

Risk Management & Internal Controls

Role, Responsibilities & Challenges
faced by Independent Directors



Foreword

Corporate Governance is not merely about compliance. The framework is intended to not just protect investor interests, but also drive investment performance. While corporate governance has assumed mainstream attention in Indian boardrooms, there is still much distance to traverse. Ease of access to information and tech-enabled forums for voicing concerns by stakeholders, require companies to be more cognizant of their governance behavior.

Indian corporations have demonstrated a determined focus to adopt best practices pro-actively in their organizations. However, it must be recognized that corporate governance involves a great degree of self-regulation, self-discipline and systems of internal checks and balances. These go much beyond the regulatory necessities that require making periodic disclosures ranging from finance to sustainability.

There has been an upsurge of corporate and accounting frauds in recent years and the nature of the debate that gains prominence when reports of corporate fraud emerge, has multiple layers. Various regulations and guidelines have been introduced over the years for strengthening corporate governance, risk management and management of internal controls. While regulations have been announced to bridge governance gaps, the causes appear to be a lack of internal controls management and governance processes in organizations. The board and the management need to work in tandem to formulate these control processes and lay down the governance standards, envisioned for the organization.

Internal Financial Controls form the bedrock for ensuring good corporate governance, preventing fraud and financial reporting irregularities. The study has taken point of view from Independent Directors on their role, responsibilities and the challenges they face towards confidently discharging duties with respect to internal controls.



The role of Independent Directors is indeed becoming increasingly crucial as they are entrusted with the responsibilities of guiding and advising the management on best practices and fair standards that can be imbibed by organizations.

They are expected to question management assertions, lead board committees, verify information presented to them, and balance the interests of smaller stakeholders.

However, performing all these duties comes with its own set of challenges and in many recent instances where governance concerns in organizations have come to light, Independent Directors appear to be disproportionately impacted given their limited visibility of day-to-day company affairs.

Over the past several months the Confederation of Indian Industry (CII), Protiviti Member Firm for India and the National Foundation for Corporate Governance (NFCG) have invested much effort in seeking in-depth perspective from Independent Directors across the country on questions related to the adequacy of internal controls, risk management and governance frameworks.

We thank all the Independent Directors, Key Management Personnel and Board Members, who took time out from their busy schedule to support us in this pertinent study.

Confederation of Indian Industry

Protiviti Member Firm for India

**National Foundation
for Corporate Governance**



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Executive Summary

The study was an engaging exercise with **over 100 Independent Directors*** (IDs) participating from a spectrum of companies across industries, including multinational corporations, Indian conglomerates, and other businesses.

These deliberations raised notable concerns and highlighted improvement **areas pertaining to:**

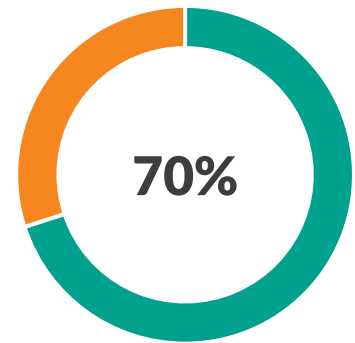
- **Roles, Responsibilities & Liabilities** of Independent Directors
- **Risk Management** Practices & **Internal Control Challenges**
- Role of **the Auditors**

**The views expressed by the Independent Directors are from an overall industry perspective and not restricted to the companies where they are associated.*

Roles, Responsibilities & Liabilities of Independent Directors

70% of Independent Directors believe that recent legal action has been extreme

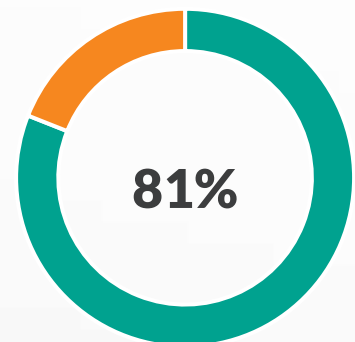
- Resulting in increasing Independent Directors resignations from boards due to associated liability
- Hesitancy in taking up new directorship positions and preference towards taking advisory roles
- Favoring reputed organizations with existing high corporate governance standards
- Smaller firms failing to attract high caliber Independent Directors



It is important to note that oversight by Independent Directors may be limited by diverse factors, such as insufficient time spent with the right stakeholders and information asymmetry.

81% Independent Directors say there are insufficient legal safeguards from unfair prosecution and reputational damage

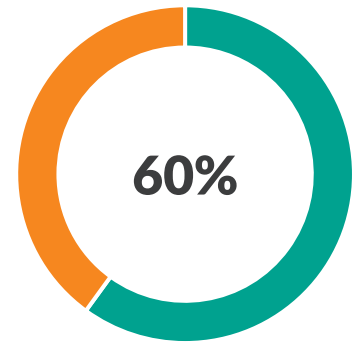
- Adequacy of safeguards under the Companies Act, 2013, is debatable and leaves Independent Directors vulnerable
- Treated at par with other Directors and held equally responsible for decisions made through “board processes”
- While the Companies Act delineates safeguards for Independent Directors, several other Acts do not make such distinctions, exposing them to potential financial, legal and reputational risk



Unlike companies which have sufficient wherewithal to fight legal battles, Independent Directors are often left to fend for themselves, bearing massive financial expenses and loss of reputation.

60% Independent Directors believe roles and responsibilities defined by the Companies Act are unreasonable and the expectations are onerous

- Disconnect between the regulatory requirement and the actual practice
- Inadequate clarity around expectations, both at the board and individual levels, leaving room for poor accountability
- Only a moderate change in the way Independent Directors operate today owing to challenges, including inadequate knowledge and understanding of company business

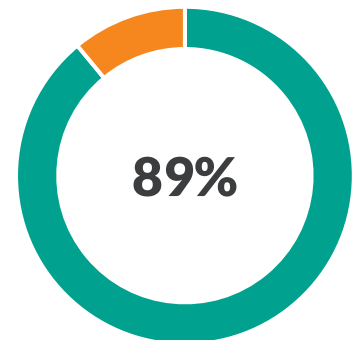


Risk-reward imbalance, information asymmetry, proper induction and orientation, and lack of independence (in spirit) preclude Independent Directors from discharging their duties effectively.

Internal Control Challenges

89% Independent Directors believe that the health of Internal Controls is not as robust as reported in the annual reports

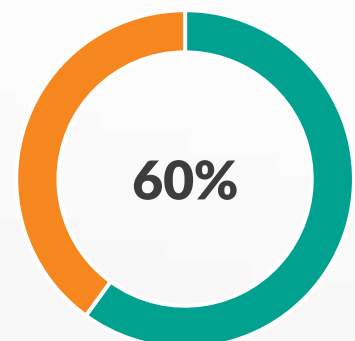
- Casual approach towards control mechanisms in companies
- Often treated as a tick-in-a-box exercise
- Control testing frequently performed at a transactional level and not extended to key risks a company is exposed to, at an enterprise level
- Other reasons cited were weak compliance and internal control systems, poor auditing practices and non-independence of Auditors



Increased regulatory requirements around risk management and internal controls have helped in moving the needle in the right direction.

60% Independent Directors concur that they do not have adequate resources to confirm the health of internal controls

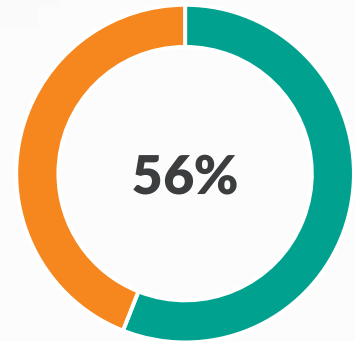
- Resources includes control evaluation framework, management support, inputs from internal and external auditors
- Often reports presented are inundated with information in a manner that complicates the understanding of issues
- Inadequate time spent on internal controls and ineffective risk management systems
- Struggle to keep abreast with the latest trends and regulations pertaining to their industry



Information asymmetry, dependency on management and auditors and a lack of technical competence of Independent Directors are persistent challenges.

