CII Interactive Session on Key aspects concerning Board members and Independent Directors (Bengaluru, Monday, August 31, 2026)

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Good evening, everyone.

It is a pleasure to be here today. When we speak about the "*Key aspects concerning Board members and Independent Directors*", we often begin with the regulatory framework: Board composition, committees, disclosures and processes. These are crucial elements, forming the very foundation of a well-governed ecosystem. But I would like to begin with a more fundamental question:

What is an effective Board?

Is it the eminence of the people around the table? The number of committees? The quality of the agenda papers? Or the fact that the company has never faced regulatory scrutiny?

I would suggest that the real test is more demanding: what does the Board do when the answer is not obvious, interests diverge, information is incomplete, and the easiest decision is not necessarily the right one?

Governance is therefore, not merely a crisis-management tool. It must be woven into the culture of the Boardroom, guiding ordinary decisions long before a crisis arrives. Strategy, risk, technology, compliance and fiduciary responsibility can no longer be placed in separate boxes. A geopolitical event can disrupt a supply chain and become a financial and governance issue. AI can create efficiency while raising questions of data, cyber risk and accountability. A related party transaction may have every required approval and still leave one uncomfortable question unanswered: is it fair?

The Court of Dhritarashtra:

There is a lesson from the Mahabharata that captures this well- the Court of Dhritarashtra. It was never short of talent or intellect. It had the wisdom of Bhishma and the sharp counsel of Vidura. Yet having wise people in the room did not produce a wise outcome.

The failure was not one of knowledge. It was a failure of conduct, because of the attachments, deference to authority, reluctance to confront wrongdoing and silence of the wise, that ultimately resulted in destruction.

That is a powerful analogy for the modern Boardroom. A company can appoint eminent directors, constitute every required committee and engage external experts. But governance does not reside in the architecture alone. It resides in what people do with that architecture.

Regulations can create the architecture of governance. They cannot manufacture integrity.

The true strength of a Board lies in whether those around the table have the independence to speak, the humility to listen and the courage to act.

From information to independent judgement:

Compliance is the foundation, but it cannot be the destination. Boards today require financial and industry expertise, but also an understanding of technology, cybersecurity, geopolitics, human capital, emerging business models, AI and data governance. No director can be an expert in everything. But a Board must know enough to recognise when a question must be asked, an assumption need to be challenged or outside expertise to be brought into the room.

That brings us to information. A director cannot exercise judgement on information that never reaches the Board. A major proposal should not arrive as a beautifully prepared case for one preferred outcome. Directors should see the assumptions, alternatives, downside scenarios, financial consequences, material risks, conflicts and the consequences of doing nothing.

But information alone is not governance. The Board must convert information into deliberation, deliberation into decision, and decision into action, and then return to ask whether the action worked.

A question recorded in the minutes is not an outcome.

Committees deepen scrutiny, but responsibility cannot disappear into committees. The ultimate responsibility remains collective. And for Independent Directors, independence is not simply a status obtained by satisfying eligibility conditions. Independence is behaviour. The true test is not, “Did I disagree?” It is, “Did I exercise independent judgement?” Sometimes that means saying no; sometimes asking for more information; and sometimes supporting management when the proposal is sound and serves the long-term interest of the listed entity and its shareholders.

The strongest Boardroom is not one without disagreement. It is one where informed disagreement improves the eventual decision.

What if the Board gets it wrong?

Boards operate under uncertainty. Markets change, technologies evolve and geopolitical conditions shift. An unsuccessful commercial decision should not automatically be equated with a governance failure. The meaningful test is the integrity of the decision-making process in real time: What did the Board know? Were downside scenarios and alternatives examined? Were conflicts identified? Were projections challenged? Was independent advice sought where appropriate?

Good governance cannot guarantee a good outcome. It demands a good decision-making process.

Consider a case study involving a major business group in India. A leadership and succession dispute brought into public, the frictions, that can arise between controlling ownership, professional management and the Board. In this case, some Independent Directors supported the incumbent leadership even when the expectations of those exercising control had moved differently. I am not citing the episode to decide who was right or wrong. The more useful governance question is: when influence and a director's own judgement diverge, where does the director's loyalty lie?

