



NEWSLETTER

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Corporate Governance

Corporate Governance and SPMCIL

- By Shri Ajay Agarwal*

Meaning of Corporate Governance

The word governance comes from the Latin root “gubernare” - meaning to steer or to pilot. Corporate governance, as first defined by the UK Cadbury Committee in 1992, is “*the system by which companies are directed and controlled.*” Corporate Governance is a system by which business corporations are directed and controlled. It is about promoting corporate accountability, transparency, responsibility and fairness in the best interest of various stakeholders in a Company. Corporate Governance essentially involves balancing the interests of all the stakeholders in a company i.e. shareholders, management, customers, suppliers, financiers, government, employees and the society at large.

Corporate Governance enunciated by Organisation for Economic Co-operation and Development (OECD) which forms the basis for corporate governance regulatory framework across the world, prescribe that “*The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.*”

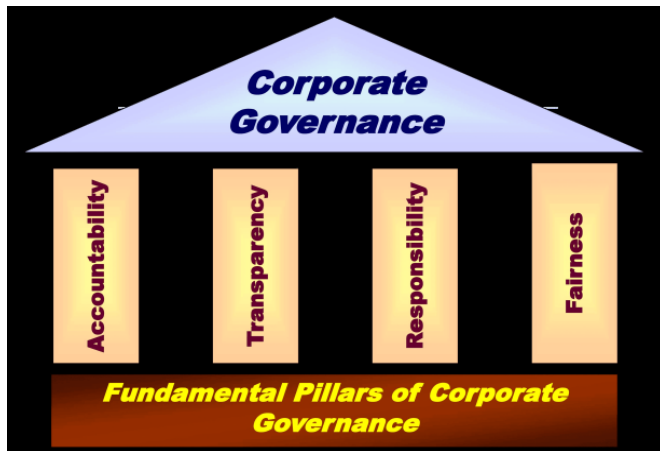
Importance of Corporate Governance

Corporate governance has succeeded in enticing a good deal of public interest because of its importance for the economic health of corporations and society. The purpose of Corporate Governance is to build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business

integrity, thereby supporting robust growth. The corporate governance framework should promote transparent and fair markets and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement. In India, the Companies Act, 2013 gives adequate recognition to the principles of Corporate Governance and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is a powerful tool for implementing the Corporate Governance by the listed companies.

Principles of Corporate Governance

Corporate Governance is about doing the right things, at the right time, in the right manner. It envisages a simplified and transparent corporate structure driven solely by business needs and hence is a journey and not a destination. It stems from the culture and mind-set of the management and is therefore beyond the realm of law. Corporate Governance is all about openness, integrity and accountability. It involves a set of relationships between a company's management, its Board, shareholders and stakeholders. Corporate Governance is a key success factor for businesses, as it has been associated with improving sustainability performance and gaining trust of investors. Corporate governance is concerned with achieving a balance between social and economic goals. The principles of corporate governance are based on accountability, transparency, responsibility and fairness. Those four principles are also integrally related to the company's Corporate Social Responsibility. Good Corporate Governance and Social Responsibility help organisations keep things in good balance.



Corporate Governance in Public Enterprises

The Department of Public Enterprises has issued the Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs) to bring in more transparency and accountability in the functioning of CPSEs. CPSEs are also governed by the Companies Act, 2013 and regulations of various authorities like Comptroller and Auditor General of India (C&AG), Central Vigilance Commission (CVC), Administrative Ministries, other nodal Ministries, etc. The Right to Information Act, 2005 is also applicable to the CPSEs.

SPMCIL'S Philosophy on Corporate Governance

SPMCIL being a Miniratna Category-I (Schedule –A) CPSE wholly owned by Government of India functions within a sound framework of Corporate Governance which underlines its commitment to quality of governance, accountability to all stakeholders, transparency in disclosures, consistent stakeholders' value enhancement, corporate social responsibility and fairness in the treatment of all stakeholders. SPMCIL basically performs sovereign functions on behalf of Government of India and manufactures all currencies, coins , passports, Non- judicial stamp papers , Excise Labels, Government Medallions like- Bharat Ratna, Padma series awards, Gallantry awards, and other Govt security Products. SPMCIL is committed to creating value that is not only profitable to the business but sustainable in the long-term interests of all stakeholders. In pursuit of the same, the Company considers it its inherent responsibility to disclose timely and accurate information regarding its performance as well as the governance in the Company. SPMCIL is complying with the Corporate Governance norms

set by the Companies Act, 2013 and the Guidelines on Corporate Governance for CPSEs issued by Department of Public Enterprises (DPE), Government of India. SPMCIL has achieved Excellent rating for compliance of Guidelines on Corporate Governance for CPSEs issued by DPE for the year 2018-19 continuously since inception.

