached to providing trade-related capacity-building for developing countries, including African countries, least-developed countries, landlocked developing countries, small island developing states and middle-income countries, including for the promotion of regional economic integration and interconnectivity.

**Debt Sustainability of Developing Countries**

The UN also realized that the need to assist developing countries in attaining long-term debt-sustainability through coordinated policies aimed at fostering debt-financing, debt-relief, debt-restructuring and sound debt management, as appropriate. Many countries remain vulnerable to debt crisis and some are in the midst of crisis, including a number of least developed countries. Debtors and creditors must work together to prevent and resolve unsustainable debt situations. Maintaining sustainable debt levels is the responsibility of the borrowing countries; however, it is also acknowledged that lenders also have a responsibility to land in a way that does not undermine a country’s debt sustainability. The UN supported the maintenance of debt sustainability of those countries that have received debt reliefs and achieve sustainable debt levels.

The UN also launched a Technology Facilitation Mechanism in order to support the sustainable development goals. The technology Facilitation Mechanism will be based on a multi-stakeholder collaboration between member states, civil society, private sector, scientific community, United Nations entities and other stakeholders and will be composed of: a United Nations Inter Agency Task Team on Science, Technology and Innovation for the SDGs, a collaborative Multi-stakeholder Forum on Science, Technology and Innovation for the SDGs and an on-line platform. The on-line platform will be used to establish a comprehensive mapping of, and serve as a gateway for, information on existing STI initiatives, mechanisms and programmes, within and beyond the UN. The on-line platform will facilitate access to information, knowledge and experience, as well as best practices and lessons learned, on STI’s Facilitation Initiatives and policies. The on-line platform will also facilitate the dissemination of relevant open access, scientific publications generated worldwide.

**Conclusion**

Corporates have to play important role in transforming our world and implementing the Agenda for Sustainable Development giving better quality of life to the common men by 2030.
Now that the 'UN Sustainable Development Goals' have been agreed to by the global leaders, what changes in Corporate Governance would be required to align with the above sustainability goals?

Answer – It is time now for a new kind of Corporate Governance that furthers sustainable business. After the United Nations Sustainable Development Goals were agreed by global leaders in September, and with the COP 21 climate talks in Paris later this year, it is now time for businesses, governments and society to come together to tackle the major challenges we face collectively.

At present no corporate governance code addresses the issue of sustainability and companies’ responses to those issues. We think that posing the question of what companies should be responsible for could encourage businesses not only to recognise the needs of sustainability and report on them but also to adopt sustainability as part of their business purpose.

What is the role of Corporate Governance in greening our economics?

Answer - In recent years the Western financial crisis has distracted us from the more fundamental issue: the urgent need to de-carbonise economies, before we find that we have caused 2 degrees of global warming irreversibly, and to protect vital resources. To get there we must create cleaner energy, better manufacturing processes, and make sure that natural capitals like biodiversity, freshwater, fish stocks and wood are sustained.

It is unfortunate that corporate governance has increasingly become the domain of a small number of dedicated experts. With an expanded, rules-based code, it has started to become increasingly difficult – perhaps even impossible - for a non-expert to understand whether a company is acting in a socially acceptable manner which, increasingly, includes being responsive to the challenges facing the planet.

ICAEW had been deeply engaged in developing the UK's Cadbury code. What main questions were posed by you then; about Corporate Governance?

Answer - Those questions were:  
1) What should companies be responsible for?
2) What are the overarching principles of corporate governance?
3) When is comply or explain the right approach?
4) How diverse should boards be?
5) Who should be covered by codes?

**What is ICAEW's new approach to governance?**

**Answer** - We are continuing to develop our thinking and governance explore an approach that we are provisionally calling 'ask and listen'. Any member of the public should be able to ask businesses how they create value in the widest sense of the word, and how they fulfil their responsibilities. This is quite a revolutionary way to look at corporate governance.

Every business or organization should hold itself responsible for achieving a business purpose, behaving in a socially acceptable way, meeting legal and regulatory requirements and stating how they meet those responsibilities. The boards of every business or organisation should be diverse enough to be seen as effective and socially acceptable, and to have an effective understanding of the business and be rigorous; and those boards should apply overarching principles of sustainable business through leadership, capability, accountability, and integrity.

We think a new Corporate Governance framework like this could help by embedding sustainable practices in companies, and by making companies and what they do more transparent to everyone – not just to a narrow elite of experts. If corporate governance were something that anyone could understand and question business about, a business's impact on the world could be challenged much more easily and individuals could make more positive choices about who to buy products and services from.

**These are very fresh views on Corporate Governance. How will it change the current Corporate Governance code?**

**Answer** - Businesses are sensitive to what is socially acceptable in the markets where they operate. We think this will help businesses judge whether they have a licence to operate in those markets. While diversity is important, but largely diversity of thinking is important rather than any set quota of men and women or particular minorities on the board.

The new corporate governance code should not be limited to listed companies, but should cover all types of businesses.

As democracies with a free press, our governments are subject to the will of the people, and inevitably people's concerns are going to be reflected in corporate governance codes. We think it's important for a healthy democracy that people who are not experts are able to engage with business and ask them to explain how they interpret business purpose, social acceptability, leadership, sustainability and integrity.

*(Interview with 'Director Today')*
Corporate Governance focus

Centrica plc, UK

Organizational Description
Centrica plc is a British company listed in the FTSE 100 and operating predominantly in the UK, Republic of Ireland and North America. The company is headquartered in Windsor, Berkshire, UK and has 37,000 employees globally. The Centrica plc Board comprises ten directors in total: the Chairman, the Chief Executive Officer, six Non-Executive Directors, the Managing Director of International Upstream and the Managing Director of International Downstream.

Main Products and Services
Centrica plc is active at every stage of the energy chain:

• Source it: we invest in finding and producing new sources of gas and oil across the world.
• Generate it: we generate power through our wind farms, nuclear and gas-fired power stations.
• Process it: our onshore gas terminals ensure high quality gas enters the transmission system.
• Store it: our gas storage facility at Rough is the largest of its kind in the UK.
• Save it: we offer innovative low carbon, energy efficient products and services to help our customers to better control their energy.
• Service it: we provide peace of mind with boiler, heating and cooling maintenance and breakdown cover products.
• Supply it: we supply energy to homes and businesses in the UK, Republic of Ireland and North America.
• Trade it: in the UK and North America, we trade gas and power to secure energy for our customers.

