

Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
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Mr Sanjiv Bajaj, Chairman CII Corporate Governance Council, Shri Chandrajit Banerjee, Director General, CII, distinguished leaders of industry and business,
Good morning to you all.

It is a pleasure to be here at this forum organised by CII — an institution that has consistently played an important role in shaping industry thinking and strengthening dialogue between stakeholders.

We are meeting at a tumultuous time, with war in West Asia choking oil and gas supplies, triggering global price shocks, with severe impact on world economy. Indeed, this decade, beginning with Covid-19 pandemic and a series of geo-political disruptions and unprecedented technologies such as AI, has been testing nerves of businesses, governments, and regulators. Yet, we must constantly grasp and grapple with the challenges of governance, both in the immediate term and a medium to longer term.

As I reflect on today's theme, I think aloud - how do we observe and evaluate corporate governance.

In many ways, corporate governance is like the nervous system of an organisation. It is not always visible. It does not attract attention when everything is functioning well. But it silently carries signals — information, judgment, caution — across the organisation.

And if the system is not strong enough, the organisation may still appear strong on the outside, but its responses become slower, and its ability to sense risk gets impaired.

We have built a robust skeletal structure of governance — but the question we must ask is:

How strong is the system that enables the structure to function effectively?

The Changing Context – Why Governance Needs to Evolve

The context in which boards operate today is complex.

Decisions are being taken in an environment where:

Technology is reshaping business models,

Information travels instantly and,

Stakeholders expect transparency not just in outcomes, but in intent.

In such an environment, governance is no longer about preventing what can go wrong. It is equally about enabling institutions to respond wisely when uncertainty arises.

Markets, as we know, can absorb business risk.

But they respond sharply to governance uncertainty.

And as participation in our markets continues to deepen — with a broader and more diverse investor base — the expectations from boards have become correspondingly higher.

Where We Stand – Strong Framework, Emerging Gaps

Over the years, we have made noteworthy progress in strengthening corporate governance. Our regulatory framework has evolved in a calibrated manner — through improvements in disclosures, board structures, accountability mechanisms, and investor protection measures.

We have:

- Strengthened periodic and event-based disclosures to reduce information asymmetry,
- Introduced clearer materiality thresholds and timelines,
- Enhanced board independence and committee oversight,
- Reinforced accountability through mechanisms such as secretarial audit and strengthened roles for compliance officers.

These measures have helped create a strong foundation.

But a strong foundation does not automatically ensure effective outcomes.

What we are increasingly observing is a gap — not in intent, not in regulation — but in translation.

Boards are well constituted, but not always equally effective.

Information is available, but not always interrogated deeply.

Independence exists in form, but may not always translate into independent perspective.

And this brings us to a critical shift we must recognise:

The next phase of governance is not about adding more layers — it is about strengthening the quality of engagement within the existing framework.

The Evolving Role of Independent Directors

At the center of this shift lies the role of Independent Directors.

Over time, we have rightly placed significant emphasis on board independence — in terms of numbers, composition, and committee structures.

However, independence, by itself, is not the end objective.

It is the starting point.

In practice, we see a wide spectrum.

On one end, there are experienced independent directors who actively engage, probe, guide, and bring an external perspective that adds real value to decision-making.

On the other end, there are highly qualified professionals — domain experts, accomplished individuals — but their engagement is often limited by the information that is presented to them. Their understanding of the company is largely shaped by board materials and management narratives.

This variation is not necessarily a function of intent.

It is often a function of exposure, familiarity, and support systems.

Independent Directors operate in a unique position:

- They are expected to provide oversight without being involved in day-to-day operations,
- They must challenge management while relying on information provided by management,
- They are accountable for decisions, often without full operational visibility.

This makes their role both critical and complex.

Which is why the conversation must now move beyond who sits on the board to how effectively they are able to contribute once they are there.

Independent directors, in many ways stand for interests of the minority shareholders- that the value of the company keeps growing consistent with laws and regulations. Companies that perform, innovate, technologically adapt are of abiding interest to its investors. Therefore, independent directors are there not only for compliance and pointing fingers at management but for also

supporting and finding solutions through accountability. They need to bear this responsibility in mind.

Capacity Building – The Next Frontier of Governance

This brings me to what I believe may be an important next step in our governance journey: Capacity building of Independent Directors.

Today's boardrooms are dealing with issues that cut across disciplines:

- Technology and data governance,
- Cyber risks,
- Complex financial structures,
- Regulatory developments.

It is unrealistic to expect that every director will come equipped with all these perspectives.

At the same time, it is equally unrealistic to assume that a one-time induction or a capacity building program is sufficient.

What is required is a continuous, structured, and collaborative approach to learning.

There are a few areas where this can make a meaningful difference:

First, domain-specific orientation.

Understanding a company requires familiarity not just with financials, but with its business model, operational risks, and industry dynamics. Structured exposure to these aspects can significantly enhance the quality of board engagement.

Second, peer learning.

I believe there is immense value in creating platforms where Independent Directors can learn from each other — share experiences, discuss boardroom challenges, and reflect on real situations. Many governance lessons are best understood through context, not theory.

Third, continuous updating.

Emerging areas such as technology governance, sustainability, and behavioural risks require ongoing learning. These are not static subjects.

Fourth, creating knowledge networks.

Repositories of best practices, anonymised case studies, and evolving regulatory expectations can help directors access insights beyond their immediate boardroom.

This is an area where industry bodies like CII can play a very meaningful role in facilitating knowledge exchange and building a stronger governance ecosystem.

Complementary Shifts – Strengthening Board Effectiveness

Alongside capacity building, a few broader shifts can further strengthen governance outcomes.

- Moving from information to insight — ensuring that board discussions focus not just on reviewing data, but on interpreting what it implies.
- Moving from form to substance in independence — encouraging diverse perspectives and constructive dissent.
- Moving from periodic review to continuous awareness — leveraging technology to bring relevant signals to the board in a timely manner.
- And importantly, moving from compliance-driven discussions to value-driven conversations — where boards engage with culture, conduct, and long-term sustainability alongside financial performance.

These shifts do not necessarily require new regulations.

They require a change in approach within boardrooms.

Role of Regulator and Collective Responsibility

As we look ahead, our objective has been — and will continue to be — to create a governance framework that is:

- Robust enough to protect investor interests,
- Flexible enough to enable business,
- And adaptive enough to respond to changing realities.

But the effectiveness of governance ultimately depends on how these frameworks are internalised and implemented within organisations.

And this is where the next phase of evolution lies.

If the first phase of governance reform was about building structures, and the second phase was about strengthening processes,

then the next phase must be about building capability.

Capacity building cannot be mandated in a prescriptive manner. But it can certainly be encouraged, enabled, and supported — through collaboration between regulators, industry bodies, professional bodies and academic/business institutions.

SEBI will seek to embark on a joint initiative for capacity building of independent directors at scale with a view to further improve corporate governance.

Concluding Remarks

Let me conclude with this thought.

The effectiveness of governance will not be merely determined by how comprehensive our regulations are, or how detailed our disclosures become.

It will be determined by the quality of questions asked in boardrooms,
the depth of understanding behind those questions,
and the confidence to act on them.

As we move forward, let us therefore invest not just in strengthening rules, but in strengthening the people who give life to those rules.

Thank you.