SPMCIL's essential character revolves around values based on accountability, transparency, integrity, professionalism, responsibility and fairness. At the highest level, the Company continuously endeavors to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward. The Company recognizes that a good corporate governance is a continuous exercise and reiterates its commitment to pursue highest standards of Corporate Governance in the overall interest of its stakeholders. Keeping in view the philosophy, the Corporate Governance at SPMCIL is based on following main key principles & practices:

- ❑ *Independence and Versatility of Board and ensuring that management must have executive freedom to derive the enterprise forward without undue restraints.*
- ❑ *Adherence & compliances of laws, rules, regulations and discharge of social responsibility for sustainable development of all stakeholders.*
- ❑ *A sound system of internal control and processes to mitigate risks associated with achievement of business objectives, both short-term and long-term.*
- ❑ *Commitment to values, ethical business, high degree of disclosure and transparency levels.*
- ❑ *Minimization of wastages and risks. Eradication of Corruption and misconduct.*
- ❑ *Timely and balanced disclosure of all material information to the shareholders.*

In terms of the Company's Corporate Governance Policy all the statutory and other significant & material information are placed before Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of shareholders. The Company adheres to DPE guidelines and Secretarial Standard for the meetings of the Board of Directors and its Committees. The meetings of the Board are normally held at the Company's Registered Office at New Delhi and are

scheduled well in advance. The members of the Board have access to all information of the Company and are free to recommend inclusion of any matter for discussion in agenda which is usually sent in advance. In case of need, the senior management is invited to attend the Board Meetings to provide additional inputs relating to the items being discussed and / or to give presentation to the Board. The Board meets at least once in a quarter to review the quarterly results and other items on the agenda. Additional meetings are held, when necessary. The Board's mandate is to oversee the Company's strategic direction, review and monitor corporate performance, ensure regulatory compliance and safeguard the interests of the shareholders.

The Independent Directors play an important role in deliberations at the Board and Committee meetings. The Independent Directors are part of important Committees constituted by the Board such as Audit Committee, Remuneration Committee and CSR Committee. Further, the Board has also constituted an Investment Committee for investment of surplus funds of the Company. A Risk Management Committee (RMC) has also been constituted in compliance of the provisions of Companies Act, 2013 and applicable DPE guidelines. The minutes of the Board level Committee Meetings are circulated and discussed in the Board Meetings.

As part of SPMCIL's persisting endeavor to set a high standard of conduct for its employees, a 'Code of Business Conduct and Ethics' was laid down for all Board Members and Senior Management personnel. The Code encompasses:

- ❑ *General Moral Imperatives;*
- ❑ *Specific Professional Responsibilities; and*
- ❑ *Specific Additional Provisions for Board Members and Senior Management Personnel.*
- ❑ *All Board members and Senior Management personnel affirm compliance with SPMCIL's "Code of Business Conduct and Ethics" annually.*

As a good corporate citizen, SPMCIL has always endeavoured to implement and maintain high standards of Corporate Governance norms and has been practicing the principles of good Corporate Governance since its incorporation.

**(The writer is a Director (Finance) Security Printing & Minting Corporation of India (SPMCIL)*

Professional culture that exemplifies Corporate Governance in L&T

*-By Shri Yogi Sriram**

The Context

Larsen and Toubro is an Indian multinational engaged in technology, engineering, construction, manufacturing and financial services with over USD 21 Billion in revenue. The Company operates in over 30 countries worldwide. A strong, customer-focused approach with highest standards of professionalism and governance and the constant quest for top-class quality have enabled L&T to attain and sustain leadership in its major lines of business for over eight decades. The work culture is professional, decision making is fair, impartial and system/process driven.

A. Our belief -

- The Company believe that Corporate Governance -
- ❑ enables us to perform efficiently and ethically, generate long term wealth and create value for all its stakeholders;
 - ❑ enhances and retain investor trust; and
 - ❑ ensures that the performance goals are met.