56% Independent Directors agree that they have a conducive environment to raise dissenting views with their Boards

- However, ability to dissent can be a challenge, particularly in dominant shareholder driven companies
- The Chairman's ability to act as a catalyst and the Chair's relationship with management are key factors supporting Independent Directors freedom of expression
- Contentious matters discussed informally; therefore, dissenting views not recorded during board meetings

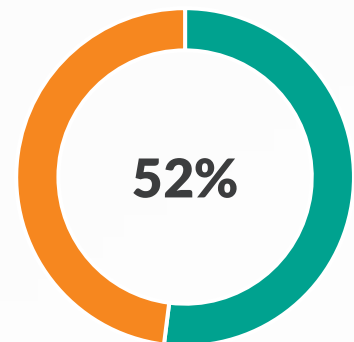


Important to exercise diligence, demonstrate maturity and deal with matters of contention in a constructive way without disrupting the Board's functioning.

Role of Auditors

52% Independent Directors believe Auditors don't provide adequate inputs and there is a need for improvement in the way they discharge their role

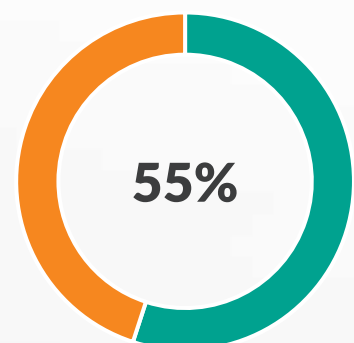
- Control framework still dominated by accounting controls
- Unable to provide adequate and significant inputs on key risks and internal controls
- Considering recent frauds, need for improvement in the way audits are conducted
- Inadequate focus on key risks such as cyber & data security, fraud, investment, environmental, social and corporate governance risks, amongst others



There is tremendous scope for improving both the methods of auditing and the competence of auditors. Management needs to view the audit as an improvement tool rather than a bottleneck.

55% respondents feel that companies need to strengthen the risk management systems and processes

- Bolster the risk management practices in companies
- Adopt a formal Enterprise Risk Management (ERM) Framework
- Clarify role of Risk Management Committee (RMC) through better integration of risk management and internal audit
- Fact that the Risk Management Committee is a mandate from only SEBI LODR and not Companies Act dilutes its sphere of influence



Companies need to broaden their horizon of risks and focus on emerging and non-traditional risks on an ongoing basis.

“Internal and External Auditors as key agents of the Audit Committee should ensure and protect their own independence. If these agents are not independent, then the Committee cannot be independent.”



Call to Action for Key Stakeholders

Regulators

Introduce clear segregation of responsibility between the Key Management Personnel (KMP), Executive Directors and Non-Executive Directors/ Independent Directors. The penal provisions related to non-compliance by Independent Directors may be decriminalized and replaced with civil penalties – at least in cases where there isn't direct fraudulent involvement of Independent Directors. Safeguards under the Companies Act for the Independent Directors need to be strengthened and similar safeguards may be introduced in other Acts like those related to labor laws, financial laws and environmental protection laws.

Even where investigation or legal proceedings are launched against them, mechanisms need to be developed so that their reputation is not tarnished till the time guilt is proven.

Independent Directors

Independent Directors need to be well versed with their roles and responsibilities under the companies act and other relevant acts.

Independent Directors are regarded as gatekeepers of investor interests. In process of discharging their duties, they face the risk of legal actions for corporate failures, especially criminal actions. The onus thus clearly lies with them to step up, exert themselves, educate and upskill as well as set the tone for their relationship with the Board, Management and Auditors. It is cardinal for them to be aware of their rights and be bold and knowledgeable enough to ask the right questions as well as be demanding enough to ensure they get the right information in a timely manner.

To help them assess the vibe and culture of the organization and its people, they may devote adequate time not just in the board meetings, but also outside to effectively discharge responsibilities and provide necessary guidance to the Management. They may engage with Management often and insist that adequate time is spent on matters related to risk management and internal controls. They may also meet Auditors, other Independent Directors and Board Members, informally, outside of the board meetings to ensure free and transparent discussions of concerns around controls and other governance matters.

Independent Directors also need to ensure that they protect the independence of the auditors and play a far more active role in their appointment, defining their scope, fixing their remuneration, and getting them the due visibility in the board proceedings.

Auditors

Auditors can deliver more value to the Independent Directors by focusing on risk and control issues that matter such as related party transactions, risk culture and tone at the top, accounting irregularities, amongst others. They also need to focus upon emerging risk areas, like cyber vulnerabilities, business continuity and disaster recovery, IT and data governance, third party risk management, etc.

Auditors may effectively leverage advances in data analytics and digital technologies to provide real time assurance on transactional controls and fraud risk mitigation.

Directors Speak

"The role of an Independent Director is often looked at as a "policeman's job" with the objective to inspect and detect frauds."

"Diversity of the Board is important for Independent Directors to discharge their own responsibilities effectively."

"The law only delineates what the Independent Directors are supposed to do, very little is written about what they are not liable to do."

"What the Independent Directors do in between the board meetings is more important than what they do during a board meeting."

"The entire value chain that goes into the compliance of law needs to be addressed & revamped."

Setting the Context



The reporting of financial irregularities and frauds has witnessed an upward trend in India. Several high-profile corporates have attracted attention and scrutiny by the authorities, irrespective of their size and industry presence. These can be attributed to excesses by the Management, Promoters, Board Members or oversight on their part in reading the changing business landscape. Regulatory authorities have responded by making successive announcements with an intention to strengthen control and compliance mechanisms and fix accountability.

The **Companies Act, 2013**, has specified responsibilities for Board Members, including Independent Directors, and mandates the Board to confirm that adequate Internal Financial Controls (IFC) are in place and operating effectively.

Similarly, the **SEBI Listing Obligations and Disclosure Requirements (LODR)** also has a clause for ensuring the integrity of the listed entity's accounting and financial reporting systems, including concerns around IFC, its implementation and disclosures made by companies.

Despite checks being in place, new instances of fraud and malpractices highlight a common issue of failure of internal controls.

At the same time, there have not been any significant issues highlighted in the Auditors Report and the Directors Responsibility Statement as part of the overall annual report issued by the impacted companies, despite these coming to the fore subsequently.

To gain perspective on the issues regarding the adequacy of internal controls, Protiviti initiated this partnership program with CII and NFCG to study the challenges faced by Independent Directors, specifically in discharging their responsibilities with respect to Internal Financial Controls and other critical areas requiring attention.

As a first step, the annual reports of 150 companies were researched for two consecutive financial years, focusing on types and instances of disclosure around IFC by the Directors and the Auditors.

The companies comprised a mix of large cap, mid to small cap, and companies with recent adverse events like allegations of fraud or accounting irregularities. Only in 1.7% of annual reports Auditors had raised concerns on the health of Internal Financial Controls without any known adverse events (i.e., confirmed/ alleged frauds, accounting irregularities or other corporate governance issues) and even in companies with adverse events only in 19% of companies there was an adverse comment. In most of these cases, the adverse comment was made after the adverse event was made public. In no case did the Directors report have any adverse disclosures on internal controls.

As a comparison, the percentage of adverse comments by Auditors and Management under the Sarbanes-Oxley Act was looked at.

Over the past 17 years, the average percentage of adverse attestations by Auditors is 6.8%. For smaller companies which require Management only assessment of financial controls, the adverse assessment was almost 37%*.

