

**ADDRESS BY THIRU BANWARILAL PUROHIT, HON'BLE GOVERNOR OF
TAMIL NADU AT INAUGURATION OF CORPORATE GOVERNANCE SUMMIT
2019 ORGANISED BY INSTITUTE OF DIRECTORS AT ITC GRAND CHOLA,
CHENNAI ON 14.09.2019 AT 11.45 A.M**

Anaivarukkum Vanakkam

Thiru. M.S.Sundara Rajan,
Chairman,
Institute of Directors

Thiru. R. Srinivasan,
Regional Director,
Institute of Directors

Thiru. Ashish Garg
Vice-President
Institute of Company Secretaries of India

Dr. Seetharaman
Group CEO Doha Bank

Distinguished Invitees

Ladies & Gentlemen

It gives me great pleasure to be here at the Inaugural Session of Corporate Governance Summit 2019 being organised by the Southern Regional branch of the Institute of Directors. The Institute of Directors (IOD) which was established in 1990, has been playing a significant role in the training of Corporate Directors so as to equip them for the leadership role they are expected to perform.

Corporate Governance has in recent times emerged as an important issue in Business and Management, primarily because of its far-reaching impact on society. Policymakers in India have been particularly conscious of the importance of corporate governance and several committees,

have made valuable recommendations in this connection. Most of these recommendations have been accepted. Even then, Governance practices are being examined for further improvement on a number of dimensions. These include evaluation of company boards, board diversity, reliability of disclosures, especially those relating to financial statements, role of independent directors, protection of minority shareholder interests, managerial compensation etc.

The Ownership structures in the Corporate World have been changing.

In earlier times family interests used to dominate ownership structures.

Over time, markets have become largely institutionalized: investors are largely institutions that invest pooled funds.

Whatever may be the mode of ownership there are certain basic principles of corporate governance some of which I wish to outline

- a) Organizations should respect the rights of shareholders and help shareholders to exercise those rights.
- b) Organizations should recognize that they have legal and other obligations which they need to fulfill.
- c) The board should possess a range of skills and understanding to be able to deal with various business issues and have the ability to

review and challenge management performance.

d) Ethical and responsible decision making is not only important for public relations, but it is also a necessary element in risk management and avoiding lawsuits.

e) Organizations should clarify and make publicly known the roles and responsibilities of board and management and safeguard the integrity of the company's financial reporting.

All parties to corporate governance have an interest, whether direct or indirect, in the financial health of the corporation. Directors, workers and management receive salaries, benefits and reputation, while investors expect to receive

financial returns. For lenders, it is specified interest payments for investors dividends and capital gains are important stock. Customers are concerned with the certainty of the provision of goods and services of an appropriate quality; suppliers are concerned with compensation for their goods or services, and possible continued trading relationships.

It is the board of directors which is expected to play a key role in ensuring the health of the corporation. The board has the responsibility of endorsing the organization's strategy, developing directional policy, appointing, supervising and remunerating senior executives, and ensuring

accountability of the organization to its investors and authorities.

In my view, a successful member of the board of directors should possess the following qualities: Diligence and Persistence, Creativity and Innovation, Learning and Researching Skills, Keen Observation, Competitive Drive, Communication Skills, Leadership Qualities, The Willingness to Do More, The Ability to Adapt and Adjust and Kindness and Strong Ethics.

I am informed that some notable cases of corporate failures are going to be discussed during the technical sessions today. It is important to diagnose the main reasons and plug them

effectively so that lakhs of investors and share holders are not put to difficulty.

We all know that Corporate bodies may fail because of inappropriately formulated strategies or lack of it.

There could also be failure because of the inability of the company to appropriately apply financial resources available to it. This can create a liquidity problem which could be traced to different aspects of corporate operations.

Managerial inefficiency and ineffectiveness, Over expansion, High production costs, Improper evaluation of investment decisions Capital inadequacy etc, could also be other factors responsible for corporate failure.

It is also possible that, failed corporate entities continue to be in existence for quite some time without the knowledge of shareholders. This could be traced to different forms of window dressing effected by management and the board with the collusion of auditors.

The most effective measure of averting corporate failure is by the institution of an effective management through steps such as,

Staff training and development, proper auditing business process re-engineering, Effective management of the product and product market etc.

At this juncture, I wish to highlight the role of independent directors. Their presence should

ensure the highest standards of integrity, while also preventing any conflict of interest. The provisions of the Companies Act seek to ensure the autonomy of the appointee to facilitate effective discharge of duties such as upholding shareholders' interest, fulfilment of corporate governance standards and maintaining corporate credibility.

You are also aware that as specified in the companies Act, companies spend a small percentage of the average net profits in pursuance of their Corporate Social Responsibility Policy.

The Policy recognizes the need for a commitment by corporates to support initiatives that measurably improve the lives of

underprivileged. In this context measures such as those meant for eradicating hunger and poverty, promoting education, promoting gender equality, reducing child mortality, providing hospital and dispensary facilities, ensuring environmental sustainability etc., are meant to be encouraged.

I request the Institute of Directors to help in promoting the right perspective about Corporate Social Responsibility. The institute can also take the lead for the development of a CSR exchange portal to connect contributors, beneficiaries and agencies so as to give clearer and greater opportunities for corporates to take up measures to help the people more effectively.

I congratulate the Chairman, the President and Office bearers of the Institute of Directors for having organised this Corporate Governance Summit in a befitting manner. I am sure that with your untiring efforts the Institute of Directors will rise further to attain the highest levels of eminence. May you all be greeted with success in ample measures in the coming years.

Nandri Vanakkam....

Jai Tamil Nadu....

Jai Hind....