B. Our philosophy -

The Company's Corporate Governance revolve around values based on transparency, integrity, professionalism and accountability. The Company continuously endeavours to improve upon these aspects and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward.

C. Our Governance Structure-

The Company has four tiers of Corporate Governance structure, viz.:

- I. Strategic Supervision** – by the Board of Directors comprising the Executive, Non-Executive Directors and Independent Directors.
- II. Executive Management** – by the Executive Committee (ECom) comprising of the Chief Executive Officer and Managing Director, 5 Executive Directors, 1 Non-Executive Director and a few senior leaders.
- III. Strategy & Operational Management** – by the Independent Company Boards of each Independent Company (IC) (not legal entities)

comprising of representatives from the Company Board, Senior Executives from the IC and independent members.

IV. Operational Management – by the Business Unit (BU) Heads.

The structure, besides ensuring greater management accountability and credibility, facilitates increased autonomy to the businesses, performance discipline and development of business leaders, leading to increased public confidence.

D. Roles of Various Constituents of Corporate Governance in the Company

i. Board of Directors (the Board):

The Directors of the Company are empowered to oversee the management functions ensuring its effectiveness and enhancement of shareholder value. The Board provides strategic direction, reviews and approves management's business objectives and plans.

ii. The Group Chairman (GC):

The GC is the Chairman of the Board. His primary role is to provide leadership to the Board and guidance and mentorship to the CEO & MD and Executive Directors for realizing the approved strategic plan and business objectives.

iii. Executive Committee (ECom):

The ECom provides a companywide operations review and plays a key role in strengthening linkages between the ICs and the Company's Board and realizing inter-IC synergies. In addition, the ECom deliberates upon strategic issues that cut across ICs and Corporate.

iv. The Chief Executive Officer and Managing Director (CEO & MD):

The CEO & MD is fully accountable to the Board for the Company's business development, operational excellence, business results, leadership development and other related responsibilities.

v. Executive Directors (ED) / Senior Management Personnel:

The Executive Directors, as members of the Board, along with the Senior Management Personnel in the Executive Committee, assume overall responsibility for strategic management of business and corporate functions including its governance processes.;

vi. Non-Executive Directors (NED)/ Independent Directors:

The Non-Executive Directors/Independent directors play a critical role in enhancing balance to the Board processes with their independent judgment on issues of strategy, performance, resources, standards of conduct, safety, etc..

vii. Independent Company Board (IC Board):

As a part of the Company's strategic plan, 10 Independent Companies (ICs) were created. This IC structure has enabled the Company to empower its employees and achieve substantial growth in their businesses.

E. Board Committees

The Board currently has 5 Committees:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Stakeholders' Relationship Committee,
4. Corporate Social Responsibility Committee and
5. Risk Management Committee.

The terms of reference of the Board Committees are in compliance with the provisions of the Companies Act, 2013, SEBI LODR Regulations and are also reviewed by the Board from time to time. The Board is responsible for constituting, assigning and co-opting the members of the Committees. The meetings of each Board Committee are convened by the Company Secretary in consultation with the respective Committee Chairperson. Many of these Committees have been constituted even before mandated by law.

F. Some of Our Best Practices

i. Directors' Familiarization Program:

All our directors are aware and are also updated as and when required, of their role, responsibilities & liabilities.

The Company holds Board meetings also at locations, where it operates, as and when necessary. Site / factory visits are organized at various locations for the Directors.

The internal newsletters of the Company, the press releases, etc. are circulated to all the Directors so that they are updated about the operations of the Company.

Presentations are made regularly to the Board/NRC/Audit Committee (AC) (minutes of AC, NRC, SRC and CSR Committee are circulated to the Board). Presentations, inter alia, cover business strategies, management

structure, HR policy, management development and succession planning, quarterly and annual results, budgets, treasury policy, review of Internal Audit, risk management framework, operations of subsidiaries and associates, etc. The Directors get an opportunity to interact with senior managers during the course of these presentations.

Independent Directors have the freedom to interact with the Company's management. Interactions happen during Board/Committee meetings, when senior company personnel are asked to make presentations about performance of their Independent Company (IC)/Business Unit, to the Board.