These observations necessitated a deeper study involving one-on-one interaction with nearly 100 Independent Directors serving on boards of some of the largest companies in the country. These sessions lasted an average of 90+ minutes, wherein the discussion covered their views around recent corporate frauds and reactions to such incidences from diverse stakeholders, regulatory authorities and the judiciary. More importantly, its impact on the Independent Directors, as they face more incisive questions about their role on the board and at the same time pressure from regulators to increase their corporate governance responsibilities.

The Independent Directors also shared their views on the role of auditors (internal and statutory), risk management practices and challenges faced in discharging their responsibilities, particularly in relation to internal controls. The participants also suggested recommendations for each of the challenges.

**Audit Analytics - (SOX 404 Disclosures
- A Seventeen Year Review, October 2021)*

Key Findings and Insights

The chapter presents insights from the **one-on-one surveys** and a series of panel discussions conducted with Independent Directors and Key Management Personnel (KMP).

The Roles, Responsibilities and Liabilities of Independent Directors

Internal Control Challenges

Role of Internal Audit and Risk Management

Theme 1: Roles, responsibilities & liabilities of Independent Directors

"If someone wants to take up the role of an Independent Director, he/she has to assume responsibility and accountability that come up with the role."

The theme attempts to understand the roles and responsibilities of Independent Directors as defined by laws, particularly the Companies Act, 2013. It encompasses aspects like the increasing legal and regulatory action against Independent Directors in recent years, the adequacy of safeguards provided by law, and the rights, responsibilities and liabilities attached to the role.

Section 1: Increasing regulatory action

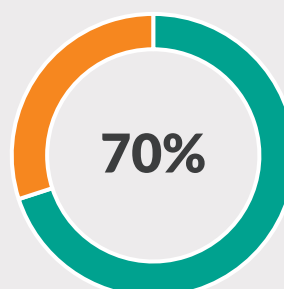
The regulations in India, including the Companies Act, list out comprehensive responsibilities for the Independent Directors. In some cases, non-compliance with these duties has resulted in strict legal action and reputation loss for Independent Directors.

The respondents were asked about their views on the increasing legal and regulatory action on Independent Directors and whether they find these actions reasonable.

Key highlights

- 01** The majority believe that the recent legal action against Independent Directors has been extreme and has adversely impacted their role.
- 02** The expectation from the Independent Directors to be more hands-on (i.e., to be aware of the inner workings of the company) goes far beyond their ambit of responsibility.
- 03** Some argued that the legal and regulatory action is justified given the strong corporate governance standards which the Independent Directors are expected to uphold.

Extreme legal action



Respondents believe that the recent legal action on the Independent Directors has been extreme.

The majority view

Expectations are not aligned: At present, there is insufficient demarcation between the roles and responsibilities of Executive Directors, Independent Directors and the Management. As per the Companies Act, the Independent Directors are expected to play a more “hands-on” role and be aware of the inner workings of the company. **This goes beyond their scope of responsibility as non-executive members, where they play a more “oversight” role.**

Increasing number of resignations: Independent Director resignations have been on the rise ostensibly due to regulatory action that holds directors liable. In case of a fraud in a company, Independent Directors are often taken to court, which not only causes considerable damage to their reputation but also imposes heavy financial and legal costs. The Independent Directors believe that due to the expectations from them and the associated liability it is appropriate to take the position selectively and only in companies that have existing high standards of corporate governance. **Due to this, smaller or newer companies may not be able to attract high quality Independent Directors.**

Integrity of information:

Independent Directors rely on the integrity of the information shared with them by the Management and Auditors while assessing the company’s decisions and detecting deficiencies. The adequacy of the information provided to

Independent Directors is an area of concern as they may not be able to verify its completeness and accuracy for proper discharge of their duties.

Time-risk-reward imbalance:

The interaction of Independent Directors with the company Management, Auditors and other stakeholders is mostly limited to the board meetings. This limited time is insufficient for deeper assessment and deliberation of issues. **In turn, it is adding to greater risk for the Independent Directors that may not be commensurate to their compensation.**

Opting for advisory roles:

Few Independent Directors mentioned that they prefer to take advisory positions in companies rather than formal board positions. This allows them to provide the necessary guidance and advice to the company without having to bear the risks associated with the ID position. **It needs to be further deliberated if such practice results in a parallel governance structure that may not be in the interest of all the stakeholders.**



The other perspective

Corporate frauds must be brought to the fore. Currently, enforcement on incidents of corporate fraud is either lacking or not strong enough. Governance KPIs need to be articulated, especially in companies dominated by a single shareholder where Independent Directors are chosen from a select circle close to the Management or the promoter group, thus compromising their independence.

Additionally, the perception of regulations being extreme can be attributed to inadequate understanding of the law and individual roles and **responsibilities, amplified by popular but unreliable narratives in the public domain.**

Section 2: Adequacy of legal safeguards

According to a protective provision in Section 149 (12) of the Companies Act 2013, “An Independent Director shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through board processes, and with his consent or connivance or where he had not acted diligently.”

“When considered vis-a-vis onerous duties and responsibilities of Independent Directors, the safeguards fall short.”

Further, a circular issued by Ministry of Corporate Affairs (MCA) in March 2020 states that Independent Directors not to be arrayed in any civil or criminal proceeding unless they meet the criteria set out in Section 149 (12).

Despite the above, the entire board is required to act in “good faith” and is held accountable as a collective. Independent Directors are treated equivalent to the other directors and held equally responsible for decisions made through board processes.

Hence, the adequacy of safeguards in the Companies Act are debatable and this leaves Independent Directors vulnerable to reputational harm and protracted legal proceedings.

The respondents were asked if the Companies Act, 2013, and other laws provide sufficient safeguards for Independent Directors to discharge their role independently and objectively.

Key Highlights

01

Various Acts, other than the Companies Act 2013, do not make a distinction between the liabilities of Executive and Non-Executive Directors.

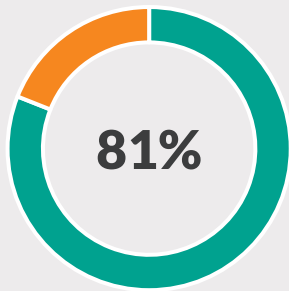
02

It is important to differentiate between errors or failure to perform and mala-fide action or deliberate inaction. Majority of respondents believe that there is an urgent need to decriminalize violations by the Independent Directors and instead impose civil penalties.

03

A contradictory opinion was that there are enough safeguards and Independent Directors may not worry as long as they discharge their duties and there is no nexus in frauds.

Insufficient legal safeguards



Respondents said there are insufficient legal safeguards to protect Independent Directors from unfair persecution and reputational damage.

The majority view

Fear of prosecution: Under the Companies Act, “An officer who is in default is liable to penalty or punishment by way of imprisonment, fine, or otherwise.” An “officer who is in default” covers Whole-time Directors, KMPs and Independent Directors as well. As soon as an Independent Director name appears on the charge sheet, it does irreparable damage to his reputation. Unlike companies which have sufficient wherewithal to fight legal battles, Independent Directors are often left to fend for themselves bearing massive financial expenses.

Absence of safeguards in other

statutes: While the Companies Act delineates the expectations from and the safeguards for Independent Directors, other Acts, like the Contract Labor (Regulation and Abolition) Act, 1970, the Environment (Protection) Act, 1986, and the Prevention of Money Laundering Act, 2002, do not make similar distinctions between Executive, Non-Executive Directors and Independent Directors. The company and its officers can be investigated via different mandates by the Serious Fraud Investigation Office (as per the Companies Act) as well as the Enforcement Directorate (as per the Prevention of Money Laundering Act, 2002). As a result, Independent and Non-Executive Directors under scrutiny get harassed and face risks of assets being seized before any assessment of the nature and degree of their involvement is concluded.

