Address by Shri Tuhin Kanta Pandey, Chairman, SEBI
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Lt. Gen. Surinder Nath, President, Institute of Directors (IOD), Mr. Sitaram Kunte, Chairman, Western Region, IOD, distinguished guests, independent directors, board members and key managerial personnel present here today,

Good morning to all of you.

It is a pleasure to be here at a forum that places the quality of governance at the centre of its work. The Institute of Directors has an important role in keeping this conversation alive — not merely, by discussing governance principles, but by encouraging informed, questioning and forward-looking dialogue in the boardroom.

To begin, there is one question that, in my view, goes to the heart of governance.

What is the most important asset that a company has?

It may be its technology. Its people. Its intellectual property. Its factories. Its capital.

But there is one asset without which all of these become much less valuable — trust.

And this is why the boardroom matters.

For an independent director or a board member, the responsibility is not limited to reviewing financial statements or approving proposals placed before the board. The board sits at the point where strategy, risk, accountability and stakeholder interests come together.

And that point is becoming increasingly complex.

A board today has to think about cyber risk, artificial intelligence, data, geopolitics, climate risks, changing investor expectations, rapid information flows besides the domain knowledge of the business.

So the question before us is not simply whether we have adequate governance rules.

The more important question is: Are our governance practices keeping pace with the complexity of the modern enterprise?

From compliance to stewardship

This brings me to what I believe is the central theme of our discussion today — the movement from compliance to stewardship.

Compliance asks: What does the rule require me to do?

Stewardship asks a somewhat different question: What is the responsible thing to do, particularly when the rule does not provide an obvious answer?

That is a significant shift.

Good governance is not merely about doing what the rules require. It is about making decisions that preserve trust even in situations where the rule book may not provide a complete answer.

Over time, our understanding of governance has therefore evolved.

From compliance to responsibility.
From disclosure to meaningful transparency.
From oversight to active stewardship.
From short-term performance to sustainable value creation.

And from protecting the interests of the company alone to recognising the interests of all stakeholders.

This idea of stewardship is relevant not only to companies and their boards. It is equally relevant to investors.

SEBI has, for example, prescribed a Stewardship Code for mutual funds and AIFs in relation to their investments in listed equities. Institutional investors are expected to monitor investee companies and engage with them on matters such as performance, strategy, corporate governance, capital structure and material ESG risks.

Why is this important?

Because governance is not created only inside a company. It is strengthened when all participants in the ecosystem take responsibility for the quality of the system.

Building the governance architecture

India has travelled a considerable distance in strengthening this architecture.

SEBI's corporate governance framework has progressively evolved. The LODR framework provides a detailed structure around boards, committees, disclosures, independent directors, related-party transactions and other governance matters.

But rules and structures are only the foundation.

The real test is what happens inside the boardroom.

The role of the independent director is particularly important here.

The role is to question, bring an independent perspective and to seek solution.

And sometimes, the most valuable contribution of an independent director may be a very simple question:

“Why are we doing this?”

Or:

“How would this look from the perspective of a public shareholder who does not have the same information that we have?”

The regulatory framework recognises this role and seeks to give independent directors both the responsibility and the space to exercise their judgement.

Our regulations require independent directors on the Audit Committee to approve related-party transactions. Independent directors are also mandated to hold a separate meeting to review the performance of the Chairperson, non-independent directors and the Board as a whole. They are expected to devote sufficient time and attention to informed and balanced decision-making and to assist the company in implementing sound governance practices.

But for independent judgement to be meaningful, one more ingredient is essential — the right information, provided at the right time.

<u>The quality of a board's decision cannot be better than the quality of information available to it.</u>

A board may have highly experienced individuals. But if information reaches the board late, is incomplete, or is presented without the context required to understand it, independent judgement becomes difficult.

Therefore, good governance also requires management to give the board enough information — and enough time — to think.

Transparency is more than disclosure

This leads naturally to the next issue: transparency.

Let me pose another question.

When a company makes a disclosure, has it necessarily become transparent?

Not always.

A company can disclose a great deal and still leave investors unclear about what really matters.