Some of the Independent Directors are members of the IC Board. They share the learnings from these meetings with the remaining Non-Executive Directors/Independent Directors formally and informally. Such interactions also happen when these Directors meet senior management in IC meetings and informal gatherings.

The Company facilitate attending of seminars/ programs/conferences by Independent Directors to enhance their role as an Independent Director.

ii. Training & Succession Planning

The Company has institutionalized Leadership Development through a Seven Step leadership pipeline for development of a robust stage-wise leadership by a structured process of talent management. The thrust is on facilitating the transformation of managers into leaders, leaders into 'corporate entrepreneurs (intrapreneurs) and to create a large pool of leaders who can envision, inspire, and successfully deploy global growth strategies thus creating a result-oriented culture of multiplying value.

Each step of this Leadership pipeline development process has been meticulously customized to equip managers at various levels, with the required knowledge, skill & mind-set to transition seamlessly to the next level of leadership. In this effort, the Company has partnered with globally renowned senior faculty and premier institutes like Harvard Business School, INSEAD, IIM Ahmedabad, and Stephen M. Ross School of Business- University of

Michigan. The programs are designed to provide inputs on vital areas of strategic importance such as innovation-based strategies, integrated business models to take on global multinationals, cross-cultural challenges, organic and inorganic growth etc., and thus mark an important milestone in the journey towards leadership development in the global context.

To facilitate enhanced global acumen & international exposure, which are critical competencies for establishing a global footprint, the Company continues to nominate select senior leaders for Advanced Management Programs offered by globally renowned business schools like INSEAD, Wharton, Harvard, IMD, London Business School, Oxford and the likes. As a part of Leadership development at the top echelons of the organization, a structured & systematic approach to mentoring has been initiated to leverage on the leadership experiences & networks of senior leaders and to enable them to leave a legacy of success mantras.

In order to continuously monitor the progress of high potentials (HIGH POTs) who go through the Seven Step Leadership Development process and to ensure that they are given challenging roles and responsibilities, a Top Talent Management System is also put in place which is essential to ensure progress of a strong leadership pipeline.

To ensure that the Company has a sufficient pool of probable employees who can be nominated for Leadership Pipeline, efforts are taken at the grass root level. There exist several structured core developmental programs, conducted by reputed institutions like IIM-Bangalore, IIM-Calcutta, XLRI, Symbiosis and NMIMS for deserving employees to develop superior management skills and capabilities. A host of strategic and behavioral programs are conducted to address specific training and developmental needs of employees. A comprehensive e-learning portal ATL (Any Time Learning) is available with multiple on-line programs and courses for employees to enable learning 'at any time, at any place' at locations remote or otherwise. The portal provides access to on-line data bases, references, management videos, e-books and journals.

The Nomination and Remuneration Committee reviews on a periodic basis the succession planning process being followed by the

Company especially at the level of the Board and senior management.

iii. Vigil Mechanism / Whistle Blower Policy:

The Company has a Whistle Blower Policy in place since April 2004 which was modified in line with the requirements of the Vigil Mechanism under the Companies Act, 2013. The Company has a Whistle Blower Investigation Committee (WBIC) to manage complaints from “Identified” Whistle Blowers. In addition, WBIC considers “Anonymous” complaints which in their judgement are serious in nature and require investigation. The WBIC has five members viz. Chief Financial Officer, Company Secretary, Head-Corporate HR, Chief Internal Auditor and a senior executive. The WBIC is responsible for end to end management of the investigations from receipt of complaints to bringing them to a logical conclusion, keeping in mind the interest of the Company.

Employees are encouraged to report any acts of unacceptable behaviour inconsistent with the Company’s Code of Conduct having an adverse effect on the Company’s financials / image and instances of sharing of unpublished price sensitive information. An employee can report any such conduct in oral or written form. Whistle-blowers are assured by the management of full protection from any kind of harassment, retaliation, victimization or unfair treatment.

Complaints under the Whistle Blower Policy are received by the Corporate Audit Services of the Company. The Chief Internal Auditor reviews the same and convenes a meeting of the WBIC for discussions. The WBIC, after screening the complaint, decides on the further course of action which will include requesting the complainant to provide further details, internal investigation by the Internal Audit department, investigation by external agencies, wherever necessary, opportunity to the defendant to present his / her case, etc. Based on the findings of the investigation, the WBIC decides the action to be taken and recommends the same to the Executive Committee for implementation.

