

Interplay of roles between CEO, Chairman, Board; critical oversight; risk management - key factors of governance: Keki Mistry

Sound principles of governance are necessary tools for long term corporate development and sustainability

Atmosphere allowing for dissenting views important characteristic of a good board room

Chairman, CII National Council on Corporate Governance Mr Keki Mistry, Vice Chairman and CEO, HDFC Limited highlighted functioning of the board; interplay between roles of CEO; Chairman and Board for developing strategy; critical oversight, focusing on risk management and honest interaction between the management and the directors as key factors of governance. An important characteristic of a good board room is the atmosphere that allows for dissenting views, said Mr Keki Mistry while addressing the 11th Corporate Governance Summit organized by Confederation of Indian Industry (CII) at Mumbai today.

He spoke about the universal acceptance by companies that sound principles of governance are necessary tools for long term development and sustainability of a company. Citing international global failures, he emphasized the lessons to be learnt that companies do not operate in vacuum and that the contagious effect of a major business failure can be devastating for economies for across the world, he explained.

He observed that in India changes are taking place which are setting the foundation for the next stage of corporate growth in India. The convergence of a number of favorable factors such as a committed government at the center, fiscal consolidation, inherent economic strength, favorable demographics and a strong work force are pointers to the fact that India will continue to be a key player in the global economic stage. Realizing its growth affluence corporate India and regulators are striving to raise the bar on governance. Acknowledging that most Indian companies have done rather well in terms of maintaining governance standards, he cited examples of leading corporate houses that have stood the test of time created wealth, diversified the businesses, have not compromised on their core values and have preserved a culture of accountability. However, he expressed there is always scope to improve and how some companies in their desire to gain global recognition are striving to further enhance the levels of governance.

Delivering the Multilateral Partner Outlook, Mr Pratip Kar, Former Executive Director, SEBI & now a Consultant with IFC, called for reflection on the various constituents of governance like role of the Board towards stakeholders, specifically shareholders; responsibilities of independent directors; etc. He raised questions like Boards being conscious about who they represent and practicality of heaping Boards with the

responsibility to set the tone for governance. He highlighted how behavioural dynamics of Boards and selection of members cannot be always influenced by regulatory provisions. Probing the role of the Board in setting the organisational culture or vice versa where the Board settles in the organisational culture, he insisted that there is a need to sustain governance and harmonise it across the company including the Board, the management, the employees etc which will ensure long term sustainability.

Mr Mritunjay Kapur, Partner & National Head, Risk Consulting, KPMG India said that overall uncertainties in the business climate have underscored the significance of corporate governance in organisations. While we have now created strong regulatory framework, it is imperative for companies to create a culture of ethics and integrity. Failing to have robust corporate governance mechanisms and sound culture can lead to devastating consequences for business and reputation. Senior Management needs to be committed to the fundamentals of good corporate governance and ensure that these aligned to the company's strategic principals. This also requires continuous monitoring to ensure compliance, he observed.

Earlier delivering the welcome remarks, Mr Robin Banerjee, Convener, CII Maharashtra Finance & Taxation Panel & Managing Director, Caprihans India Ltd highlighted stakeholder satisfaction and fair-play amongst the primary objectives of governance. He observed how fraud has now been made part of the Companies Act, 2013 while citing global examples of management sponsored fraud.

Speakers commended CII for its sustained efforts in facilitating the enhancement of corporate governance standards in India. The day long Summit is the flagship event of CII in the governance domain. Various sessions deliberated upon through the day included Board Independence and Corporate Governance; Role of the Board in building ethical organisations; Changing Regulatory Scenario under Companies Act and SEBI Regulations and Challenges of Compliance; Role of the Board in Fraud Management and Risk Resilience

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