National / Global Market Position
Our vision is to be the leading integrated energy company with customers at our core. Our focus is therefore delivering the energy and services our customers need in our chosen markets.

In the UK, Centrica – through its British Gas business unit – is the leading provider of energy and services to homes and businesses, supplying 11m homes and 900,000 businesses. We have an 8,000-strong workforce of engineers to install, fix and maintain the boilers and heating systems of our customers.

Centrica – through its Direct Energy business unit – is also one of the largest home services providers in North America. Our services division covers all US states and 8 Canadian provinces, and we have 6m customer relationships covering residential and business energy and services. We are the number 1 supplier of gas to the commercial and industrial sector on the US east coast.

As an integrated company, Centrica also produces gas and power as well as supply it. Our gas exploration and production company is the leading gas producer in the UK North Sea, is a significant producer in Norway and this year became a top ten gas producer in Western Canada. Recognising the increasing trend for the globalization of the gas market, we signed our first contract to export liquefied natural gas from the US in 2013.

We also operate a diverse and low carbon portfolio of power stations in the UK. This includes six gas-fired power stations, five operational wind farms, and a 20% stake in the UK nuclear fleet (as part of a joint venture with EDF Energy).

ISO Certification / GRI reporting
We are committed to achieving independent certification to the ISO 14001 standard for environmental management in all our operations. In 2013, our operations in Trinidad and Tobago achieved certification to ISO 14001 and globally, more than 90% of our operations measured by carbon emissions are now certified.

We use the Global Reporting Initiative (GRI) to inform our corporate responsibility reporting. This includes using the GRI reporting principles as the core principles in our environmental reporting.

Mission, Vision and Sustainability
Centrica’s vision is to be the leading
Case Study

integrated energy company with customers at our core. How we do business is integral to what we deliver. We believe a responsible business must build trust and maintain strong sustainable performance over the long term. Centrica’s corporate responsibility work is built around four key themes, which reflect Centrica’s principal impacts on the communities and environments in which we operate: treating customers fairly; safeguarding the environment; caring for our people and communities; and working with our partners.

Board and Organizational Structure

The Board operates six Committees to oversee the standards of the Group: Audit, Nominations, Remuneration, Corporate Responsibility, Executive and Disclosure. All of the independent Non Executive Directors are members of the Audit, Nominations and Remuneration Committees.

We are made up of two business units participating across the energy chain and across geographies. International Upstream and International Downstream.

International Downstream covers every link in the energy chain and includes British Gas, BordGáis and Direct Energy. British Gas is the leading residential and business energy and services provider in the UK. BordGáis is a leading supplier of gas, electricity and energy services to homes and businesses in the Republic of Ireland. Direct Energy is one of the largest home services provider in North America and includes Midstream and Power business units.

International Upstream includes Centrica Energy's gas, oil and power assets in the Irish Sea, the UK, Norwegian and Dutch sectors of the North Sea, as well as in Trinidad & Tobago, its Midstream business unit and Direct Energy’s upstream gas and oil assets in North America.

In addition to the above, Centrica's Rough gas storage facility is the largest in the UK, able to meet approximately 10% of the UK's winter peak day demand and representing more than 70% of the UK's current storage capacity. In accordance with undertakings given to the Secretary of State for Trade and Industry, Centrica Storage is legally, financially and physically separate from all other Centrica businesses.

Code of Ethics and Conduct

Our Group-wide Business Principles create a framework for decision making based on trust, integrity and openness which is applied from the Board room throughout the organization. Our Business Principles and Group Policies provide the foundation for how we operate. This is much more than a tick box for compliance, how we conduct business reflects our values.

Sustainability and Committees

Our Senior Independent Non-Executive Director Chair's our Corporate Responsibility Committee. The Executive Committee has overall responsibility for implementing CR strategy across the Group.

Environmental Compliances and Energy Efficiency

A key area of our focus is on effectively managing and mitigating potential impacts from our oil and gas operations, wind farms and power stations, on the local environment and in particular, biodiversity. We have procedures in place at all installations to limit the risk of spills or discharges, and any accidental release is always investigated to ensure that lessons are learned.

We have a rigorous system for capturing and collating HSE events. Environmental compliance is reported at the relevant management levels, including to the Centrica executive and the Board. Performance is also reported to our external stakeholders.

Centrica is committed to minimising its environmental impact on climate change. The most significant emissions associated with the energy industry are derived not from our own emissions, but from gas and electricity consumed by customers. Helping customers reduce their energy use and facilitate the move to a low carbon society is therefore key to combating climate change. As part of our on-going response to climate change we are helping our customers to reduce energy consumption by installing insulation and new efficient boilers, generate their own energy through micro generation technology, and by providing innovative technology such as smart meters to empower them to take control of their energy use and costs.

We are also committed to managing our own greenhouse gas emissions and have a target for reducing our internal carbon footprint (this includes the emissions from our fleet, business travel and offices) as well as a target for the reduction of the carbon intensity of the power we generate. Our performance against these targets is reporting to the Centrica executive on a quarterly basis.

Our commitment to understanding and minimising our impact on climate change is demonstrated by Centrica having maintained a position in the Climate Disclosure Leadership Index for seven consecutive years and having attained a position in The Global Climate Performance Leadership Index 2014. CDP is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information.

CSR Committee

The role of the Committee is to ensure that Centrica effectively manages its impact on society, the environment and the wider economy. The Executive Committee has overall responsibility for implementing Corporate Responsibility strategy across the Group.

Our approach to corporate responsibility reinforces our focus on how we do business through four core themes which shape our organisational behaviour. It
supports our strategic priorities and gives our businesses as well as our people a clear framework for how to operate responsibly. Our major CR projects within each theme are:

- Treating Customers Fairly – delivering innovative technology to our customers in order to give them control and help them reduce their energy use. These technologies include our smart meter rollout, Hive Active Heating smart thermostats and trials with demand response.
- Safeguarding the environment – the installation of energy efficiency measures through the Government ECO programme.
- Caring for our people and communities – helping energy entrepreneurs play a vital role in building a better society through Ignite, the UK’s first impact investment fund with a focus on energy, created by Centrica.
- Working with our partners – supporting vulnerable customers though our partnerships, such as our strategic partnership with Shelter to improve 1m homes in the private rented sector across the UK by 2017.

