

Corporate Governance Summit 2019

(IOD Tamil Nadu & Puducherry Region)

14 September 2019, Chennai

Corporate Governance has in recent times emerged as perhaps the most important issue in Business and Management, primarily because of its far-reaching impact on the society and its functioning, as demonstrated by some recent happenings in the Corporate World.

Research provides robust evidence that companies that exhibit sound corporate governance generate significantly greater returns when compared to companies that exhibit poor corporate governance. Number of studies have been conducted in India and abroad investigating different components of Corporate Governance disclosure practices through annual reports.

Since this being an evolving and emerging issue, the path towards best international practices will continue and the corporate world needs to understand the emerging trends in ensuring better Corporate Governance Practices.

In this regard, Institute of Directors, Tamil Nadu & Puducherry Region, organized the first edition of 'Corporate Governance Summit 2019' on 14 September 2019 at Chennai to bring all relevant stakeholders to one platform to listen to experts, discuss and share their insights on various issues pertaining to recent trends in Corporate Governance. Thus the theme for the Conference was rightly chosen as '**Emerging trends in Corporate Governance**'.

The Institute of Company Secretaries of India (ICSI) was the '**Conference Partner**' and **Frost & Sullivan** was the '**Knowledge Partner**'. The Conference witnessed a participation of more

than 200 senior delegates from various parts of the country.

The day started with an introductory session with the following dignitaries as the Speakers:



Guest of Honour: Mr. N. Muruganandam, IAS, Principal Secretary, Department of Industries, Government of Tamil Nadu

Mr. M. S. Sundara Rajan, Chairman, IOD-Tamil Nadu & Puducherry Region and Former Chairman and Managing Director, Indian Bank

Dr. R. Seetharaman, Group CEO, Doha Bank

Mr. Ashish Garg, Vice President, Institute of Company Secretaries of India (ICSI)

Mr. Sundara Rajan delivered the welcome remarks and set the tone for further deliberations for the day.

Dr. Seetharaman spoke about global governance and during his special address he mentioned that the world is witnessing the fourth phase of the global financial crisis and the global sustainability has been challenged and changed,

he opined. He mentioned that the mixed economies are slowing down and the IMF has been continuously doing downward revisions in its growth projections in the recent past. Dr Seetharaman informed the audience that the central bankers are more accountable for financial stability and the Millenium Development Goals got changed to Sustainable Development Goals in September 2015. He said that all the accommodative monetary policy tools were exhausted and now the focus is more on issues such as education, universal healthcare, environment and climate change and poverty eradication.

Dr. Seetharaman was of the opinion that the core sentiments of trade have changed and unless there is absolute convergence between politics and economics, no global issues will be solved. He informed the august gathering that the brand equity of India has undergone a transformation and Indians are highly respected in the global community as the future belongs to India.

Mr. Ashish Garg started his address mentioning about the traditional scriptures that shed light on governance and mentioned that the world has turned in to a global village. He spoke in brief about the gender diversity and the mandatory provision in the Companies Act for having women directors in the boards for certain classes of Companies. He also highlighted the significance of Cyber Security as an important governance issue.

Mr. Muruganandam who was the 'Guest of Honour' for the Session mentioned that during independence and the years following that, the Government was everywhere and today the role of Government has been shrinking to that of regulation and welfare alone leaving others to the private sector. He highlighted the fact that the bureaucrats who head the PSUs are

accountable to the legislative assembly, Public Accounts Committee, CAG Audit, Media, Judiciary and the Public. He mentioned that the Companies Act 2013 has brought in lots of positive changes like the concept of Independent Directors and diversity in the Boards through women directors and institutionalising them for good governance.



Plenary Session I: Corporate Governance – Preparing the Pitch

Mr. S. Santhanakrishnan, Managing Partner, PKF Sridhar & Santhanam LLP

Mr. M. P. Vijay Kumar, CFO, Sify Technologies Ltd.

Mr. Lakshmi Narayanan, Former Vice Chairman and CEO, Cognizant Technologies

Mr. Lakshmi Narayanan spoke about 'Strengthening Whistleblower Policy'. His speech highlighted the importance of having whistleblower mechanisms in all organisations, which would help achieve the highest standards of ethics in the corporate world. He stressed that the whistle-blower policy should be managed and supervised regularly by the corporate world for it to transform the company into a well functioning, performing and ethical organisation.

