Address by
Shri Tuhin Kanta Pandey, Chairman, SEBI
18th CII Corporate Governance Summit, Mumbai
April 17, 2025

Mr. Sanjiv Bajaj, Chairman, CII Corporate Governance Council, Mr. Chandrajit Banerjee, DG, CII, distinguished Ladies and Gentleman,

A very good morning to you all.

It is a privilege to be here today to speak about a subject that lies at the heart of a healthy and resilient capital market—corporate governance. Today I would like to share SEBI's perspective on this critical pillar of the corporate ecosystem.

Background - Corporate Governance

Corporate governance, at its core, is the system by which companies are directed and controlled. It defines the rights and responsibilities of various stakeholders—boards, management, shareholders, and others—and lays the foundation for decision-making processes, transparency, and accountability.

Good Corporate governance is the foundation stone of a successful enterprise.

From a regulator's perspective, high standards of corporate governance in listed entities are essential to protect the interest of the shareholders, especially minority shareholders. A major milestone for corporate governance in India was the introduction of clause 49 of the equity listing agreement in the year 2000, based on the recommendations of the Kumar Mangalam Birla Committee. Clause 49 was further revised and strengthened based on the recommendations of the Naryana Murthy committee.

Corporate governance has evolved during the last two decades with revision in the Companies Act and codification of listing rules in the form of SEBI (LODR[1]) Regulations, 2015. Over the last 25 years or so, we have been keenly engaged in enhancing the standards of corporate governance in India. This engagement primarily stems from our mandate to protect the interest of investors.

Today we have over 13 crore investors in our ecosystem investing across 5400+ listed companies as compared to 4.9 crore five year ago. Similarly, the

[1] Listing Obligations and Disclosure Requirements

number of Mutual Fund investors have now grown to 5.4 crore from 2.2 crore as at end of FY20.

Increasing penetration of our securities markets, rise in retail shareholding (including through Mutual Funds) accompanied with increase in size of the listed universe - sets the stage for greater significance for corporate governance.

Importance of Corporate Governance

In today's world, good governance is no longer a best practice, it is a necessity. It is the bridge between performance and trust.

For listed companies, robust governance mechanisms are essential for enhancing Investor confidence through transparent disclosures, board independence, and effective oversight. It promotes well-informed decision-making, strategic guidance, and accountability, thereby aligning the interests of management with those of shareholders.

Companies with sound governance structures are better positioned to manage risks, respond to stakeholder expectations, and adapt to changing environments. This long-term orientation supports value creation, financial resilience, and sustainability.

A company known for strong governance enjoys a positive reputation, which can lead to better credit ratings, easier access to capital, and higher valuations.

For us, governance is not just a matter of oversight—it is a strategic imperative to protect the interests of stakeholders (especially the minority shareholders) and maintain the integrity of the market.

Governance failures in large corporates can have ripple effects across the market and economy. Preventing such failures is essential to maintaining financial stability. By mandating disclosures, board structures, and oversight mechanisms, we aim to create a self-regulating environment that encourages ethical and responsible corporate behaviour.

SEBI strengthening the corporate governance in Listed Companies

SEBI (LODR) Regulations, 2015 specify the corporate governance requirements for listed entities in India, which is a mix of principles and rules.

The principles governing the disclosures and obligations include the rights of shareholders, timely dissemination of information, equitable treatment, transparency, responsibilities of the board of directors etc. While the rules relating to corporate governance include composition, role, responsibilities of Board, its committees etc.

Disclosures (Periodic/Event-based)

To ensure transparency and information symmetry in the market, SEBI has specified periodic disclosures of certain information, such as quarterly disclosure of shareholding pattern, compliance with corporate governance requirements, financial results and deviation in utilization of funds.

To prevent information asymmetry, there are also event based disclosures of material events or information, such as disclosure of material events within the specified timeline (e.g. 30 min / 12 hours / 24 hours) and disclosure of events which may have material impact on the performance or operations of the listed entity.

Such disclosures ensure that the stakeholders have equal access to material facts and information related to company's operations and performance. This promotes level playing field by bridging the gap between company insiders vs outsiders and the better decision making by the investors.