Directors and Officers (D&O)

Liability Insurance: Majority of the respondents reported that they have moderate to little understanding of the products’ features, including the inclusions and exclusions, under the policy. They remarked that these products are not comprehensive as they do not cover personal liabilities of Independent Directors.



The other perspective

The problem is not necessarily with the law or inherent safeguards, but in the incorrect and unfair interpretation of the law. Safeguards are available but there is a lack of understanding among Independent Directors on how to avail them. They often do not know the situations under which they can be held responsible, precautions they can

observe or steps they may take to protect themselves from any adverse event that may occur in the company. **In addition, Independent Directors may take initiative to become aware not only of the safeguards they can avail but also the legal repercussions of any misconduct or failure in discharging their responsibility.**

D&O Insurance: Knowing it better

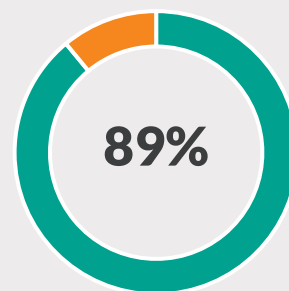
Directors and Officers (D&O) Insurance covers them against financial loss caused by litigation (or other types of claims) brought against them for an alleged wrongful act in their capacity of being a Director or an Officer.

Wrongful act may include an actual or alleged breach of trust, breach of duty, acts of negligence or omissions, error or misstatement/misleading statements, failure to supervise etc.

To safeguard the interests of the directors and officers, the SEBI (LODR) Regulations, 2015, has mandated Directors and Officers (D&O) policy for Independent Directors of top 1000 listed entities (market cap) from January 2022, and for all listed entities that have “high value debt listed entity” from September 2021.

Further, Head IV of Schedule IV on Code of Conduct for Independent Directors under the Companies Act, regarding the manner of appointment, states that appointment will be formalized through an appointment letter, which has to set out a provision for D&O insurance, if any.

D&O Policy: Concern areas



Respondents said they have moderate to no understanding of D&O Insurance products and their features.

There are three types of traditional coverage under a D&O policy

A

Often known to as “personal asset protection”, is insurance solely for the benefit of the Individual Directors and Officers. This coverage is triggered if the company refuses or is legally unable to protect, or indemnify, its Directors and Officers.

B

Often referred to as “company reimbursement” coverage, reimburses the company for the costs it pays to indemnify its Directors and Officers.

C

Coverage protects the company under certain circumstances i.e., where there are allegations under the securities law.

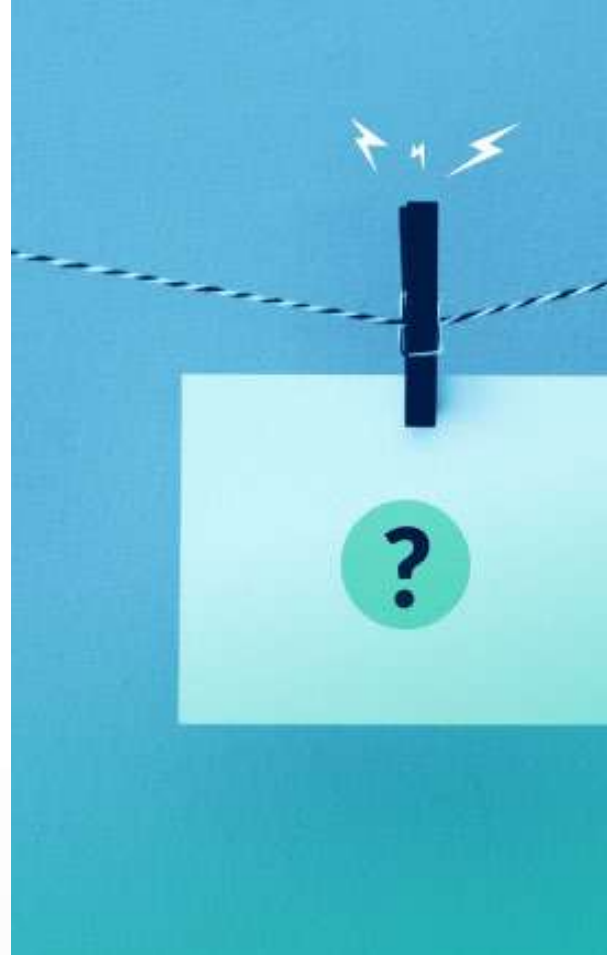


Exclusions under D&O Policy:

- **Illegal profits/deliberate acts**
Conduct exclusions/ violation of law
- **Insured vs. insured exclusion**
Can be carved back
- **Major shareholder exclusion**
Percentage is specified
- **Professional liability exclusion**
This is covered in a separate professional indemnity policy
- **Bodily injury exclusion**
This is covered in a separate comprehensive general liability policy (CGL)
- **Pollution exclusion**
- **Prior knowledge**
- **Bankruptcy/ insolvency exclusions**
- **Prior or pending litigation**
As on the date of policy inception and renewal
- **COVID-19/ pandemic exclusion**
Insurer may be encouraged to not exclude this clause

Not mandatory by law

As it is not mandatory for all the listed companies to take up D&O Insurance. There are concerns raised by Independent Directors, as it transfers liability from the company to the individual. Only the top 1000 listed companies are mandated as of now.



Policy limits get exhausted, so individual protection of Independent Directors becomes difficult:

Most of the Independent Directors believe that the D&O Policies in their current form are limited in their coverage and do not protect them against criminal liabilities. In traditional D&O policy, with all three insuring agreements, the limits purchased by the company are shared limits, which cover both personal assets of individual directors and officers and certain financial obligations of the respective companies. Shared limits purchased by the company under a D&O policy (Side A/ B – covering all directors and officers and Side C for the company) may not be enough in case one exposure against the company exhausts the entire limit. This would leave the directors and officers without any cover.

Timely reporting not done:

Claims are often denied for what is called “past knowledge”, which happens when the matter is not reported by the company to insurance provider at the right time.

Recommendations for adopting D&O in India:

D&O Insurance may be adopted by companies for their Independent Directors. This will help them discharge duties more confidently.

Before joining the board, Independent Directors may conduct their own due diligence

and inquire about company indemnification policies and review the coverage and scope of the D&O Insurance. At the same time, they must inquire about the exclusive coverage available to them (called the Difference in Condition (DIC), companies are allowed to take a separate Side A cover on top of the traditional D&O policy). Where the company does not initiate such a policy, Independent Directors may insist on one.

Globally, “personal asset protection” insurance is available to directors and officers, in addition to D&O Insurance provided by the company. This option extends the limits for individual directors or officers. An excess Side A, DIC policy will provide dedicated and exclusive limits for claims made against individuals and is triggered if the company refuses or is legally unable to protect or indemnify them. Similar policies may be available to Independent Directors in India.

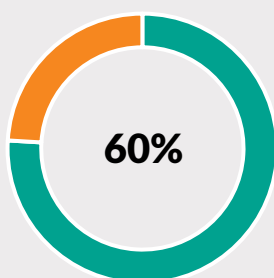
We acknowledge the contribution of Anup Dhingra, Managing Director, FINPRO & Private Equity M&A at Marsh India to this section on D&O Insurance in the report.

Section 3: Responsibilities and expectations from the Independent Directors

“Independent Director’s responsibility is a factor of the freedom that they are given. Therefore, the word independent is itself a misnomer.”

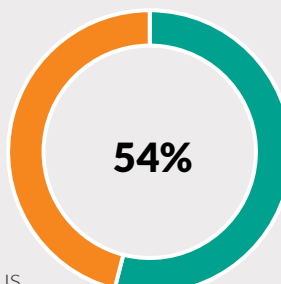
The “Code for Independent Directors” is outlined in Schedule IV of the Companies Act, 2013 and includes the roles, functions and duties of Independent Directors. Independent Directors have to provide written assurances in the Directors Responsibility Statement (Annexure-I) that entails confirming the framing of prudent policies, internal financial controls and adherence to policies and compliance of all applicable laws for safeguarding interests and assets of company.