**Corporate and Financial Performance**

Financial stewardship and discipline remain important to our business for the benefit of customers and shareholders. The Audit Committee’s key function is to support the Board in fulfilling its responsibilities in reviewing the effectiveness of the Company’s financial reporting, internal controls and risk management. As part of this role, the Committee provides advice to the Board on whether the Annual Report and Accounts, when taken as a whole is fair, balanced and understandable and provides all the necessary information for shareholders to assess the Company’s performance, business model and strategy. The Committee is also responsible for monitoring and reviewing the operation and effectiveness of the Group’s internal audit function, including its strategic focus, activities, plans and resources as well as managing the relationship with the Group’s external auditors on behalf of the Board.

**Minority Shareholders**

We protect the interests of our minority shareholders through:

- The Company’s AGM which provides all shareholders with the opportunity to develop further their understanding of the Company. Shareholders can ask questions of the full Board on the matters put to the meeting, including the Annual Report and Accounts and the running of the Company generally. We typically send the Annual Report and Accounts, Notice of AGM and any related papers to shareholders at least 20 working days before the meeting.
- We offer a range of services to make it easy for our smaller shareholders to hold their shares, including a Corporate Sponsored Nominee and annually a share dealing programme that offers shareholders with fewer than 1,500 shares the opportunity to buy or sell more shares or donate them to charity.
- Our website contains up-to-date information for shareholders including the Company’s Articles of Association, annual reports, shareholder circulars, share price information, news releases, presentations to the investment community and information on shareholder services.
- We also ensure that our shareholders have access to inspect the Company’s registers.

**Whistle Blower Policy**

At Centrica we are committed to dealing with any concerns about the Company in an open and responsible manner while, as far as is practicable, protecting the confidentiality of those who raise concerns. Our Group ‘Speak-up’ Policy: 'Public Interest Disclosure' applies to everyone in the Centrica Group of Companies, whether you are a full-time, part-time, contract or temporary employee. Our main aim is to prevent workplace malpractice from occurring in the first place but if it should, we want to prevent it from happening again. The Audit Committee oversees and monitors the Speak-up Policy and receives regular updated about incidents reported under the Policy.

**Risk Management**

The Board is responsible for the Group’s system of internal control and risk management and considers this to be fundamental to the achievement of our strategic priorities. The work of the Board and its Committees is at the heart of the process. They set objectives, performance targets and policies designed to achieve a balanced and transparent assessment of the risks facing our operations and to measure the effectiveness of the key controls in place to manage them. The work of the Board is underpinned by clear delegations of authority, effective policies and procedures covering key areas of our operation together with a set of Business Principles and processes, which are communicated to our employees.

We have processes in place for identifying, evaluating and managing the key risks to the achievement of our strategic objectives. These processes are reinforced through regular performance management and are subject to internal and external review, identifying areas where we can further enhance our risk management activities. They also provide us with an independent and impartial assessment of the effectiveness of the control framework in place to govern our operations.

As with any such system, the processes are designed to manage rather than eliminate the risk of failure to achieve the objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Centrica plc, UK is a winner of Golden Peacock Global Awards for Excellence in Corporate Governance 2014
Organizational Description

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We have more than 155,000 outstanding professionals working together to deliver value in 155 countries worldwide. We believe being a responsible and sustainable business is fundamental to being a successful business. Our seven values are: We lead by example; we work together; we respect the individual; we seek the facts and provide insight; we are open and honest in our communication; we are committed to our communities; and above all we act with integrity.

KPMG International Cooperative (“KPMG International”) is a Swiss entity and carries out business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms. One of the main purposes of KPMG International is to facilitate the provision by member firms of Audit, Tax and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.

Through member firms’ services, we turn our knowledge into value for the benefit of our clients, our people and our communities. This gives us a clear role and responsibility within the business community. We help companies grow and help establish trust between investors and organizations. In developing and emerging countries our member firms support public sector reforms and capacity building among the governments – hence fostering integrity and transparency in these areas. Member firms commit themselves to a common set of KPMG values. Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy KPMG methodologies and tools. Each member firm takes responsibility for its management and the quality of its work. In accordance with our Global Code of Conduct, partners and professionals working within member firms are required to act with integrity at all times.

Corporate Governance

The Global Board of KPMG International is the principal governance and oversight body. Its key responsibilities include approving long-term strategy, protecting and enhancing the KPMG brand and approving policies and regulations. It includes the Chairman, the Deputy Chairman and the Chairman of each of our three regions (the Americas, Asia Pacific, and Europe, the Middle East and Africa). Lord Michael Hastings, Global Head of Citizenship, has leadership responsibilities for a variety of Corporate Citizenship activities across the network of KPMG firms which include environmental sustainability, human rights, and sustainable development.

Our annual report, The International Annual Review demonstrates our achievements and reflects the insights and expertise professionals bring to client relationships. We maintain an overriding commitment to audit quality and delivering value to stakeholders. As a supplement to our annual review, we release The KPMG International Transparency Report describing our system of quality control as well as our structure and governance designed to maintain and further an unrelenting focus on quality and integrity.

All governance reports noted above can be found at www.kpmg.com/global.

Sustainability Reporting

While KPMG International does not publish its own sustainability report, several member firms such as KPMG in Australia, Brazil, Canada, China, the Czech Republic, Japan, India, the Netherlands, Romania, and Singapore have released independent reports highlighting their own corporate citizenship initiatives and activities.
Several member firms have also implemented ISO 14001 environmental management systems and initiated external assurance and/or verification services for their reported citizenship data.

KPMG International publicly discloses its environmental performance annually through the Carbon Disclosure Project (CDP). In 2013, KPMG International was recognized by the CDP as the 'Best Supplier Response in Switzerland'.