True transparency is not the volume of information. It is the quality, timeliness and usefulness of information.

This is why SEBI has progressively strengthened the framework for disclosure of material events and information. The use of materiality thresholds and specified timelines is intended to bring greater consistency and timeliness to disclosures.

The same approach extends to other areas where timely and clear information is important to investors. For instance, we are reviewing the framework for monitoring and disclosure of utilisation of issue proceeds, with the objective of improving timely disclosures and streamlining the compliance process.

Similarly, the framework governing related-party transactions seeks to ensure that transactions involving potential conflicts are subject to appropriate scrutiny.

In this context, we propose to further clarify the framework on related-party transactions, so that the requirements are clear and workable for issuers while retaining the necessary safeguards for investors.

Good governance also requires that regulation remains proportionate and does not create unnecessary duplication. We are therefore also looking at ways to reduce avoidable compliance burdens. For entities listed on multiple exchanges, for example, we are proposing a framework to avoid duplication of fines levied by multiple exchanges for the same matter.

The objective is to make regulation more efficient while preserving its purpose.

In the area of sustainability, the evolution of BRSR[1] and BRSR Core reflects a broader principle: disclosures should increasingly move towards measurable and decision-useful information rather than broad statements of intent.

For boards, this creates an important responsibility.

Before asking, “Have we complied with the disclosure requirement?”, perhaps the board should also ask:

“If I were an investor, would this disclosure give me a fair understanding of what is happening?”

That is where compliance begins to become stewardship.

When technology becomes a board issue

There is another area where this perspective is becoming increasingly important — technology.

A few years ago, a board might have considered technology primarily as an operational matter.

Today, that is no longer sufficient.

[1] Business Responsibility and Sustainability Reporting

A cyber incident can disrupt operations. A technology failure can affect customers. A poorly governed AI system can influence business decisions. A data breach can damage reputation. Dependence on a critical technology provider can create a business continuity risk.

So I would encourage boards to ask some basic questions.

Which important decisions depend on algorithms or automated systems or AI?
What are the critical technology dependencies?
How resilient are these systems?
What happens if an important system fails tomorrow?

And perhaps the most important question:

Does management understand the risks well enough to explain them to the board?

Technology risk is no longer merely an IT risk.
Technology risk is business risk. And therefore, it is board risk.

This is why cyber resilience, technology governance, operational resilience and risk management are becoming increasingly important components of the wider governance framework.

Capacity Building –The Next Frontier of Governance

If the nature of risk is changing, the capabilities of the board must change as well.

An independent director does not need to be the organisation's technology expert. But the director must know enough to ask the right questions. The same applies to AI, financial innovation, market structure, ESG risks, regulatory developments, behavioural risks and geopolitical 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 training program is sufficient. What is required is a continuous, structured, and collaborative approach to learning.

This is an area where SEBI, NISM along with industry associations, professional institutes, top academic institutions and other stakeholders can come together and create a **capacity building network**.

This network may suggest effective ways for capacity development of independent directors at scale and quality. We propose to invite the willing and capable partners, including IOD, soon to give shape to this idea.

A shared responsibility

Finally, let me return to where I began — trust.

India's capital markets have expanded significantly. More companies are accessing public markets. More households are participating. More capital is being raised. And India is attracting increasing attention from investors across the world.

As this ecosystem grows, the credibility of our governance framework becomes even more important.

Regulators can set standards. Exchanges can build systems. Auditors can provide assurance. Institutional investors can exercise stewardship.

But ultimately, governance lives in the boardroom.

And that is why forums such as this matter.

The Institute of Directors can help create a culture where boardrooms do not merely ask, “Are we compliant?”

They ask:

“Are we being responsible?”

“Are we being fair?”

“Are we prepared for what comes next?”

And perhaps the most important question of all:

“Would our decisions strengthen or weaken the trust that stakeholders place in us?”

If that question becomes part of the culture of our boardrooms, then governance will become much more than a regulatory requirement.

It will become a source of resilience, credibility and long-term value.

And that, ultimately, is the governance system that India needs as its capital markets continue to grow.

Thank you, and I wish all of you a very meaningful and productive dialogue.

Jai Hind.