The WBIC meets formally and reviews the complaints and their progress. In addition, discussions also take place over videoconferencing, telephone and emails amongst the WBIC members.

The Audit Committee is periodically briefed about the various cases received, the status of the investigation, findings and action taken, if any.

During the year, the Company has investigated the complaints received under the Whistle Blower Policy and suitable action has been taken against employees, wherever necessary.

iv. Code of Conduct

The Company has laid down a Code of Conduct for all Board members and senior management personnel. The Code of Conduct is available on the website of the Company <https://www.larsentoubro.com/>. Misconducts are enumerated under a Company’s Code of Conduct. The principle of a Hot Stove rule is followed to communicate to employees the importance of not violating the rule or committing a misconduct, so that it does not generate resentment. The ‘Disciplinary Action Practicum’ provided enumerates the process to be followed for investigation of the alleged violation or misconduct and the disciplinary action ensuring compliance to the principles of natural justice, fairness and objectivity.

v. Digitalisation in Corporate Governance

Board meeting agenda for board meetings is shared using an I-Board application which works on I-Pads. Besides ensuring confidentiality it also conserve the usage of paper in line with the Sustainability agenda of the Company.

The Code of Conduct affirmation by employees is done online.

The process of monitoring trading in Company shares since the Company has issued ESOPs to a few eligible employees is completely digitised to ensure adherence to the regulations as per SEBI guidelines and the Companies Act.

Board meetings after the unfortunate pandemic spread through the country are for the time-being conducted by using MS-Teams.

The performance appraisal of Directors is through a digitised platform that involves the collection of feedback through a portal

and online questionnaire.

To summarise, the practices of the Company can be seen as a gold standard in Corporate Governance to be emulated by others since trust is the new currency in the VUCA (volatile, uncertain, complex and ambiguous) world.

**(The writer is an Advisor for Group HR Matters to CEO & MD, L&T)*

References:

- L&T Annual Report 2019-20
- Robbins, S. P. (1982). *Personnel, the management of human resources*. Englewood Cliffs, NJ: Prentice Hall. For Hot Stove Rules

Role Model 1 : 14-Year-Old Anika Chebrolu Wins \$25,000 Prize For Discovering A Potential COVID-19 Cure

-By Ria Das



Indian-American girl Anika Chebrolu just won the 3M Young Scientist Challenge for the year 2020. She was awarded a \$25,000 for discovering a lead molecule that can be the key for COVID-19 treatment.

Chebrolu is 14 years old and belongs to an Indian-origin family based in Frisco, Texas. She won the 2020 scientist challenge for a COVID-19 treatment-related discovery by researching the spike protein on the SARS-CoV-2 virus. According to a report by CNN, Chebrolu experimented with in-silico methodology which she used to find a molecule that can selectively bind to the spike protein. “The last two days, I saw that there is a lot of media hype about my project since it involves the SARS-CoV-2 virus and it reflects our collective hopes to end this pandemic as I, like everyone else, wish that we go

back to our normal lives soon,” the young scientist said.

Anika wants to be a medical researcher

Studying in eighth grade, Chebrolu also aspires to be a medical researcher and professor in the future. She says she participated in the US premier middle school science competition in an attempt to find a cure for the coronavirus. She told CNN that initially her research was focussed on influenza virus.

“I was drawn towards finding effective cures for influenza disease after a severe bout of the infection last year,” Chebrolu said, according to the American manufacturing company, 3M Challenge website.

However, the coronavirus pandemic changed her plans. “Because of the immense severity of the COVID-19 pandemic and the drastic impact it had made on the world in such a short time, I, with the help of my mentor, changed directions to target the SARS-CoV-2 virus.”

Chebrolu said she would like to learn more from 3M scientists, “to pursue my drug development and with their help, would like to conduct in-vitro and in-vivo testing of my lead drug candidate,” she added.

She also revealed that it was her grandfather who had inspired her to take up science. “My grandpa, when I was younger, he always used to push me toward science. He was actually a chemistry professor, and he used to always tell me learn the periodic table of the elements and learn all these things about science, and over time I just grew to love it,” she said.

Chebrolu competed against nine other finalists in a virtual competition and beat everyone to take the top spot. She claims that her favorite invention of the last hundred years is the Internet because it allows users “to explore so much” with just a few clicks.