KPMG International is also LEAD participant in the United Nations Global Compact (UNGC). Launched in 2011 for businesses with a history of engagement with the UNGC, LEAD enables our global network of member firms to deepen our commitment to the UNGC through the implementation of the Blueprint for Corporate Sustainability Leadership. The Blueprint helps businesses demonstrate leadership in three areas: (i) integrating the 10 principles into strategies and operations; (ii) taking action in support of broader UN goals and issues; and (iii) engaging with the UN Global Compact. Our Communication on Progress publication highlights how KPMG's 155,000 people around the world are empowered to contribute their time, skills, passions and expertise to improve their communities and society at large in line with our UNGC commitments.

**Major Environmental Initiatives**

**A Truly Global Approach to Sustainability**

In 2008, KPMG International announced the Global Green Initiative (GGI), a commitment to address climate change by focusing on three pillars: 1) To measure, reduce and report KPMG’s global emissions; 2) To support environmental projects within our wider commitment to our communities; and 3) To work with our partners, employees, suppliers and clients to help them reduce their climate change impacts. The GGI included an ambition of reducing our combined emissions 25 percent by 2010, using a 2007 baseline, a target that was achieved in 2010. A new target was set in 2011 that seeks a 15% reduction in net emissions per full-time equivalent employee by 2015, compared to 2010. As of 2013, we have achieved a 10% net emissions reduction.

**Reducing Emissions Reduces Costs**

KPMG's Global Green Initiative is also key contributor to improving our global network's performance and reducing costs. We estimate member firms' most recent efforts have avoided significant costs, primarily arising from reduced energy consumption and reduced air travel. For example, our total purchased electricity has decreased 3% from the prior year as a result of significant efforts to improve energy efficiency. A few examples of actions taken by member firms in the past year:

- KPMG in China conducted energy audits in its offices, identifying a malfunctioning meter that had erroneously billed.
- KPMG in India implemented dimmable electronic ballasts, LED lighting, and Variable Air Volume units to increase office efficiency. And supported community solar and rainwater harvesting projects valued at over US$100,000.
- KPMG in Japan removed 2,200 fluorescent lights across three large offices to reduce energy consumption.
- KPMG in the UK installed LED lights with passive infrared sensors in its largest offices.
- KPMG in the US instituted an initiative to reduce paper consumption, mandating duplex printing and using receipt scanning for time & expense, saving 30 million sheets of paper.

**Human Rights**

In 2012, KPMG International issued a Human Rights Statement consistent with the UN's Guiding Principles on Business and Human Rights. This is a sign of our commitment to respecting human rights and it builds on our long-standing support for the United Nations Global Compact.

Human Rights are a component of our due diligence procedures included in our Global Quality & Risk Management and People & Culture policies. Compliance of our member firms with human rights policies is monitored.

**Social Programs**

Taking action to address the world's challenges is central to the character of our organization and our people -- through it we live our core value, “We are committed to our communities.” We are inspired to empower our communities – as well as our clients and people – to realize their full potential.

We make significant investments in our communities – through pro bono activities, skills-based volunteering, financial contributions and general volunteering. These efforts are delivered across the KPMG global network, aligned to our global themes, as well as focusing on the issues most relevant to the local communities.

We also respond collectively to large-scale community disasters. For example, in 2013, KPMG's global appeal for Typhoon Haiyan raised US$1 million for immediate relief activities and a reconstruction grant.

**Pioneering New Solutions**

In a strategic partnership with World Vision Mexico, KPMG in Mexico is providing productive assets and pro-bono services to support 221 coffee producers in...
a rural community, by offering training sessions on opening businesses, accounting and management and finding alternatives means to improve crop yields. In 2013, this support enabled the producers to achieve organic certification, treble their production and double the price per kilogram.

Another example is our work with Kiuyu Mbuyuni, a small village on Pemba Island, Tanzania in sub-Saharan Africa. A consortium of 19 KPMG member firms has joined forces to fulfil a US$1.5m commitment to support the development of the Millennium Village. The project offers a holistic model to empower rural communities to lift themselves out of extreme poverty, creating and implementing low cost, sustainable, community-led action plans tailored to the villages’ specific needs. Our 2013 evaluation found that much progress has been made including improved maternal health, increased enrolment and retention in education and the development of local businesses.

Evaluating Our Impacts

Beyond designing mechanisms to measure the impact of our work, we are also applying new evaluation tools to better understand the social return. For example, in 2013, KPMG in Australia launched Australia’s first Reconciliation Action Plan (RAP) that incorporated an assessment of social impact. The assessment revealed clear and measurable progress in KPMG’s reconciliation journey and provides guidance for strengthening the transformative potential of their RAP.

Strategic Collaboration

The most sustainable solutions arise from our ability to collaborate with others and make a bigger impact. In 2013 KPMG’s sponsorship of Enactus is a case in point; a flagship program spanning over 30 countries— is a university-based organization that encourages students to make a difference in their communities while developing their skills to become responsible business leaders. Another example, aligned with our recruitment agenda, was the creation of the KPMG in the US/Beta Alpha Psi United for Literacy program, which affords top students from university BAP chapters to take part in literacy-based service events with KPMG that make an impact on the local community. The program demonstrates to our recruits KPMG’s commitment to communities and also enables the US firm to attract students who share these values.

Leading the Sustainability Services Marketplace

According to the 2013 Verdantix Green Quadrant® Report, KPMG is perceived as having the strongest capabilities of any providers in the global sustainability assurance marketplace. Over two thirds of those interviewed said that KPMG member firms have “strong capabilities” in sustainability assurance and that they have either already engaged or are likely to engage a KPMG member firm to carry out sustainability assurance services.

KPMG Climate Change & Sustainability Services is one of the pioneers of sustainability consulting, with some KPMG member firms first offering sustainability services twenty years ago. KPMG member firms help clients develop future-fit business strategies based on solid understanding of the issues --we strive to think big and challenge convention, with implementation in mind. Recent examples of client engagements include:

- **Calculating Future Value:** KPMG member firms assisted global companies by providing Future Value analyses that calculate the business case for proactive management of the social and environmental value – translating sustainability into the language of the boardroom.

- **Unlocking millions in cost savings through green tax incentives:** KPMG member firms are working with clients to help them more clearly identify tax opportunities to decrease cost and increase returns on sustainability investments.

