

National Foundation for Corporate Governance

National Conclave on Corporate Governance in India : *Disclosure Practices – Accounting and Audit*

10 October 2007 : Bangalore

Inaugural Session

Welcome Address:

Mr. Arun Maira

Chairman, CII National Council on Corporate
Governance and Regulatory Framework &
Chairman, The Boston Consulting Group

I am specially pleased to be here with the chairman of the meeting Mr. Shenoy who has been my mentor for the last twenty years. A past President of CII, I was inducted into CII as a young Executive working with the TATAs at the time when Shenoy was President and he has over the years taught me to be humble, which I have not learnt yet, to listen which I am learning and to understand another person's point of view which I believe am getting a little better than I used to be. This meeting is about that really. It is about collaboration between ourselves and Industry and Government and Academia together shaping the way that we will in our Country manage Corporate Governance, our corporations and their governance and the regulations of the governance.

It is also my great pleasure to welcome this morning Mr Jitesh Khosla of the Ministry of Corporate Affairs who from his side has shown us and I have learnt in the last few months the other side of the partnership that I think Mr. Shenoy has been teaching me, we must have in various spheres of our life in this case with Mr Khosla we will here from me little late off course from him the progress that has been made by having in the Ministry of Corporate Affairs. People like him and the Secretary and others and the Minister also who have had the views the last few years that we got to work together,

business and industry and to get away from who is the controller of whom but we as the partners together.

Mr Amrolia, Chairman of the CII Corporate Governance sub-committee, Southern region has also been my colleague and friend of mine in the Auto Industry earlier and after here in CII Rajesh Menon, Ladies Gentleman and friends from the Media also.

So much has been done by a CII on its side in improving the nature of the conversation about Corporate Governance and also the tone of Corporate Governance in India and this was done by chairman of CII National council on Corporate Governance before me. And so much has been done I am afraid I cannot tell it from memory that I must read to you the progress that has been made.

Firstly, I must commence by congratulating the Ministry for innovating and initiating some of the most path breaking developments in the history of corporate India. The new look Ministry of Corporate Affairs has been the supreme conduit assiduously facilitating the growth of the determined in the corporate India going full steam in its confident drive to arrive globally. And here we have to remember that it is not the number. I think our Sensex has climbed the Himalayan peaks and we have those peaks to climb in our Country although smaller ones perhaps and in that regard to in governance too I think we got higher peaks to climb. We are on our way but I might say we are quite a long way from where we should be. The E-Governance program of the Ministry of Corporate Affairs, MCA 21 has been one of the largest and most successful programs of the Government of India. Always perceptions lack reality. Hearing from Indian Business leaders and foreign companies coming into India that in India Today you can get the company registration done in days, names searched and confirmed in hours whereas we keep saying government procedures in our Country are slower than all other Countries. It may be in most other Government affairs but this Ministry showing how in India whatever we may say about attitudes of people, culture and bureaucracy, it really can be done to standards, which are better than the best in the world. The Ministry has introduced the concept of limited liability

partnership and in India for the first time, the Competition Act which is slated to streamline competition in the Country and bring it in line with the International practices. The Companies Act is being rewritten for the first time after 50 years of legislation and all these developments that I have mentioned are transpiring under the aegis of the Ministry of Corporate Affairs.

The National advisory committee on accounting standards has been constituted to examine the recommendations of the institute of chartered accountants of India before commending to the Central Government for prescribing under the Companies Act 1956. That is the Ministry's achievement. We have to applaud them and help them, and encourage them to go even more. You are the winner but you can't stop. There is a last mile and still more to go.

How about CII and what is our role in this partnership? CII has been the front runner in this evolution of Corporate Governance in India. CII setup a task force to design a voluntary code of Corporate Governance which was released April 1998. It was called desirable Corporate Governance code. It was voluntary, it contained detailed provisions and it focused on listed companies. CII has National Council on Corporate Governance, which is an assemblage of representatives from industries, financial institutions, stock exchanges, credit rating agencies, board members, institutional investors, legal, accounting and financial professionals responsible for developing internal Ethics policies as well as compliance systems. And this council interacts with statutory bodies, government, institutional, regulatory agencies including SEBI, MCA, BSE, the NSE and Financial Institutions on a regular basis with the objective of ensuring greater ease in interpretation and compliance of laws. The council also reviews the Corporate Governance practiced in the Indian context and the study what's happening elsewhere in the world and by our own dialogues with each other understand the Indian context and how good principles should be applied and to make the procedures required in our context. It submits our views from time to time to the Ministry, to SEBI and others. As I mentioned we do invite at our sessions in CII National and International experts on a regular basis and I am sure many of you have had the opportunity of participating in such interactions. The focus of the council this