The respondents were asked if there is an adequate clarity around the roles and responsibilities of the Board, as a team and at an individual level, and if the expectations from Independent Directors are reasonable.



Onerous expectations

Respondents feel that the roles and responsibilities as defined by the Companies Act are unreasonable and the expectations are onerous.



Evolving role

Respondents remarked that there has been only a moderate change in the involvement of Independent Directors in the affairs of the company in response to greater expectations from them.

Key highlights

01

The roles and responsibilities of Independent Directors are neither reasonable nor practical in application. They are defined at a Board level and not at the individual level of Independent Directors, including their expertise.

02

Responsibilities need to be demarcated between the Management, Executive Directors, Non-Executive and Independent Directors, not just at the Board level but also at a sub-committee level.

03

Over the years, there has been a moderate change in the way Independent Directors operate, as they are getting more involved in understanding the company’s operations, internal controls and adding more value to the board and yet this leaves a lot to be desired.

The majority view

Gaps between regulatory framework and implementation:

There exists a gap between the expectation of regulatory requirement from the Independent Directors and the actual practice. The Companies Act expects a very operational and 'hands on' role from the Independent Directors. However, in practice they play a governance and oversight role.

Individual roles at the board not defined:

The roles and responsibilities are defined at a board level and at sub-committee level. However, generally there is no practice of defining roles and responsibility for individual Independent Directors based on their specific area of expertise. In case of any issue in the company all Independent Directors will be held equally responsible, irrespective of their specific area of expertise or involvement in that matter.

The other perspective

Some believe that the law has clearly defined the expectations and roles and responsibilities of an Independent Director and there is no room for ambiguity. The Companies Act, 2013 and the SEBI (LODR), aim to make Independent Directors part of key committees, like the CSR, Risk Management Committee, Nomination and Remuneration Committee (NRC), and the Audit Committees.

There is increasingly a focus on Board as well as Management evaluations to enhance the Board's competencies and contributions in a collaborative and constructive manner. The point of concern is that many Independent Directors lack knowledge and have inadequate understanding of their roles and responsibilities. Traditional Board composition featuring tenured directors having spent several years in the role is also seen by some as an impediment to positive and desired change.

Independent Directors may come better prepared for board meetings by thoroughly reading the materials shared with them in advance, doing the necessary research, and asking more incisive questions. They must spend time beyond board meetings with the relevant stakeholders providing the requisite strategic perspective.



Theme 2: Internal Control Challenges

“The discussion on Internal Financial Controls section in an audit committee meeting typically lasts around 39 seconds.”

A strong risk management system and a robust internal control framework can help uncover discrepancies in time to prevent potential frauds. Over the years, various regulations have been put in place to enhance governance, risk management, internal controls, compliance and reporting standards, yet we continue to see a rise in frauds and accounting issues in companies. This raises apprehension on the health of the internal control environment in companies and the role Independent Directors are playing in this regard.

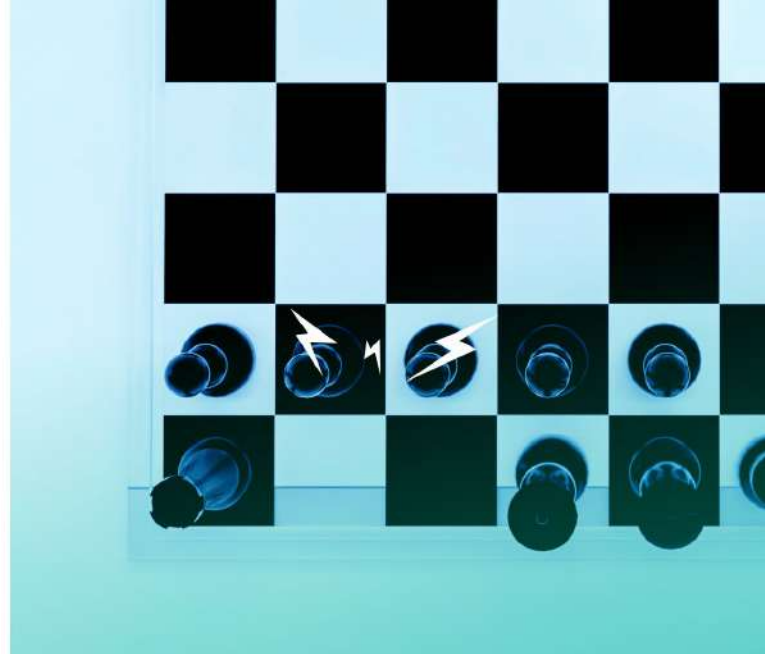
This theme delves into the challenges faced by Independent Directors while discharging their duties with respect to internal controls, including requisite resources to be able to “confirm” the adequacy of internal controls and expressing these dissenting views in board meetings.

Section 1: Health of the Internal Control Environment

As per research, the overall percentage of annual reports in which auditors have raised concerns on the Health of Internal Financial Controls (IFC) is only 1.7 percent.

There were also negligible instances of adverse comments in the Directors report (*please refer to annexure 2 for details*).

We asked respondents if they believed whether the health of Internal Controls is as good as it is projected in the annual reports of the companies.





**Few respondents
believed** that resources
at the Independent
Directors disposal are
adequate.

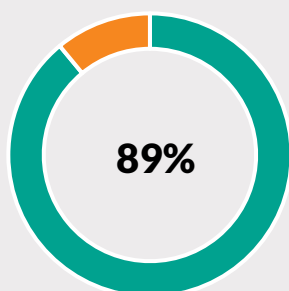
Key highlights

01 The results are not a true reflection of the current control environment and that IFC has been reduced to a “tick-in-the-box” compliance exercise. Poor auditing practices and limiting of auditor independence was cited as possible reasons.

02 There needs to be stronger collaboration between the management, auditors, and the board to change the mindset around compliance and enhance the robustness of the internal control systems.

03 On the contrary, a few respondents believe that the 1.7 percent cases may be a true representation, as companies are compelled to ensure a robust Internal Controls framework due to stringent regulatory requirements.

IFC concerns may be greater



Respondents believe that health of Internal Controls is not as robust as reported in the annual reports.

The majority view

Reasons for low disclosure levels:

Casual approach to Internal

Financial Controls: Companies often fail to raise concerns on internal control issues at the right time and just treat it as a tick-in-a-box exercise. During board meetings, not enough time is spent discussing internal controls.

Weak Internal Control framework:

Companies are growing at a faster pace; however, the control mechanisms appear not to be in sync with these developments. Given the complexity of businesses, the organization structures and subjectivity of control definitions, there is a fair degree of differentiated understanding regarding internal controls. Besides, controls are often performed at transactional level and do not extend to the critical risks a company is exposed to like - entity level controls, tone at top, related party transactions and complex accounting matters.

Auditor independence:

Auditors are hired by the Management and are dependent on them for renewing their contracts, which results in compromised Auditor independence.

Auditors' implicit obligation to the Management deters them from presenting a true picture to the board.

The Board relies on the Management and Auditors (both internal and external) for their view on the health of internal controls and unless issues are brought to their attention, they have no way to identify any lapse in internal controls.

Diluted reporting to the board on audit issues: A common opinion emerged that often the Auditors initially identify several observations and design gaps, for which explanations or additional information are provided by the Management over several levels of discussions. Due to this some observations are dropped, some are changed to minor observations while some are remediated before the audit committee meeting, and hence, a miniscule number of observations is finally reported to the audit committee.

