



CONFERENCE ON CORPORATE GOVERNANCE

**1700 hrs: 12 December 2013
ITC Grand Chola Hotel, Chennai**

Press Release

12, It is at the top that the values are created, and so good corporate governance has to come from the top, that is, the Board and the CXOs, said Mr Sachin Pilot, Minister of State (Independent Charge) for Corporate Affairs, Government of India. Tracing the evolution of corporate governance in India, he said that good corporate governance ensures that the incentives for all stakeholders are aligned. "The corporate governance focus in India is not a knee-jerk reaction as in many other countries. It is to awaken the inbuilt potential of our corporate sector for societal benefit," observed Mr Pilot, in his inaugural address, at the conference on 'Corporate Governance,' organised by the National Foundation for Corporate Governance (NFCG) here today.

Acknowledging the indomitable entrepreneurial spirit in the country, he reminded that the corporate governance indicators help in tracking investment in the absence of daily monitoring by the investors and owners. "There can be different views about the new company law that has been enacted, but if you take a step back you would notice that the overall picture we have tried to create is of a balanced approach to incentivising all the stakeholders," explained Mr Pilot. On the topic of independent directors, he advised larger companies to have truly independent directors, who can contribute and give unbiased views. "Good, diligent, and dispassionate independent directors are needed," he underlined.

The opportunity that India offers to the world is immense, and we have people who can create value from ideas, averred Mr Pilot. What are required are the rule of law, and confidence to investors about the country and economy, he added. While dwelling on the topic of corporate social responsibility (CSR), Mr Pilot drew attention to the gap between the haves and the have-nots, and clarified that the mandatory CSR is not for the government to make more money, but to facilitate the spending by corporates on any area they feel appropriate, even through their own foundation. "Put on your websites what you do as CSR work, and we can showcase that to the world," the Minister urged the corporates.

Lauding the memorandum of understanding (MoU) between the Indian Institute of Corporate Affairs (IICA) and the Institute of Directors (IoD) of the UK, with regard to independent directors, Mr Pilot said that we have to dramatically increase capacity in this area.

The keynote address by Mr B Muthuraman, Vice Chairman, Tata Steel Ltd, began by distinguishing that in a world that is millions of years old, business corporations are only 400 to 500 years old, and are still evolving. "Business corporations have been the prime engine of growth, bringing economic prosperity to millions of people. We need to make sure that corporations evolve well, in the larger context of society, rather than aiming only at financial control through our laws," Mr Muthuraman emphasised.

Cautioning that the mere presence of laws and compliance is not sufficient that the company is creating value to stakeholders, because a lot depends on the approach to value creation, he underscored the imperative of corporate governance having to look at all stakeholders. "Business corporations are part of the society and should satisfy the needs of all."

The address by Mr Simon Walker, Director General, Institute of Directors, UK, acknowledged the entrepreneurial zeal and the remarkable surge of economic activity in India, and reiterated that good corporate governance is at the heart of future growth. "Business is a force for good; markets drive progress, and benefit society. We need transparency, accountability, and responsibility, on the part of the directors. Professionalising the role of the company director brings real value to the Board," added Mr Walker.

In his concluding remarks, Mr Naved Masood, Secretary, Ministry for Corporate Affairs, highlighted that the year 2013 marks 100 years of company law, because the first comprehensive legislation was the Companies Act of 1913. "We have come a long way. With NFCG, and IICA, the Ministry has taken up the mantle other than of a mere regulator. The agreement with IoD would be a major input to the betterment of corporate governance," said Mr Masood.

Earlier, in his introductory remarks, Mr Chandrajit Banerjee, Director General, CII, spoke of how corporate governance is not a new phenomenon in India. "We have been working closely with the Ministry, and the NFCG is a live example of public-private-partnership in bringing a marked difference to governance. Over the last about ten years, the Foundation has established itself as a think tank, working towards higher standards of corporate governance," said Mr Banerjee.

The MoU signed by Mr Walker and Dr Bhaskar Chatterjee, DG and CEO of IICA, aims at promoting the strategic objectives of the Ministry of Corporate Affairs in the area of corporate governance.

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