- **Accelerating commitments around deforestation and refrigerants:** On behalf of a global industry network, KPMG member firms worked with network members to develop case studies on good practice and a
scorecard analysis of measurement and disclosure related to deforestation and refrigerants commitments.

- **Tackling Food Waste:** Recognizing the financial and environmental cost of food waste, a leading multinational food and general merchandise retailer engaged KPMG member firms to provide assurance over its food waste data. The results prompted changes to certain pricing strategies in order to reduce waste.

- **Quantifying social return on investment in mining:** To assist a leading coal producer in understanding the social impact of its previous activities and better inform future investments, KPMG sustainability and valuations experts conducted a Social Return on Investment study. KPMG's work helped the client to engage with its stakeholders to improve the development impact and strengthen the company's license to operate.

Our contribution to societies through client work isn't just within KPMG's Climate Change and Sustainability Services, it spans across KPMG service lines – from the conflict minerals work of KPMG's Financial Services Center of Excellence to our work on child welfare modernization by Health and Human Services; from serving the donor community through KPMG’s International Development Advisory Services to KPMG’s Cleantech Investment Banking services.

KPMG is also leading the drive to establish new industry benchmarks. In 2013, we issued reports that help establish new market benchmarks, including:

- The 2013 KPMG Green Tax Index: Designed to increase awareness of the complex, fragmented and rapidly evolving green tax landscape worldwide.
- The 2013 KPMG Change Readiness Index: An index which assesses the ability of 90 countries (developed and developing) to manage change and cultivate the resulting opportunity.

A more detailed overview of KPMG's Global Corporate Citizenship and publications is available at www.kpmg.com/citizenship.

KPMG International is a winner of Golden Peacock Global Awards for Sustainability 2014.
The fundamental perceptive of corporate governance can be summed up by saying that 'the man who can keep a secret may be wise, but he is not half as wise as the man with no secrets to keep.' In today's world, corporate governance and sustainability are core aspects of business operations, and the organisations that opt to overlook strategizing for it, might have to bear the consequences of not balancing the interests of its stakeholders. The framework of rules and practices, which the board decides, must ensure accountability, fairness, and transparency as part of a corporation's relationship with all the stakeholders. Gone are the days, when the global corporations can bluewash or greenwash, rather corporations are now held responsible for social and environmental damages, and therefore, the stakeholders demand sustainable reports based on the triple bottom line approach.

It is believed, and often reports suggests, that the corporations that do not abide by the United Nations Global Compact (UNGC) norms face consequences such as damaged shareholder value, tarnished reputation with investors, both global and domestic, and lacks integrity in global financial market.

Corporate governance and sustainability principles in India has been slowly established by corporations in the last two decades. It should be noted that the businesses in India are significantly different from that of the western countries. The corporate governance models are generally drawn from the Anglo-Saxon model where the corporations rely heavily on the capital market and the investors express their favours or disapproval on the actions of management. It is also to be understood that the investor base in Indian corporations are largely company founders, their respective family members or the state government. This is in striking contrast to the western countries where the concentration is less to a certain group of people.

However, in order to make India the best in corporate governance practices, the Ministry of Corporate Affairs, Government of India, set up the National Foundation for Corporate Governance (NFCG) on 1st October, 2003, in collaboration with Confederation of Indian Industry (CII), Institute of Company Secretaries of India (ICSI) and Institute of Chartered Accountants of India (ICAI). The major role that NFCG plays is that of a catalyst to foster a culture for promoting good governance and sustainable practices among corporations in India.

Keeping in mind the huge demand and potential of the nation, the government has been making efforts to ensure that India becomes a business friendly destination, especially attracting investors from across the globe. As part of the development initiatives started by India, Make in India is a campaign to attract foreign direct investments (FDI) to various sectors urging them to manufacture in India, instead of China. Other initiatives that the government is working to
enhance capacity of the youth in terms of employment and entrepreneurship are Skill India, Digital India, Start up India, Stand Up India etc. With these initiatives, India aims to become the global start up hub overcoming Israel and challenging China by becoming the global factory. While doing so, it will be up to the corporations apart from the government and individuals to ensure that India develops sustainably without environmental degradation, especially addressing issues of global warming. In doing so, the corporations should keep in mind the social aspects such as human rights, labour laws etc. other than interests of the stakeholders.

Last year, the government of India launched 'Make in India' campaign to provide a major boost to the manufacturing sector that is required to be growing at 14-15 percent for the Indian GDP to grow at 8-9 percent. The manufacturing leaders need to ensure review of their corporate governance by wider consultations with stakeholders. Many corporations avoid the triple bottom line approach and green initiatives because of the cost factor involved, however, they need to realise the long term benefits of the initiatives. As part of the government, it needs to ensure financial support for green initiatives, especially for small and medium enterprises (SMEs).

At present, only 10 percent of the manufacturing sector is essentially on a sustainability framework as businesses are still deciding if they want to adopt sustainable measures or not. Not only sustainability, corporate governance of these manufacturing firms are also essential to improve the present situation. In the west, pressure from either consumers or the government compel corporations to become sustainable in their approach. In India, the low participation of corporations in corporate governance, corporate social responsibility (CSR) and sustainability initiatives suggests that there is a lack of awareness and willingness.

Regarded as the engines of growth, it is crucial to bring SMEs within the ambit of sustainable development plan and corporate governance. As SMEs have restrictive budgets, it can prove to be difficult for them to go green while ensuring their business prosperes. This is an area where government intervention is required to ensure green funds are available to them. The SME sector has been looking at sustainability differently and are not much inclined towards environmental issues, resource conservation or energy efficiency, rather their focus is majorly on pollution control board regulations, labour laws, minimum wages etc. In the coming years, the SMEs need to understand their role in ensuring sustainability, even though their carbon footprints are lesser. They need to adopt policies of water and energy conservation measures to reduce environmental impacts.

To implement sustainable manufacturing, continuous research must be a priority for the manufacturing sector. Corporate governance, CSR and sustainability measures can enhance a corporation's market credibility and lead to increased productivity, improved quality and increased market outreach. Through business sustainability and product innovation, the manufacturing sector will not only increase its share of GDP, but also grow without hampering the environment.

