

What's on the board's agenda for the year

Board will deal with newer challenges and still newer regulations. But while their agenda changes, their duty of care and legal responsibilities will remain unchanged.



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A board's focus is on strategy, performance, value creation, accountability, and compliance. Issues relevant to these areas are always on a board's agenda. Put in such general terms it suggests *plus ça change, plus c'est la même chose*, but it is unrealistic to expect that a board's agenda will remain static. First, there are new regulations for the board to internalize and socialize within the company and to its stakeholders. Then there are broader shifts in the ecosystem, like the need to focus on sustainability and digital strategy and social issues. All these ensure that

agenda is refreshed for each meeting. Further boards need to think about how to continuously improve their effectiveness, bringing additional change.

So, what will a board have to deal with this year?

The first quarters agenda will no doubt be dominated by the impending change in the separation of the role of the chair and managing director. Our research shows half the NIFTY 500 companies still need to comply.

SEBI had first proposed this separation in 2018, to be implemented by 1 April 2020, only to postpone it by two years up until 1 April 2022. The chance of any further reprieve appears slim. The argument, that there is no durable evidence that this separation leads to superior financial performance is now overshadowed by three competing arguments. One, that the chair and CEO have fundamentally different roles. Two, that monitoring management performance needs this separation of roles. And finally, that the board better supports management, if there is this separation.

[IIAS' analysis of the NIFTY-500 firms](#) shows that roughly half needed to comply with this by end-October. Progress since has been halting. This is understandable as it an emotive issue – the chair and the CEO cannot be related. And whether they implement it in letter or in spirit will test the maturity of corporate India.

It is good that this will be done and dusted early in the year.

One item but that has assumed primacy during the last 18 months, is the ongoing talent war.

Even as companies experience a shift from people to process the dependence on quality people has gone up, rather than come down. Add to this the challenge of [five generations](#) working together - traditionalists, baby boomers, generation-X, millennials and generation-Z. Each needs to be trained differently since they work differently. They are all are motivated in their own way, so need to be incentivised differently. Yet they all need to culturally mesh in as a cohesive unit.

True the ability to retain and recruit people, has always been front and centre. It is at one level, an operational decision. But given the attrition rate it has now reached and throw in the resistance to returning to in-person work in a highly

competitive job market, policies will need to be reworked and compensation rejigged.

Then there is a whole slate of new regulations and regulatory changes, some imminent, the board will need to deal with, and I will point to just three.

First, there are changes to the reporting format because of the shift from Business Responsibility Reporting (BRR) to Business Responsibility and Sustainability Reporting (BRSR). This means that companies will need to reconfigure data that they collect at the backend. Importantly, they need to decide what matters to their firms and link it to their strategy. COP26 pledges put the world on the path to 2.5c to 2.7c, well above the Paris agreement limiting global warming to 1.5c. I personally believe that we are late and therefore expect that governments will soon ask companies to accelerate their efforts. Boards need to be thinking ahead and need to step-up.

As companies press ahead with their digital transformation, [digital governance](#) – i.e. digital policy, strategy and governance, the board will need to greater oversight. All things digital are expanding exponentially and to provide context, JPMorgan expects to [spend US\\$12 billion](#) on technology in 2022. This indicates the criticality of technology and why it is now central in a board's agenda.

Cybersecurity will always need to be prioritized - Stuart Russell, an AI *guru*, pointed out “the software industry generates revenues of about US\$500 billion a year. The semi-conductor industry generates revenues of about US\$500 billion a year. The cybercrime industry generates revenues of about US\$ 1 trillion a year.” From big data to data fabric, to migration to the cloud, to the need to provide oversight over artificial intelligence and the impending data privacy laws, technology will remain high on the board's agenda.

Finally, SEBI's [November circular](#) on related party transactions shows the regulator continues to focus on these, and so should the board. That the limits have been tightened, and boards are expected to review not just the company's transactions, but also those of its subsidiaries. It's a clear pointer towards an increased focus on group governance that is now expected of boards.

The boards, in addition, will spend time on the perennial issues that they deal with. And they will be expected to deal with events, new challenges and still

newer regulations. But while their agenda changes, their duty of care and legal responsibilities will remain unchanged.



A modified version of this blog appeared in Business Standard on 19 January 2022. To read the blog click this [link](https://www.business-standard.com/article/opinion/what-is-on-the-board-s-agenda-this-year-122011801710_1.html) or copy this url to your browser: https://www.business-standard.com/article/opinion/what-is-on-the-board-s-agenda-this-year-122011801710_1.html

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This article is a general commentary.

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