BOARD & BEYOND

BY VOLO ADVISORY

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IN THIS ISSUE

The Independent Director

What independence really means in the boardroom — and how to keep it when the pressure is on.

In this issue

- Cover story: independence in practice
- The Code for Independent Directors, in plain language
- Interview: three directors on saying no
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From the editor

Each issue of VOLO — The Monthly takes one theme and looks at it from the boardroom: what the rules say, what good practice looks like, and what directors and founders in our community are actually doing. As always, we welcome your letters and ideas for future issues at hello@voloadvisory.com.

BOARD TRAINING

Board training in India: what to learn, and in what order

> *A practical sequence for aspiring independent directors in India — from the legal foundations and the IICA proficiency test to financial oversight, committees and boardroom practice.*

There is no shortage of director training on offer in India. The harder question is what to learn first. Many aspiring directors jump into advanced programmes on ESG or digital governance before they have a firm grip on the fundamentals, and end up with fragments rather than a foundation. This guide sets out a sensible order of learning, with the reasoning behind each stage.

Stage 1: The legal foundations

Everything else rests on understanding what the law expects of you. Begin with the Companies Act, 2013, focusing on:

- **Section 149** — board composition and the criteria for independence.
- **Schedule IV** — the Code for Independent Directors, covering conduct, role, duties, appointment, evaluation and separate meetings of independent directors.
- **Section 166** — the general duties of all directors, including acting in good faith and avoiding conflicts of interest.
- **Sections 177 and 178** — the audit committee and the nomination and remuneration committee.
- The provisions on related party transactions, director liability and limits on the number of directorships.

If you are aiming at listed companies, add the SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations, particularly the chapters on board composition, committees, related party transactions and the obligations of independent directors. Read the primary text, not just summaries — you will be surprised how often the detail matters.

Stage 2: Register and prepare for the proficiency test

Once you have the foundations, register with the Independent Director's Databank maintained by the Indian Institute of Corporate Affairs (IICA). Unless you fall within an exemption, you will need to pass the online proficiency self-assessment test within the period specified in the rules. The test covers company law, securities law, basic accountancy and related areas. The IICA provides study material and practice resources; use them, and treat the test as a useful check on your Stage 1 learning rather than a box to tick.

Stage 3: Financial oversight

Every director, whatever their background, must be able to interrogate the numbers. This is where many otherwise strong candidates are weakest. Build competence in:

1. Reading the three core financial statements and how they connect.
2. Understanding the notes to accounts, accounting policies and key
3. engage with auditors.
4. Internal financial controls and what a board should ask about them.
5. Warning signs: working capital stress, aggressive revenue recognition, unusual related party flows.

You do not need to become an accountant. You do need to be able to ask the question that the accountant in the room has not

BOARD SOFTWARE

Choosing board software: a buyer's checklist for company secretaries

> ***Board portals can save time and strengthen governance, but only if you choose well. A practical checklist for company secretaries evaluating board software in India.***

For many company secretaries, the board pack still travels by email attachment, courier and printed binders. Board software, often called a board portal, promises to replace this with secure, organised, auditable distribution of papers. The market is crowded, and features look similar in demonstrations. This checklist helps you look past the demonstration to what matters for your board.

Start with your requirements

Before speaking to any provider, write down what you need. Talk to the chairperson, a few directors, the CFO and your IT and information security teams. Typical requirements include:

- Number of boards and committees, including subsidiaries.
- Number of users: directors, invitees, management, auditors.
- Devices directors actually use, and their comfort with technology.
- Whether meetings are physical, virtual or hybrid.
- Integration with existing email, calendar and document systems.
- Budget, and whether the cost is per user, per board or per organisation.

Security and data protection

Board papers contain unpublished price sensitive information, strategy and personal data. Security is the first filter, not the last.

- Encryption of data in transit and at rest.
- Multi-factor authentication and strong access controls by role and by document.
- Ability to remotely wipe content from a lost device.
- Independent security certifications and recent penetration test summaries.
- Location of data storage and backups, and whether this meets your policies and the requirements of the Digital Personal Data Protection Act 2023 and any sector regulator.
- Clear audit trails showing who accessed, downloaded or annotated which document.
- Controls to support your insider trading code, such as restricting access to unpublished price sensitive information to designated persons.

Features for the company secretary

- **Agenda and board pack builder** that handles late papers and version changes cleanly.
- **Notice and circulation tracking**, so you can show that notice and papers were sent within the timelines required by Section 173 of the Companies Act 2013 and the Secretarial Standards.
- **Minutes drafting and approval**
- **Resolutions by circulation** under Section 175, with clear records of each director's response.
- **Attendance and quorum recording**, including participation by video conferencing.
- **Statutory registers and compliance calendars**, or easy export to the tools you already use.
- **Director declarations** such as

BOARD INSURANCE

D&O insurance explained for independent directors

> ***Directors and officers liability insurance is an important protection for independent directors. Here is what it covers, what it does not, and the questions to ask before you rely on it.***

Independent directors bring judgement, not control. Yet when things go wrong, claims and investigations can name every director on the board. Directors and officers (D&O) liability insurance exists to meet the cost of defending such claims and, within limits, any resulting losses. Understanding your company's policy is part of your own due diligence.

The Indian regulatory position

- **SEBI LODR Regulation 25(10)** requires the top 1,000 listed entities by market capitalisation to undertake D&O insurance for all their independent directors, for such quantum and risks as the board determines.
- **Schedule IV** of the Companies Act 2013 requires the letter of appointment of an independent director to mention the provision for D&O insurance, if any.
- **Section 197(13)** of the Act allows a company to take insurance on behalf of directors and officers against liability for negligence, default, misfeasance, breach of duty or breach of trust. The premium is not treated as part of a director's remuneration, unless the person is proved guilty.

Even where insurance is not mandatory, such as smaller listed companies or unlisted companies, many boards choose to buy it, and you should ask.

How a D&O policy is usually structured

Policies vary, but most contain three core insuring clauses:

1. **Side A:** covers individual directors and officers directly when the company cannot or will not indemnify them, for example because of insolvency or legal restrictions. This is the most important cover for independent directors.
2. **Side B:** reimburses the company when it indemnifies its directors and officers.
3. **Side C:** covers the company itself, usually for securities claims in listed entities.

Because Sides B and C share the same limit as Side A, a large claim against the company can erode the cover available to individual directors. Some boards buy a separate Side A policy, sometimes for independent directors only, to ring-fence protection.

What is typically covered

- Defence costs in civil, criminal and regulatory proceedings, often advanced as they are incurred.
- Costs of responding to regulatory investigations and inquiries.
- Damages and settlements, where legally insurable.
- Extensions such as cover for pollution-related claims, employment practices, extradition proceedings or reputation management, depending on the policy.

What is typically excluded

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voloadvisory.com/membership