Regulatory Measures

Instances of false, inadequate, inaccurate, misleading and delayed disclosures of material information by listed entities leads to information asymmetry in the market.

In order to bring more transparency and to ensure timely disclosure of material events, and to facilitate a uniform approach in determining materiality of events or information, after consultation with stakeholders, we have amended the (LODR) regulations to introduce quantitative threshold for determining 'materiality' of events / information.

Similarly, guidelines have been made on timelines for disclosure of material events or information.

To address the issue of perpetuity of special rights and do away with practice of permanent board seats, we have brought in Periodic shareholders' approval (once in 5 years) for any special right granted to a shareholder of a listed entity. And, also Periodic shareholders' approval (5 years) for any director serving on the board of a listed entity.

To strengthen the independence of independent directors (IDs) and enhance their effectiveness in the protection of interests of minority shareholders, SEBI has mandated that at least 2/3rd of the members of the audit committee must be independent directors.

Ease of Doing Business Initiatives

To promote ease of doing business, SEBI has introduced single filing system for listed entities. Tech-enabled single filing system now eliminates the requirement of filing the same document across multiple exchanges.

With the advent of technology, there is substantially reduced reliance on newspapers for getting information on financial results of a company. Thus, to reduce the compliance burden, SEBI has made it optional for listed entities to publish detailed newspaper advertisement with regard to disclosure of financial results in newspapers.

Further to promote ease of doing business, timelines for disclosure of outcome of meeting of the board of directors that concluded after trading hours, has been increased to 3 hours from earlier 30 minutes.

Similarly, the timeline for disclosure of litigations or disputes involving claims against the listed entity has been increased to 72 hours from 24 hours (from the receipt of notice by the listed entity), subject to maintaining such information in structured digital database.

Recently, we have provided flexibility for companies by allowing either assessment or assurance of BRSR Core disclosures. This reduces compliance burden while ensuring credibility of data reported under BRSR Core. ESG disclosures for value chain are now voluntary and applicable from FY 2025–26.

Way Forward

As a regulator, SEBI has laid down a comprehensive governance framework on the corporate governance. We have taken measures to protect the interest of investors, at the same time tried to facilitate ease of doing business. But to achieve the desired objectives, we need to have a collaborative ecosystem.

Balance between regulation and ease of doing business

We are conscious that over-regulation can stifle growth and innovation. At the same time, too little regulation can also lead to decline in trust of stakeholders and adversely impact growth.

Thus, there is a need for optimum regulation – regulations need to be rationalized by removing what is no longer relevant, and reducing overlaps. Stable and adequate financial regulation can help in creating a high trust environment, increase attractiveness for investor and promote economic growth.

Effective Self-regulation by entities

We need to move from a thinking of minimum compliance to maximum governance. Boards must rise above routine and ask difficult questions and auditors and independent directors must act as gatekeepers of integrity.

Our regulations (LODR) lays down the Principles which outline the essence of expectations of SEBI from the boards. There is an emphasis on doing the 'right thing' for the 'right reasons', asking the 'right questions', constructively challenging management, demonstrating sound judgement, possessing an independent perspective and avoiding 'group thinking'.

Corporate governance is not a matter of regulation alone - it is a matter of conscience. SEBI will continue to expect higher bar on governance. But true and lasting change must come from within the corporate boardrooms and cultures.

Harnessing Technology

There is a need for industry to adopt regtech solutions (use of technology based solutions for complying with regulatory obligations) that can help in improving compliance, reporting, streamlining processes and improving the operational efficiency.

SEBI and first line regulators – Exchanges, are deploying suptech solutions, for effective and enhanced supervision. The use of technology by regulators has been very helpful in detecting early signs of market abuse and non-compliances. Harnessing technological advancements could further reduce the potential blind spots, market mis-conduct and instill a culture of continuous compliance amongst regulated entities

Governance is not about ticking boxes. It is about building institutions that can be trusted for years and decades. It is not an easy path as it involves sacrificing some short term gains. But it is the only path to have a sustainable growth and development of a Corporate.

At the end, I would urge all of you—corporates, directors, professionals, and investors—to be active partners in building a stronger governance ecosystem.

Thank you.

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