The answer must lie in fiduciary responsibility and the long-term interests of the company and its shareholders. Independence is easy when everyone agrees. It acquires meaning when there is pressure to agree or disagree.

And if reality later proves the Board wrong, governance requires another quality: the humility to reconsider.

Crisis leadership and information flow:

This becomes particularly important in a crisis, where one of the greatest vulnerabilities is information asymmetry. A Board cannot oversee a risk it does not know about, and the market cannot receive timely information if significant developments move slowly within the organisation.

Adequate and timely disclosure therefore begins before the disclosure itself. It begins with a culture in which bad news travels upward quickly.

In a well-governed company, bad news should travel faster than good news.

Geopolitics and the Board agenda:

Directors do not need to become geopolitical analysts. But they must understand how external developments can travel through the business. A trade restriction may affect a critical supplier; the disruption may affect production, revenues and liquidity; and suddenly a distant geopolitical event becomes a Boardroom issue.

The question is not, "Can we predict the next geopolitical event?" The better question is: "If it happens tomorrow, are we prepared?"

That is the difference between maintaining a risk register and managing risk. Who owns the risk? What mitigation measures exist? What triggers escalation? What is Plan B? Scenario thinking is not about predicting the future; it is about making the organisation resilient to more than one possible future scenario.

Related Party Transactions: process and fairness

Related Party Transactions sit at the intersection of commercial judgement and conflict of interest. The SEBI (LODR) framework provides safeguards through disclosures, Audit Committee scrutiny and shareholder oversight. Compliance is non-negotiable, but the governance cannot end with approval.

Approval answers: Was the process followed? It does not always answer: Was the transaction fair?

The Board and Audit Committee should ask why the transaction is necessary, whether pricing and terms are commercially justified, what alternatives were considered, and whether the rationale would make sense to a public shareholder.

They should also look at patterns, not only individual transactions. A series of apparently ordinary transactions may collectively reveal dependence on a related entity, significant value transfer, unusual guarantees or concentration of business. Sometimes the governance risk is not hidden in one transaction, it is hidden in the pattern created by many of them.

There is another example of an Indian listed technology company, which remains a powerful reminder of why substance matters. In this Company, visible components of governance architecture were present- Board, Audit Committee, external professionals and audit processes. Yet, a major financial reporting failure emerged, exposing serious weaknesses in the reliability of information, scrutiny of financial numbers and audit process.

The lesson is important: a company may achieve compliance and still suffer a governance failure. If nobody asks why the numbers or transaction patterns do not make sense, form can survive while substance disappears.

AI-led business reengineering: The Board is no longer a spectator

AI, cyber risk, data risk and third-party technology dependency cut across traditional organisational silos. They can simultaneously affect operations, customers, reputation, financial performance, regulatory compliance and investor confidence.

Does every Board need an AI engineer at the table? Not necessarily. But a Board of a listed entity, which uses AI in its operations, should be able to answer basic questions: Why are we using it? What decisions will it influence? What data does it use? What happens when it is wrong? Where is human intervention required? How dependent are we on external providers? And who is accountable?

That last question is the most important.

Technology can make a decision faster. It cannot make accountability disappear.

Nor should AI be adopted simply because competitors are adopting it. Speed cannot substitute for strategy. Material AI deployment is not merely an IT decision; it can be a strategy, risk and governance decision.

Closing remarks

Let me close with one broader thought. India's capital markets are attracting a wider and more diverse investor base, supported by stronger market infrastructure, greater institutional depth and an evolving regulatory framework. The objective is not merely a larger market. It is a deeper, more resilient and more trusted market. That trust depends not only on regulation, but on the quality of governance inside listed entities and their Boards.

The next stage of corporate governance may not necessarily be about adding more rules. It may increasingly be about making the architecture we already have produce better information, better judgement and better accountability.

And that brings me back to the analogy of the Mahabharata. Bhishma and Vidura remind us that wisdom in the room is necessary. But wisdom that is unspoken, unheard or not acted upon cannot protect an institution.

An effective Board requires knowledge. It requires judgement. And when the situation demands, it requires courage too. This is the distinction between a Board that complies and a Board that actually governs.

Thank you.