year is to review the Corporate Governance standards and practices in both National as well as International context, enhancing the level of awareness about contemporary concepts, encourage adoption of Corporate Governance best practices by the Industry, and facilitate orientation towards adoption of good Corporate Governance practices for value creation. And this word value we in the National council are really delving into. Value creation, financial value creation, what else value creation for shareholders and investors for who else? So that is where we start. What is the value that the corporation creates, for whom, in what way and how is to be measured and how is therefore it is to be reported. Various measures have been planned to achieve these objectives and today's National conclave is part of series of conclaves that have been planned across various locations across the Country to offer a platform to the various stakeholders to interface with the policy makers and bring to fore issues and concerns with Corporate Governance in India. And these conclaves are being organized under the aegis of the National Foundation for Corporate Governance. The first of the series of the conclaves organized on July 2007 at New Delhi on the theme of Transforming Business Environment and similar sessions are proposed to be organized in Bombay and Calcutta following this. The CII governance series is a series of breakfast meetings aim to facilitate dissemination of changing trends of corporate governance by way of holding interactive sessions with CEOs focusing on governance accountability, transparency and so on. We had a meeting with Mr Andy Brandt Executive Vice President and Chief Financial Enterprise Services of Intel on 25th September here in Bangalore. And the third is the CII-CNBC Governance dialogue which is a series of televised panel discussions with industry leaders and Corporate Governance visionaries. We find that these meetings are good meetings for smaller discussions between people who are in the thick of it and its important therefore to keep it limited in their attendance so that there can discussions but at the same time we want to evangelize and take the idea of good Corporate Governance beyond the few who can participate in these meetings. So this year onwards we are using CNBC as a partner for governance dialogue which while as I explained to you the discussions amongst the leaders on our panel they will be very widely publicized through TV to enable many other people to understand where we are going.

Corporate Governance value for whom and how is going to be the underlying theme of those discussions. And we are going to have another one this year quite interestingly is part of that, is quarterly reporting is it a boon or is it a boon. Something that corporate leaders bring up to say we need it for the sake of transparency and accounting but what about its impact is having on our own behavior and good management for broader value creation. CII in partnership with the MCA and the Institute of Company Secretaries of India and the Institute of Chartered Accountants of India has set up the National Foundation for Corporate Governance to promote better Corporate Governance practices in India.

We are extremely privileged to host the Executive Directorate of this National Foundation for Corporate Governance which we believe is becoming a catalyst in making India best in the world in Corporate Governance practices. We are not there, that is our aim and aspiration and I think we got the processes in place to help us to get there. The foundation's mission is to foster the culture really, understanding, engagement with the issues and changes in behavior required. It envisages to make significant difference to the Indian corporate sector by raising the standard of Corporate Governance in India which then as we all know by studies made, is a great benefit, it attracts more investment, and encourages more people to join partnerships, more easy to establish. We want to establish our network of the foundation Nationally as well as Internationally. We have engaged with various people and are going in the International work in to World Bank, OECD, IDFC and the ADB and engaging them with the development of the agenda and the practices here. The foundation has instituted core groups on corporate Governance topics for Independent Directors, Institutional Investors, Corporate Governance Audit, Small and Medium Enterprises and Corporate Social Responsibility. The core team consists of experts from industry, professional bodies, academics and focuses on evolution of corporate governance principles.

As I mentioned earlier Corporate Governance we are recognizing in the National Council has these two facets to it. One is the facet of purpose of corporation, purpose of governance, & principles and ethics. The other is

sensible procedures and systems for ensuring that those values are actually being applied and informing those who need to be informed about what is actually happening. The discussion this morning is about the latter part. You can't have one without the other. To have just rules without the sense of what these rules are supposed to help accomplish, is becomes a dry game. At the same time having just ideas and visions and statement of ethics without having the teeth and procedures and the audit and the accounting to ensure that it is happening this again rather building castles in the air and a futile exercise.

With his words I welcome you all to the National Conclave.

Thank you