The other perspective

Some respondents believed that the health of internal controls is indeed robust as companies have put in place strong Internal Control framework in response to regulatory requirements and increased focus on risk management and internal controls. Further, there may be no need to report issues as these get remediated quickly once they are highlighted by the Auditors.

Section 2: Adequacy of experience and resources with Independent Directors

“If the Independent Directors have the will to add value to the board, they can, as they have access to internal auditors, statutory auditors, management presentations. There is no doubt of accessibility. It is the desire and capability to do something.”

The resources that Independent Directors need to effectively discharge their responsibility covers a broad range of areas, both at individual and company levels. At an individual level, they may possess certain subject matter expertise, working knowledge of finance and accounting, and an understanding of risk evaluation and corporate governance matters.

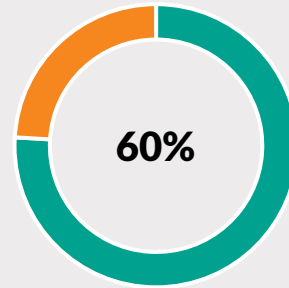
A Board may have diversity among its members in terms of both industry and functional expertise. Access to information with the support of the Management and Auditors is critical for Independent Directors to perform their role.

Respondents were asked if Independent Directors have the requisite resources and expertise to “confirm” the adequacy of Internal Controls.

Key highlights

- 01** Majority of the Independent Directors believe that from an individual standpoint they struggle, given the inadequacy of resources, in confirming the health of Internal Financial Controls.
- 02** Lack of sufficient information, inadequate time spent on Internal Controls and an ineffective risk management system were called out as key challenges faced by Independent Directors.
- 03** Some believed that the resources at the Independent Directors’ disposal are adequate if they have the will and intent to leverage them to their advantage.

Adequacy of resources available at an individual Independent Director level



Respondents believe that Independent Directors do not have adequate resources to confirm the health of internal controls

The majority view

Lack of industry and financial knowledge: Independent Directors often struggle to keep abreast with the latest trends and regulations pertaining to their industry. Also, Independent Directors with a finance and accounting background are better equipped to ask incisive questions in areas such as risk management, accounting etc. compared with those from non-finance backgrounds.

Dependency on Management and Internal Auditors: If the Management at any point decides to withhold critical information from the Board, it is unlikely that the Independent Directors can do much about it.

An Independent Directors visibility is limited to information presented to the board. Also, often the reports presented are inundated with information in a manner that it complicates the understanding of issues instead of clarifying matters for the board members.

Not enough Management and Auditor interaction: The interaction with Auditors and Management is limited to the board meetings and very little time is spent on informal interaction outside the board meetings. Also, the interaction of the Board is limited to the senior management (CEO and CFO), and hence, they may not get diverse views on the affairs of the company and health of Internal Controls.

The other perspective

Some respondents believed that resources at the Independent Directors disposal are adequate. They have the authority to demand any requisite information from the management and can also request for regular training sessions with experts on the latest industry regulations and trends. Hence, the onus lies with the Independent Directors, and they must display intent to leverage these resources to their advantage. In addition to technical knowledge,

Independent Directors must ask tough and pointed questions. Besides remuneration, the investment of time and effort may be driven by a sense of responsibility of the Independent Directors towards shareholders they represent.

Key challenges ID's face while discharging responsibility with respect to Internal Controls (*Multiple options permitted*)



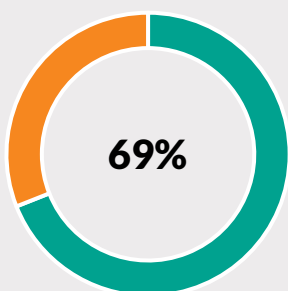
Proficiency Test: Scope for improvement?

As per the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, Independent Directors, were required to apply online to Indian Institute of Corporate Affairs (IICA) for inclusion of their names in the data bank within the stipulated period.

After registration, all individuals are required to pass an online proficiency self-assessment test conducted by the IICA within one year from the date of inclusion of their names in the data bank, failing which, their name would be removed from the data bank.

The respondents were asked if they believe the proficiency tests will help in strengthening the knowledge of Independent Directors.

Assessing Independent Directors through proficiency test



69% Respondents found proficiency tests lack "value" in its current form.

Commentary on IICA Test

Test needs to assess the Independent Directors experience holistically: An Independent Director is expected to demonstrate sound judgement, integrity, and confidence in articulating opinions and dissent, and have a conflict resolution attitude. As per respondents, the test in its present form is more theoretical as compared to case study/ application-based learning.

Independent Directors may be encouraged to take the test: Some of the respondents felt that the test is a step in the right direction. It will help enhance the knowledge of professionals and exclude Independent Directors who are not qualified and consider it as a rubber stamp job. Some qualifying criteria, like a proficiency test, is important if we want to develop Independent Directors as a professional body. However, it may be made mandatory for all and not just those with less than 10 years of experience.

Section 3: Ease of raising dissenting views

“Often Independent Directors are treated as outsiders or not team players if they raise a dissenting opinion. If they are seen to over-interfere in board meetings, it tarnishes their reputation in the community and affects potential directorships.”

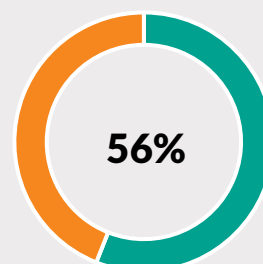
Independent Directors play an integral role in improving the corporate governance standards of a company. They are expected to protect the interest of diverse set of stakeholders, including the minority shareholders. Given their vast experience and knowledge, they are expected to bring an independent external perspective on the Board which may often require raising difficult questions and posing conflicting views keeping the interest of the stakeholders and company in mind.

Key highlights

- 01** Majority of the respondents said that they are comfortable raising dissenting views on their respective Boards. They attribute this ease of dissent to factors such as the chairman’s personality, Promoters, Management, and the Independent Director himself.
- 02** On the contrary, 44% of the respondents said that voicing dissenting opinions on a Board is sometimes difficult, particularly if it is a Promoter driven company.
- 03** As a good practice, thorough and detailed recording of the minutes of a meeting may be prepared and any dissenting view be recorded and not just the overall conclusions.

The respondents were asked if they were able to voice dissenting opinions freely with other Board Members or Management.

Ease of raising dissenting views



Respondents believe that it is easy for them to raise dissenting views with their respective Boards.

The majority view

The “comfort to dissent” was attributed to the following factors:

Chairman’s ability to act as a catalyst: The chairman is in a position to encourage dissenting voices to gain a holistic perspective on matters and ensure inclusivity. The Chairman is a bridge between the Management, the Independent Directors, and the Auditors and is instrumental in playing the role of a facilitator for better engagement amongst them.

Management’s relationship with Independent Directors: The Management needs to recognize the Independent Director as a coach for raising the bar of corporate governance, respect conflicting ideas and provide comfort in raising dissenting views, which is essential for evaluating business issues.

Personality of the Independent Director: An Independent Director on her/ his part may play the balancing act of being involved in a constructive way and not to the point of disrupting the board’s functioning. While it is expected of an Independent Director to scrutinize information to the extent required, it is also important that she/ he exercise tact and demonstrate maturity and wisdom in dealing with matters of contention.

The other perspective

Since, an Independent Director is often appointed by the Board or Promoters of the company, expressing dissenting views can be a challenge. Also, the fact that an Independent Director gets her/ his remuneration from the company (and not an independent body) may pose a conflict of interest.

It is common for contentious matters to be discussed in informal set-ups, therefore, often consensus is achieved outside the board meeting. This may also be the reason for dissenting views not getting recorded during board meetings.

Theme 3: Role of the Auditors

The role of Internal Auditor is to provide independent assurance that an organization's risk management, governance processes and internal controls are operating effectively. Similarly, External Auditors are responsible for confirming that the financial statements of the company are in accordance with the accounting standards and prescribed regulations. This theme explores the adequacy of inputs provided by the auditors to an Independent Director.