Mr. Santhanakrishnan spoke on the subject 'Independence of Independent Directors'. During his address he mentioned that it all boils down to an individual's character and one man/woman can make all the difference. He mentioned that the significance of the role of Independent Directors will be felt only in critical situations and their response to them. He opined that the Independent Directors have to say 'I do not understand' and saying so will keep the Board alert. During his brief presentation, Mr Santhanakrishnan mentioned that the Directors should bring to table strategic thinking, analytical skills, effective communication skills, understanding of the organisation and the industry and cross industry knowledge.

Mr. M. P Vijay Kumar spoke on 'Disclosure and Transparency'. He pointed out the vital role of transparency in strengthening mutual communication, improving commitment to various stakeholders and establishing social connectivity which consequently improves perception and disclosures. He also cited a few insightful statistics on the current state of information disclosure and transparency by India's top listed Companies. Only 10% of the top 100 Companies have a Board Evaluation involving a third-party expert and 19% do not have women directors. During his presentation he highlighted some drivers of transparency including the tone at the top leadership, separating the positions of CEO and Chairperson, identifying successors for key members of the management team, an incentive structure for managers who share information, strong peer assessment, board evaluation and the role of creditors in demanding timely and accurate information.

Inaugural Session

Chief Guest:

Shri. Banwarilal Purohit, Hon'ble Governor of Tamil Nadu

Speakers:

Mr. M. S. Sundara Rajan, Chairman, IOD-Tamil Nadu & Puducherry Region and Former Chairman and Managing Director, Indian Bank

Dr. R. Seetharaman, Group CEO, Doha Bank

Mr. Ashish Garg, Vice President, Institute of Company Secretaries of India

Mr. Sundara Rajan mentioned that the concept of corporate governance is very old dating to 3rd century B.C where Chanakya highlighted 4 concepts viz. raksha, vridhi, paalana and yokakshema. Contemporary interpretations of the four in corporate governance are protecting shareholders, enhancing wealth of organization, looking at welfare of all and safe handling of all stakeholders. The essence of corporate governance lies in transparency and effectiveness, he said.

Dr. Seetharaman, in his special address emphasized on proper self-governance, especially at the present stage where our national economy is struggling and when the emerging markets are slowing down. He quoted the lines of Nannool Pavanandhi Munivar, a poet of Tamil Sangam period, which emphasized on Corporate Governance. Convergence of individual traits and corporate traits matter, he opined.

Hon'ble Governor during his inaugural address mentioned that Corporate Governance is crucial in Business Management and its impact on society is significant. He said that ethical and

responsible decision making is the need of the hour and along with that diligence, persistence and creativity are the keys to success, he stated. Explaining the importance of Corporate Governance and the need to apply its principles in all walks of life, he also highlighted the significance of time management and leading a simple life. Recognizing the need for greater commitment by Corporates for CSR initiatives, he encouraged IOD to take the lead in developing a CSR exchange portal to connect contributors, beneficiaries and agencies.

Following his address, the Governor felicitated the below professionals for their contribution to the industry and professional excellence.

- Dr. R. Seetharaman, Group CEO, Doha Bank
- Dr. S. Prakash, Joint Managing Director, Star Health and Allied Insurance Company Ltd.
- Ms. Zarin Daruwala, CEO, Standard Chartered Bank
- Mr. S. Rangarajan, Founder CEO, Data Patterns (India) Pvt Ltd.

Mr. Ashish Garg delivered the concluding remarks.



Special Session: Leveraging Mega Trends using new Business Models on a bedrock of Sound Corporate Governance

Mr. Sarwant Singh, Managing Partner, Middle-East, Africa and South Asia, Frost & Sullivan

Mr. Singh shared an overview of mega trends in Business and society explaining the transformative mega trends that have a global impact and discussed their influence on Corporate Governance. Explaining what mega trends means, he mentioned that they are transformative global forces that define the future world with their far reaching impact on business, societies, economies, cultures and personal lives.

Mr. Singh provided an insightful thematic presentation on the role of Artificial Intelligence in the Boardroom, which could replace humans as Directors in the future. The eye opening presentation also discussed emerging market disruptors like digital transformation and some of the key mega trends like 5G communication networks, digital marketing and the advent of the cognitive era which included unmanned vehicles and personal robots. He predicted that the percentage of women directorships is expected to scale to at least 20% in India by 2025. He also touched up on the growing influence of social media and the impact that it could have on governance.

Panel Discussion: Corporate Failures and Key takeaways

Session Moderator: Mr. V. Balasundaram, CFO, India, Middle-East and Africa, Frost & Sullivan

Panelists:

Mr. T. S. Krishnamurthy, Former Chief Election Commissioner, Government of India

Ms. Preetha Reddy, Vice Chairperson, Apollo Hospitals Enterprise Ltd.