Economists around the globe believe that India is on its way to become $4-5 trillion economy in the next 7-10 years. The current Prime Minister showed a vision of $20 trillion economy, whereas the late former President Dr. APJ Abdul Kalam dreamt of India as a developed nation and echoes the sentiments of more than a billion people. Let us all work together, government, corporations and individuals, establishing corporate governance and sustainability frameworks to make India a sustainable nation, creating benchmarks for others to follow.

"Alone we can do so little; together we can do so much."
- Helen Keller
Tamil Nadu Chapter organized IOD's Silver Jubilee function on 3rd September, 2015 in Hotel Crowne Plaza Adyar Park (formerly Park Sheraton). The Chief Guest was Shri Lakshmi Narayanan, Vice - Chairman of Cognizant Technologies and other Guests of Honour were Shri T. S. Krishnamurthy, (former Chief Election Commissioner- Govt of India), Dr. Sadakkulla – Regional Director, Reserve Bank of India (TN & Pondy) and Shri Srinivasa Raghavan, Managing Director – Sundaram Finance Ltd (TVS- Group). Mr. R. Sridharan (Immediate Past President- ICSI- New Delhi) addressed the gathering. Shri P. Murari- IAS (Retd), President, TNSC (Formerly Secretary to President of India) presided over the function.

Shri Mahesh gave welcome address and Mr. Mohan Ramakrishna compeered the event. Chairman of TNSC Shri M. S. Sundara Rajan (former Chairman cum Managing Director, Indian Bank) gave the Presidential Address and read out the messages received from President of India, Prime Minister of India and Finance Minister –Government of India regarding IOD's Silver Jubilee year and its achievements.

Shri R. Srinivasan, Secretary of TNSC, who is instrumental in setting up Tamil Nadu Chapter, organized this function with the support of Executive Committee Members, thanked all the participants and speakers.

The Participants include Shri N. Srinivasan, Founder Partner (Retd) Deloitte- India, Mr. Balachandar –Chairman, National Payment Corporation of India, Smt. Nalini Chidambaram (Senior Advocate), Mr. Sreedhar, MD, Royal Sundaram, Mr. Ramasundaram, MD & CEO, Nagarjuna Oil, Dr. Kalpana Shankar, MD, Belstar Investments, Mr. Balu, Director, Karur Vaisya Bank, Mr. Jeyaseelan, Group CEO, Hand in Hand, Mr. Panda, CEO, Ind Bank, few General Managers from Indian Bank, Mr. Challam, GMs United India Insurance Co, Former Chairman Company Law Board, Managing Directors ,CEOs of few more corporate.

The function well attended by more than 150 corporate executives and ended with National Anthem.
A Giant Passes Away

Sir George Adrian Cadbury
Father of Corporate Governance

15 April 1929 – 3 September 2015

Sir George Adrian Hayhurst Cadbury was born on 15 April 1929, a member of the Cadbury family known for their Quaker philosophy and the chocolate conglomerate which they founded. He was educated at Eton and King's College, Cambridge and he was a British Olympian over. He joined the Cadbury business in 1958, and remained Chairman of Cadbury Ltd from 1965 to 1989.

He was also a Director of the Bank of England from 1970–94 and of IBM from 1975–94. He was also Chairman of the UK Committee on the Financial Aspects of Corporate Governance, which published the "Cadbury Report and Code" in December 1992. He was member of the OECD Business Sector Advisory Group on Corporate Governance. His publications include the famous: Ethical Managers Make Their Own Rules; The Company Chairman; Corporate Governance and Chairmanship: A Personal View.

Sir Adrian had a long-standing relationship with Aston University. He served as its continued from 1979 to 2004, and later became 'Chancellor Emeritus'.

He was made a 'Knight Bachelor' in 1977, thereafter becoming Sir Adrian Cadbury. He was given the 'Freedom of the City of Birmingham' in 1982. In 1995, the Royal Society of Arts awarded Sir Adrian its 'Albert Medal'.

In recognition of his contribution to commerce, corporate governance and public life, Sir Adrian received honorary degrees from many universities. In 2001, he received one of the International Corporate Governance Network's inaugural awards. In 2006, Sir Adrian Cadbury received Institute of Directors, India's most prestigious 'Golden Peacock Life Time Achievement Award' for his invaluable pioneer contribution, in the field of 'corporate Governance' and the 'Code of best practices'. In early 2008, Sir Adrian was made an Honorary Fellow of the 'Institute of Chartered Accountants in England and Wales' (ICAEW). Cadbury was appointed 'Member of the Order of the Companions of Honour' (CH) in the 2015 New Year Honours, for services to business and the community, especially in Birmingham. He died on 3 September 2015, aged 86.

The whole corporate world shall miss him.
Heartiest Congratulation to
IOD Distinguished Fellow

Lt. Gen I J Singh Elected as the President of Delhi Gymkhana Club

Lt. Gen I J Singh, AVSM (retd), former Director General of EME in the Indian Army and ‘Distinguished Fellow’ of the Institute of Directors has won the recent elections held on 27 September, 2015 for the President of the prestigious ‘Delhi Gymkhana Club’, with a thumping majority. A highly decorated officer with brilliant academic record, had a career of over 40 years studded with professional brilliance in the corps of Electronics and Mechanical Engineers. He is M. Tech from IIT, Kharagpur with MBA and Phd in Management. His wife Umita has also been a brilliant professional in advertising and education fields. IOD congratulates Lt. Gen. I J Singh, and wishes him all the best in his new challenging role.

Dr. R. Seetharaman Conferred with Ph.D. Degree

Dr. R. Seetharaman, CEO of Doha Bank and a Distinguished Fellow of IOD has been awarded the Ph.D. Degree by Sri Sri University, Bhubaneswar in the presence of Shri Naveen Patnaik, Hon’ble Chief Minister of Odisha, and H.H. Gurudev Sri Sri Ravi Shankarji on 01 September, 2015.