Section 1: Role of Auditors – Internal Controls

“Internal Auditors may learn to move away from the traditional ways of working and start playing a vital role in guiding management, audit committee and the Board.”

The respondents were asked whether Auditors (internal and external) provide necessary inputs to Independent Directors on important risks and internal controls and specifically how Internal Auditors can do a better job.

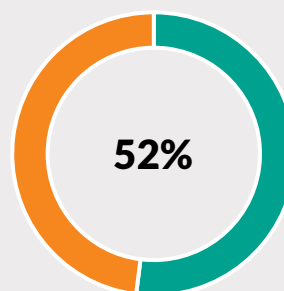
Key highlights

01 Over 50% respondents believe that Auditors are not able to provide adequate inputs to Independent Directors on key risks and internal controls.

02 In the light of recent frauds and increasing expectations from Auditors, there is a need for improvement in the way Auditors conduct the audits and discharge their role.

03 Increasing interaction time outside of board meetings for Independent Directors with Auditors, ensuring auditor independence, improving the quality of audit at a holistic level are some of the good practices that can enable a stronger audit function.

Auditors provide adequate inputs



Independent Directors believe that Auditors do not provide adequate inputs and there is a need for improvement in the way they discharge their role.

The majority view

Inadequate inputs by Auditors to Independent Directors: Over half of our respondents believe Auditors are not able to provide adequate and significant inputs to Independent Directors on key risks and internal controls. Given that the accounting and book-keeping systems have become very sophisticated subjects with complex instruments, there are plenty of estimations presented which hold the potential of error (and fraud). The Auditors still adopt a traditional manually intensive way of auditing, which may not uncover the issues. Further, in certain cases there is a need to enhance the competence of the Auditors.

Lack of focus on key risks in the control framework: Control framework is still dominated by transactional financial controls. Key risks and controls related to several other important areas like operational controls, cyber and data security, fraud, investment risks do not get adequate importance.

Management influence on auditor independence: The framework for Auditors' appointment, accountability, remuneration, and reporting needs to be revisited. In its current form, auditors are appointed and remunerated by the management that poses a conflict of interest and can compromise Auditor independence.

The other perspective

On the other side of the spectrum, respondents agreed that auditors do provide adequate inputs and highlight risks, thus enhancing the board's decision-making ability. It was stated that owing to increasing instances of fraud in recent years, auditors have become risk-averse and cautious and thus, are performing their role more diligently and asking the right questions to the Management.

However, it depends on the willingness of boards and management teams to leverage the inputs provided by Auditors and gain value from their expertise. There needs to be a shift in the mindset of the management to see audit as an improvement tool rather than a bottleneck.

Section 2: Risk Management

“Risk is an ambiguous area. No one has ever understood risk. It has become a very negative word.”

According to Section 134 of the Companies Act, 2013, the Board of Directors report must include a statement indicating development and implementation of a risk management policy for the company.

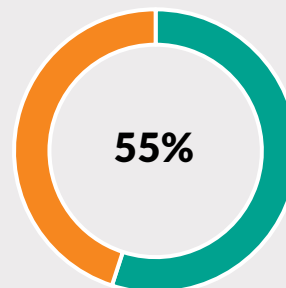
This primarily involves identification of potential threats, assessing the likelihood of occurrence, defining risk management techniques, developing scope for mitigation and measuring the implementation and ongoing effectiveness of Internal Control. SEBI LODR also has requirement for risk management for the top 1000 listed companies and high value debt listed entities.

The respondents were asked if companies have a satisfactory process for evaluation, monitoring and reporting of key risks.

Key highlights

- 01** Companies have started moving towards identifying and incorporating a risk management process, however, there is scope for improvement.
- 02** The fact that the Risk Management Committee is a mandate from only SEBI LODR and not Companies Act does dilute its sphere of influence and legitimacy.
- 03** Companies need to broaden their horizon of risks and focus on critical and non-traditional risks on an ongoing basis.

Presence and performance of Risk Management process



Respondents feel that companies need to strengthen the risk management systems and processes.

The majority view

Ambiguity in the role of the Risk Management Committee:

Even though Risk Management Committee has been set up, many times the roles and responsibilities of the committee are not clearly defined. The fact that the Risk Management Committee is a mandate from only SEBI LODR and not Companies Act does dilute its sphere of influence.

Missing a holistic approach: Better integration is needed between risk management, internal audit, and compliance functions. These are presented in silos without giving an overall and consolidated perspective on key risks and mitigation measures, which impedes the Independent Directors ability to fully understand the risks that the company is exposed to and the adequacy of mitigation measures.

Lack of risk perspective in presenting proposals to the board :

Certain Independent Directors pointed out that the proposals that are submitted to them for consideration do not contain alternative scenarios or the risks associated with the proposal. Further, there is inadequate mechanism to monitor the risks on an ongoing basis.

Limited diversity in the Board:

According to Code of Independent Directors in Schedule IV of the Companies Act, 2013, the Independent Directors shall “balance the conflicting interest of the stakeholders”. However, presently, most boards lack diversity in the profile of directors, not only by gender, age and tenure, but also by experience, skill sets and geography. As a result, companies fail to reap the benefits of a board with varied perspectives which is critical to promote a balanced decision-making process.

Journey Ahead

Through the research and pursuant discussions with Independent Directors and Key Management Personnel, Protiviti Member Firm for India and CII and NFCG have identified many takeaways. Addressing and acting on these would result in each stakeholder, be it the Management, Auditor, Regulator or the Independent Directors, playing their part towards good governance.

Independent Directors believe that not only are the expectations from them unreasonable, but they also, do not have adequate mechanisms and support to meet such expectations. They believe that the liability on them is onerous and compensation is not in proportion to their involvement in the affairs

of the company and expectations from the regulatory framework.

To that end, many who participated in the research expressed the imperative to decriminalize liabilities for Independent Directors and provide protection/safe harbor unless proven guilty for any inaction or mala-fide action.

The institution of Independent Directors is relatively new in India, and it is reasonable to assume that it will take some time and deliberations to achieve the right balance between their roles, responsibilities and liabilities. Regulators, industry bodies, judiciary, investors, media and Independent Directors themselves have a significant role to play in achieving this balance.



The role of Independent Directors may evolve as a profession with necessary standards and practices. Independent Directors must ensure that they maintain their independence, and do not hesitate to demand necessary information and have the conviction to ask tough questions where needed. A useful complement to this would be formal training, by internal and external experts, who can be hired by the board for implementation of good governance practices.

Auditors, and especially Internal Auditors, need to understand the agenda and requirements of the Board and Independent Directors and enhance their work to help them meet their objectives. In several cases, they may also need to collaborate with Independent Directors to help them understand their roles and responsibilities related to Internal Controls and seek their support in enhancing the stature of Internal Audit in the organization.

It is important for the organization to tap Internal Audit's immense potential in improving standards of corporate governance practices.

The COVID-19 pandemic has set the precedent for transformation in the corporate world and certainly, this decade will continue to witness enormous changes both at the domestic and global levels. Conversations around improvements in governance, compliance, and disclosures need to be set in motion by industry leaders. We are optimistic about the journey in that direction and the positive outcome that will ensue.

Acknowledgements

CII, NFCG and Protiviti express their gratitude to all the Independent Directors, CXOs and other industry members for participating and contributing to this Report. Special thanks to the members of the drafting group –

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Annexure 1 – Directors Responsibility Statement

As per Sub-section 5 of Section 134, of the Companies Act 2013, the Directors Responsibility Statement shall state that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- The Directors had selected such **accounting policies** and applied them consistently and **made judgments and estimates that are reasonable and prudent** to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period.
- The Directors had taken proper and sufficient care for the **maintenance of adequate accounting** records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts on a going concern basis.
- The Directors, in the case of a listed company, **had laid down Internal Financial Controls** to be followed by the company and that such Internal Financial Controls are adequate and were operating effectively.
- The Directors had devised **proper systems** to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Penalties for non-compliance - The Sub-section 8 of Section 134 states that if a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.