“I find it a treasure trove of information and it has become a valuable asset in pursuing knowledge and conducting research from anywhere and at anytime. I am amazed at how vast and profound it is and cannot imagine a world without the internet. When coupled with proper judgement and use, we can achieve so

much more and I am enthused at its potential each time I use it," said Anika Chebrolu.

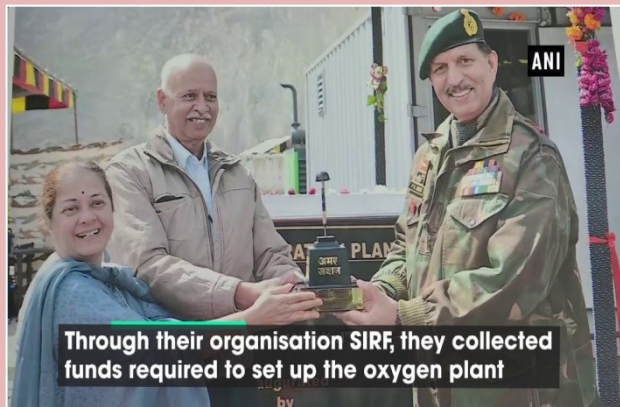
Source:

<https://www.shethepeople.tv/news/indian-american-anika-chebrolu-wins-3m-prize-potential-covid-19-cure/>

Dated: October 19, 2020

Role Model 2: Pune Couple Build An Oxygen Generating Plant For Siachen Soldiers

-By Ms. Misha Bhatt



Yogesh and Sumedha Chithade from Pune city of Maharashtra have constructed an Oxygen generating plant for soldiers serving at the Siachen Indo-Pak border.

In what can be seen as a great gesture towards the soldiers of the country, Yogesh and Sumedha Chithase from Pune have constructed an Oxygen generating plant for soldiers serving at the Siachen glacier - the highest battlefield in the world.

The Oxygen plant was inaugurated by Lt Gen Y Joshi, GOC, Fire and Fury Corps in the presence of SIRF president Yogesh Chithade on October 4.

The couple from Pune grabbed everybody's attention in 2018, when they had pledged to sell all their valuables to construct an Oxygen plant for the Soldiers at Siachen. Yogesh Chithade is an ex-Air Force officer and has experienced the life of a soldier and therefore empathizes with the hardships they go through and the challenges they come across under adverse conditions while at their respective postings.

Weather at Siachen

The Indian Army keeps a vigilant guard, as they

keep the enemy away from climbing the glacier. The temperatures at the glacier usually drop well below -50°C , with fresh food a rare luxury. Fruits freeze to become as hard as cricket balls and potatoes can't be dented even with hammers. Getting the food at an altitude of 21,000 feet is a task in itself. Administration of supplemental oxygen is a necessity of treatment in high-altitude zones.

Yogesh and Sumedha are also founders of the Soldiers Independent Rehabilitation Foundation (SIRF). Calling 'SIRF' an initiative of the common people, the couple describes their aim (on the official website of Soldiers Independent Rehabilitation Foundation) as "an uncommon vision, and with a simple, straight, but significant objective and that is to acknowledge, appreciate, respect, honor and support the soldiers of our country and their families."

Source: <https://www.republicworld.com/india-news/general-news/pune-couple-build-an-oxygen-generating-plant-for-siachen-soldiers.html>

Dated : October 7, 2019

News & Events

❑ The 12th Annual General Meeting of Foundation for Restoration of National Values (FRNV's) is proposed to be held on December 26, 2020, Saturday, at 03.30 p.m. at the Registered Office of the Society at M-75, Greater Kailash Part I, New Delhi 110048.

❑ FRNV's monthly newsletter will be replaced by a bi monthly Journal. The inaugural issue is expected to be published on 26th January, 2021. Dr. Alokparna has taken over as Chief Editor. She has been a media professional for more than 27 years. Besides Ph.D. in Advertising, she has M.A. degrees in Mass Communication, English, and History.

Dear Readers,

FRNV invites stories from its readers on deep-rooted values that have helped us in our everyday lives. Some of these stories will be featured in the next issue of our newsletter. So put your thinking caps on, recall the values integral to your life which you cherish and write to us at shilpi@valuefoundation.in.

Chief Editor: Shri Gopal Ganesh