His thesis covered that Banks, as socially responsible citizens, should earmark capital for “Green Banking” apart from capital for regulatory requirements. The areas which are related to Green banking and impact sustainable development include Green economies, Food security, Corporate Social Responsibility, Public –Private Partnership, Climate Change Financing, Small and Medium enterprises, Global and GCC Sustainability and Human resources. Green Banking encourages Green economies and thereby mitigates climate change. Banks as socially responsible citizens have a role to play in protecting environment and contributing to sustainable development. This forms the basis for Green banking and brings prudence into the capital framework.”
Deflation may be the next challenge: CEA

Deflation, and not inflation, is the current challenge facing the Indian economy, chief economic adviser Arvind Subramanian said on Wednesday, but expressed hope that growth will be close to 8% in 2015-2016, despite the lower first quarter GDP numbers.

Deflation or negative inflation can sometimes be indicative of low economic activity.

However, while the Indian economy was moving in the right direction, the pace of growth was still below" than what was needed, he said." One real challenge that looms ahead appears not to be that of the price inflation but the possible price deflation," he added.

Cautioning against drawing immediate conclusions from the GDP numbers in the first quarter, subramanian said the quarterly figures should be treated with care and in totality GDP growth slowed to 7% in the previous quarter.

The Asian Development Bank and the World Bank have projected a growth rate of 7.8% and 7.5%, respectively, for the Indian economy in 2015-16.

"The Economic Survey said 8-8.5%. Certainly if GDP numbers are reaccessed, we are closer to 8% than currently being forecast," Subramanian said

"Although its (growth) pace is still below what the economy needs... but it is at a pace that is expected to pick up in response to the ongoing reforms," he said, adding that revenue collections have been buoyant.

Subramanian, however, did not comment on whether the Reserve Bank of India needed to reduce interest rates in the wake of low prices, but said he expected consumer price inflation to remain around 5-5.5% in 2015-16. Retail inflation was 3.65% in July.

Healthcare

India is one of Asia’s fastest growing private healthcare markets.

The private hospitals market in India is estimated to be worth $55 bn a year, but red tape frustrates the setting up of new hospitals as up to 70 clearances from federal and state authorities are required. As a result, expanding through acquisitions is deemed easier and more profitable. Singapore based Parkway Pantai, a unit of the world’s second largest healthcare group by market value, IHF Healthcare Bhd (quoted on Kuala Lumpur’s Stock Exchange), has delayed the opening of its 450-bed hospital in India as it waited for necessary permits. Its hospital in Bombay, planned for 2012 is expected to open in 2016. Parkway now intends to use the acquisition route to accelerate expansion in India. Expanding through acquisitions has increasingly become the smart choice for hospital operators seeking rapid expansion in India where an inadequate public healthcare system has created unfulfilled demand. BofA-ML Global Research shows that the private hospital market in India is set to grow 16% a year by 2020 to reach $120 bn, almost double the size of the Chinese market.

Oil and Gas

India, globally the fourth-largest oil consumer, imports about 80% of its oil needs as only a small part of its demand is met through local sources.

Changes to this are in the pipeline to raise domestic private and foreign participation in the industry, which is dominated by state-run Oil and Natural Gas Corporation and Oil India. Rules for new oil and gas exploration blocks are to be eased in a bid to cut India’s crude import bill by allowing foreign and private domestic investment. New Delhi has decided to auction 69 small, marginal oil and gas fields to private firms on a revenue-sharing model which offers pricing and marketing freedom to the operators. The 69 fields hold about 89 mn tones of hydrocarbon resources worth about $ 11 bn. The bidding process is to start in three months. Under the current rules the government gets a share of the profit after the contractor recovers its investment costs. The government thus gets involved in scrutinizing cost details and this has led to delays and disputes. To minimize intervention by state agencies under the new rules the government will not be concerned with costs incurred for production and will receive a share of the gross revenue from the sale of hydrocarbons at market rates. Also for the first time a single license will allow operators to explore for both conventional and unconventional resources, such as shale oil and gas and coal-seam gas. Interest in the fields is still expected, despite current low oil prices, as the cost of services and rigs are low – and it takes three to four years to begin production.
**Make in India- FDI**

PM Modi has visited 27 countries since taking over as Prime Minister in May 2014. On each trip he has tried to persuade businesses abroad to invest in India, and after he introduced the “Make in India” programme to set up manufacturing units in India. He wants foreign investors to support his campaign to turn India into a major manufacturing hub, just like China and Japan. However, a consistent complaint from foreign businessmen has been the frustrating delays in obtaining a business visa which can often take three weeks or more. The Union Home Ministry is required to give security clearance for foreign investments as well as for business visas. New rules have been brought in that once a business visa application comes into the home ministry for a security check it will be processed within a time limit of one week. Any decision to reject a visa application will have to be taken within a week with reasons for rejection given in detail by the case officer concerned. Last year the home ministry decided that all FDI proposals will be cleared by security agencies within three months. In case the FDI and visa applications are not processed within the mandatory deadlines, the case officer is required to give a written explanation. This is a very positive step in improving the ease of doing business with India as it now places the onus on the government to perform within a mandatory deadline. Or have in writing the detailed reasons for rejection. Long overdue and a very positive move.

Total FDI into India touched $ 44.3 billion in the fiscal year to 31 March 2015, up 23% on the previous year. This is very encouraging considering that India needs to do a lot to improve its ranking in the World Bank's global annual table of Ease of Doing Business. Since assuming office PM Modi has set an ambitious target for India to move to the top 50 globally by 2017 from the current embarrassing 142 out of 189 nations. Last year India slipped two places and was ranked below Brazil, Russia, China and South Africa – mainly because of delays in approvals for starting a business, tax payments, property registration and getting bank loans.

Foreign investors hold about 25% of the SENSEX index market capitalisation. They sold a record amount of Indian shares in August – Rs 168.8 billion ($2.5 billion). This is more than their previous monthly record outflow of Rs 153.5 billion in October 2008 at the time of the global financial crisis. However, despite August's record outflow, foreign investors still remain net buyers of Rs 275 billion this year. Foreign funds are not necessarily negative on India, which is still perceived as being among the best of emerging markets. However, equities and emerging markets as asset classes are under pressure globally. Sales of Indian shares also reflect a booking of profits by foreign investors as a result of overweight positions built by them. They have been heavy buyers of Indian shares since 2012.