Annexure 2 - Research Undertaken

Recent instances of fraud and malpractices highlight a common issue of failure of Internal Controls. To gain perspective on the questions concerning adequacy of Internal Controls, Protiviti conducted secondary research on selected companies with the following focus:

Annual Report

- Board/ Directors Report – including Directors Responsibility Statements
- Independent Auditors Report and opinion on Internal Financial Controls including Internal Controls on Financial Reporting

Objective

- To understand type and instances of disclosure on internal controls by Directors and External Auditors
- Conduct comparison with Sarbanes Oxley 404 disclosure trends (*as Internal Financial Controls is designed on lines of SOX but goes beyond Internal Controls over Financial Reporting*)

Research Sample

Two consecutive annual reports of 150 companies (300 annual reports)

Sample cross-section	Count
Large Cap (NIFTY 50)	40
Mid Cap	30
Small Cap	46
With confirmed/ alleged adverse events*	34
Total	150

** Adverse events include auditor resignations, confirmed/ alleged corporate governance issues and instances of fraud / insolvency*

Following are the key findings after analysis of 300 annual audit reports for 150 select companies

In 1.7% (4/232) of annual reports Auditors have raised concerns* on the health of Internal Financial Controls without any known adverse events and 19% for companies with known adverse events.

Opinion on adequacy of Internal Financial Controls			
Coverage	Policy	External Auditor	Directors
40 (27%)	Large Cap (NIFTY 50)	100% Adequate	100% Unqualified opinion on the adequacy of internal financial controls
30 (20%)	Mid Cap	100% Adequate	
46 (31%)	Small Cap	In 4% annual reports (4/92) the Auditors raised concerns* on the health of Internal Financial Controls	
34 (23%)	Companies with confirmed/ alleged adverse events**	- In 19% of the annual reports (13/68), the Auditors raised concerns* on the health of Internal Financial Controls, out of which in more than 60% of the annual reports, modified opinion is post event/ allegation of fraud. - In 24% of the annual reports, companies have been assured of adequate Internal Financial Controls, despite fraud investigation/ auditor resignation due to disagreement.	

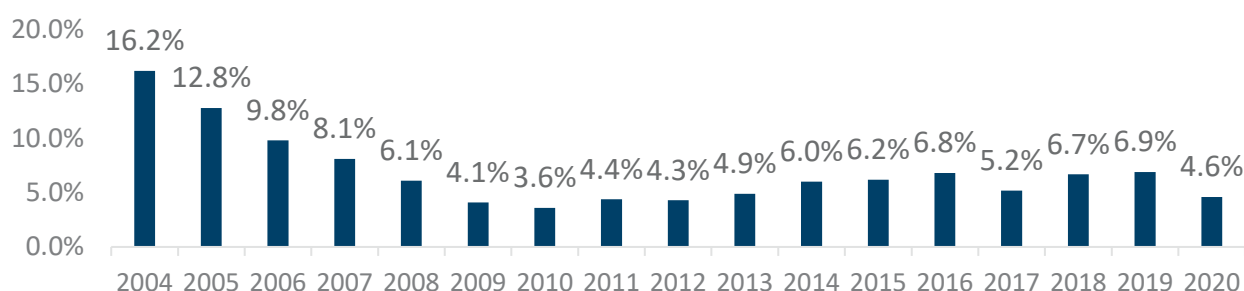
* Includes adverse/ qualified opinion/material weaknesses

** Adverse events include auditor resignations, confirmed/ alleged corporate governance issues and instances of fraud / insolvency

Contrast with the disclosure levels under SOX

To further understand the trend of modified opinions (attestations), a comparison was conducted with **SOX 404** results

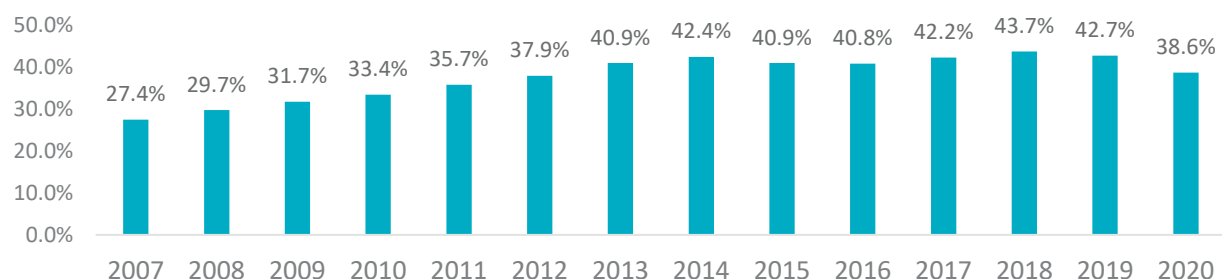
SOX 404 – Adverse ICFR Auditor Attestations



Average percentage of adverse disclosures on SOX is 6.8%

- The first 4 years, adverse Auditor attestations ranged from 8-16%. This dropped drastically to 3.5% in 2010
- In 2011, PCAOB adopted an inspection program for quality of audits, post which the % of adverse attestations took an upward trend

SOX 404 – Adverse ICFR Management-Only Reports



Average % of disclosure is 37.7%

- Ineffective controls identified in management ICFR reports are more common amongst non-accelerated filers and smaller companies*
- Up until 2019, the percentage of ineffective controls identified in ICFR management reports for non-accelerated and smaller reporting companies had been increasing. After a high point of 44.7% in 2018, the percentage of ineffective control assessments for smaller companies decreased to 37.6% in 2020.

*A **Non-Accelerated Filer** or a **small company** in USA is a Reporting Company that, as a result of having a public float of less than \$75 million, had not has to accelerate its periodic reporting deadlines. Such companies are required to provide a management (only) assessment of ICFR.



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Named to the 2022 Fortune 100 Best Companies to Work For® list, Protiviti has served more than 80 percent of Fortune 100 and nearly 80 percent of Fortune 500 companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

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National Foundation for Corporate Governance (NFCG) is a unique PPP model initiated by the Ministry of Corporate Affairs with an objective to promote good Corporate Governance practices both at the level of individual corporates and the industry.

NFCG has been the key facilitator and reference point for the highest standards of Corporate Governance in India. It endeavours to create a business environment that promotes voluntary, transparent, and accountable corporate governance practices.

NFCG has fostered partnerships with national as well as international organisations to build capabilities in research in corporate governance and to disseminate quality and timely information to the concerned stakeholders.

With 47 Institutions accredited as National Centres for Corporate Governance, 40 research papers /studies on emerging areas in Corporate Governance and more than 300 advocacy events organized by and under its aegis, NFCG has truly helped foster a culture of voluntary Corporate Governance practices and reduce the gap between Corporate Governance framework and actual compliance by the corporates. NFCG has facilitated effective participation of different stakeholders and catalysed capacity building in emerging areas of corporate governance.

For further details, please visit www.nfcg.in



Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with around 9000 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 286 national and regional sectoral industry bodies.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

As India completes 75 years of Independence in 2022, it must position itself for global leadership with a long-term vision for India@100 in 2047. The role played by Indian industry will be central to the country's progress and success as a nation. CII, with the Theme for 2022-23 as Beyond India@75: Competitiveness, Growth, Sustainability, Internationalisation has prioritized 7 action points under these 4 sub-themes that will catalyze the journey of the country towards the vision of India@100.

With 62 offices, including 10 Centres of Excellence, in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 350 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

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