Mr. K. Ravi, Former Chairman, SIRC of ICAI

Post an introduction of the Panelists by Mr. Balasundaram, this session commenced with Mr. Ravi elaborating on various corporate failures across the globe - from the age of Solomon vs. Solomon to the recent failures of Deutsche Bank and IL&FS in India. The cases of Volkswagen, Wells Fargo, Lehman Brothers and Bank of America were also briefly touched upon. He stated that Directors have a dual role to play - Proactive as well as Reactive.

Mr. Krishnamurthy enlightened the audience with his wide-ranging experience as the Secretary of the Department of Company Affairs (now known as Ministry of Corporate Affairs) and as a Board member. He discussed corporate failures and elaborated on its types - external and internal. He said that external failures arise from external factors such as government policies, while internal failures are due to internal mismanagement of the company.

In her address, **Ms. Reddy** shared the aspiring values and ethos of her company, which form the basis of Corporate Governance. She further talked about the crucial role of Board members' selection, since they drive the strategy and direction of the company's growth, and advocated the need for diversity in the Board and 'AAA rating' i.e. Accountability, Accessibility, and Action-ability.

Plenary Session - II: Corporate Governance – Rules of the Game

Mr. G. Mahalingam, Whole-time Member, SEBI

Dr. S. Prakash, Joint Managing Director, Star Health and Allied Insurance Company Ltd.

Mr. N. Ramanathan, Managing Director, Ponni Sugars Ltd.

Mr. G. Mahalingam spoke on 'Role of Regulatory Authorities in Corporate Governance'. He explained how investors' wealth gets eroded due to the failure of the audit system and the need for Independent Directors to be truly independent for improving corporate governance. Self-regulation has a conflict of interest and no country has reached a position where capital markets are entirely self-regulated, he stated. However, external regulation must not also be granular or overly detailed, while at the same time it should avoid being broad principle-based to avoid excess litigation, he concluded.

During his address on 'Role of Key Managerial Personnel in Corporate Governance', Mr Prakash stated that Key Managerial Personnel are expected to be business solution providers and if they are unable to adapt, be agile, and be visionaries, they become a threat to Corporate Governance.

Mr. N. Ramanathan presented about 'Role of Promoters in Corporate Governance'. He discussed various facets relating to promoters, including their extent of involvement, interest, intervention, takeovers, etc. He stressed on the need for separation of ownership and management in companies. It is the independence of management that is the substratum of corporate governance, and the promoter is the watchdog who steps in during specific or exceptional requirements only, he stated.

Plenary Session - III: Corporate Governance – Playing by the Rules

Session Moderator: Mr. Giridhar Sanjeevi, Executive Vice President and CFO, Taj Hotels

Mr. K. E. Raghunathan, MD, Solkar Solar & CEO, D4E Network India Pvt Ltd.

Mr. V. Rajaram, Founder and CEO, Navya Insights and President, Software Process Improvement Network (SPIN – Chennai)

Mr. Karthik Swaminath, Director of Business Strategy, Asia Pacific, Ford Motor Company

The panelists discussed the role of fintech in Corporate Governance in MSMEs, including international perspectives in corporate governance, AI, and Cyber Security in boardrooms.

Mr. Raghunathan, an entrepreneur, shared his personal experiences from an MSME perspective. He stated that governance plays an important role in five groups - Shareholders, Board, Employees, Creditors, and Customers. For MSMEs, it is the latter three that are the critical parties to whom they are answerable. He further added that the best way to corporate governance is self-discipline.

Mr. Swaminath briefed the audience on governance in the current corporate climate from a MNC's viewpoint. Large MNCs in contrast to entrepreneurial ventures, generally keep a two-

step governance model comprising the Board and the organization's management. While the Board maintains overall strategic oversight, the Management takes care of day-to-day operations.

Mr. Rajaram provided a detailed perspective on practical aspects of cyber-security in the current corporate landscape and shared examples of AI being used in real life, such as in Boards of companies. AI can provide unbiased decisions and insightful data apt for decision making in various scenarios, he stated.

Spiritual Talk by Ms B.K.Usha, Senior Raja Yoga Teacher, Global Headquarters, Brahmakumaris, Mount Abu.

According to Ms. Usha, today individuals and businesses are in a competitive and turbulent period. She opined that there is a need to develop presence of mind, find new bearings/avenues, at the same time develop intuition, flexibility, and a clear vision to successfully steer through these times.

Mr. R. Srinivasan, Regional Director, Institute of Directors, delivered the vote of thanks.