**Finance**

India's regulator plans to modernise the corporate debt market by forcing all new issuance of debt to be only via an electronic platform. The plan is to introduce this as early as November – this would raise transparency and boost market activity. India would be among the first countries to move online, in a radical shift that comes after investors clamoured for increased supervision of the $225 bn market dominated by a handful of heavyweight users. Currently almost 90% of corporate bond issuances in India are in effect private placements. Issuers hire investment banks to find buyers – much like how debt is sold in many countries. Under this system the markets regulator, SEBI, has little scope to oversee sales and investors often complain that issuers cancel deals even when announced, if the price is unfavourable. The regulator believes an electronic platform for new issuance will greatly enhance transparency and investor confidence in the issuance process. That in turn should attract more buyers and lead to more issuers. The government is keen on bringing in new sources of capital to stimulate economic growth. Especially since banks, the most common source of capital for many Indian companies, are saddled with $50+ bn of bad debts and have turned very selective and cautious in their lending.

The government is aiming to stabilise domestic equity markets by allowing higher investment by state-run pension funds. Mr Jayant Sinha, a deputy to Finance Minister Jaitley, said that India plans to raise the cap on equity investments by the main state provident fund from 5% to 15%. The Employees Provident Fund Organisation manages $ 100 bn in savings which are currently mainly invested in government bonds. Typically, pension funds around the world are long-term investors. Recently the regulator of another small state pension fund said the government may raise the cap on equity investments on behalf of government workers to 50%. Currently the sums involved from these pension funds are small in relation to the $1.5 trillion market value of the Bombay Stock Exchange. But, that could grow quickly as PM Modi seeks to broaden India's small pensions net to cover more workers.
Taxation

Finance Minister Arun Jaitley said that India is seeking to resolve pending tax disputes with investors, and to resolve “legacy” issues soon. Without referring to specific companies Jaitley said the government was trying to resolve pending tax disputes, many outside the courts. India remains locked in high profile “retrospective tax” legal cases with Vodafone and Cairn Energy, which have caused damage to India’s image as an investment destination in the eyes of foreign investors. They feel that tax should not be retrospective as it is unfair and causes uncertainty in investment planning decisions. Earlier this month the government waived tax demands on foreign investors for Minimum Alternate Tax (MAT). An early resolution of “legacy” tax disputes is urgently needed to finally draw a line on cases that have dragged on for ages. It will also help repair the government’s image of being adversarial and unfair in tax matters with investors – especially from overseas.

After a long time there has been a ruling by a High Court in India on the India-Mauritius Tax Treaty. The Punjab and Haryana High Court in its recent judgement in Serco BPO Pvt Ltd vs AAR reiterated that a valid Tax Residency Certificate (TRC) issued by the Mauritius tax authorities is sufficient to claim benefits under the India-Mauritius Tax Treaty. Inter alia, the High Court rejected the argument by the tax authorities that the real beneficiaries of the transaction do not reside and carry on business for gain in Mauritius, and that the entire transaction was merely done to benefit from the tax treaty between the two countries. The court ruled that the validity of the TRC cannot be questioned by the Indian authorities as a refusal would tantamount to an erosion of faith placed by the two states in each other. This ruling is very positive for foreign investors and will certainly go a long way to improve investor trust in India’s judiciary, despite its slow pace.

India and Mauritius are renegotiating a 30+ year old tax treaty, but no definite timetable has been set. The Indian Government wants to stem tax revenue losses estimated at about $600m by Indian officials. India wants to renegotiate the treaty (Double Taxation Avoidance Agreement - "DTAA") which was originally set up to spur trade between the two countries in the early 1980’s. Back then (when India’s economy was not yet open and foreign investments were low) it was not envisaged by officials that many Indian and multinational companies may mis-use the treaty to avoid paying tax or that Indian individuals may round trip “black money” (unaccounted and hidden from Indian tax authorities). Round tripping here refers to untaxed money leaving Indian shores and routed back through tax-free investment vehicles to be invested in India, but sheltered from Indian tax because of the double tax treaty. Also, over 30 years ago it was not envisaged that investors from third countries would use Mauritius’ tax treaty to route investments into India - "treaty shopping” in tax jargon. In the past 15 years 35% of all Foreign Direct Investment (FDI) into India has been through Mauritius ($90 bn) as many countries have routed their investments through this island for tax planning reasons. The second highest source of FDI is Singapore which at $36 bn or 14% of all FDI into India since April 2000 lags Mauritius considerably. India has a comprehensive Double Taxation Avoidance Agreement (DTAA) with about 90 countries. Nine of the 10 largest foreign business organizations investing in India (from April 2000-January 2011) were based in Mauritius.

Some welcome news for foreign investors. The Indian government decided to accept the recommendations of the Justice Shah panel report to waive efforts to impose Minimum Alternative Tax (MAT) on past profits of foreign investors. MAT is imposed on domestic firms, but has never been charged on foreign investors until last year. The latest budget stated that MAT would not be imposed on foreign investors from 1 April 2015, but was unclear on past periods. The government’s change of mind in waiving MAT demands comes at a time when equity markets globally are facing heightened volatility. This is due to uncertainty caused by the slowing Chinese economy and the huge sell-off there in shares. Turbulent markets in China have led to many global funds reducing their holdings in emerging markets, including India.

The Indian tax authorities are perceived by both domestic and foreign firms to be aggressive and adversarial in their quest to raise taxes, and thereby help reduce India’s fiscal deficit. The tax departments had sent MAT demands as retrospective tax on past profits of foreign funds. This led to a high profile row last year between foreign investors and the government – especially since the principle of retrospective taxation causes uncertainty for foreign investor investment decisions, and is regarded by them as being unacceptable by international standards.

Digitization

With an eye to increase the pace of digitalization of broadcasting services in India the government is examining proposals to increase foreign investment limits to 100% in broadcasting carriage and content services. Foreign capital is sought to enhance infrastructure in this sector. An inter-ministerial committee is considering raising the FDI limit from the current 74% to 100% in cable networks, direct-to-home, mobile TV, HITS and teleports. The proposal is to also raise the FDI limit from the current 26% to 49% in broadcasting content services – up linking of news and current affairs TV channels. A very positive move if the limits are raised.
National Convention on Risk Management
18 December 2015,
ITC Hotel Windsor Manor, Bengaluru, India

Also presentation of Golden Peacock Awards for Risk Management

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