



**SPEECH OF SHRI SACHIN PILOT, HON'BLE MINISTER OF STATE FOR CORPORATE AFFAIRS (I/C), GOVT. OF INDIA AT 41<sup>ST</sup> NATIONAL CONVENTION OF COMPANY SECRETARIES AT CHENNAI**

Mr. Joseph, the Additional Secretary, Ministry of Corporate Affairs, Mr. Ananthasubramanian, President of the Institute of Company Secretaries of India, Members of the Council, Ladies and Gentlemen, Very Good Morning.

It is my privilege to be here at the 41<sup>st</sup> National Convention of Company Secretaries. Few months ago, the President mentioned to me in Delhi that he was planning to host the Convention in Chennai. No doubt, Chennai was a preferred destination for Mr. Ananthasubramanian, and I was very happy that it will give me one more opportunity to visit this wonderful city and I am very happy to be here.

At the outset, I must also apologize for having pre-poned this event by a few hours. I need to be in Delhi today at 5 O'clock for a cabinet meeting where some issues of my Ministry are going to be taken up. So I thought, I will indulge all of you and have this taken forward by a couple of hours. So, thank you very much for cooperating with this, Mr. Ananthasubramanian, you and your colleagues.

The economic prosperity and the social well-being of our country depends upon the quality of governance in all areas of organized life. And the idea of governance is very broad. It has economic, political and administrative dimensions. Economic governance includes decision making, processes that affects a country's economic activities and its relationships with other economies. It clearly has major implications for equity, poverty and quality of life. Macroeconomic choices ultimately determine household level consumption of goods and services for individuals and families. Prices and employments are not abstract questions but crucially connected with survival and opportunities. Political governance is a process of decision making in formulating policy. It is the output of democracy at work.

Administrative governance is a system of policy implementation, encompassing all the three. Good governance includes processes and structures that guide political and social economic relationships. Governance is usually associated with State. But in reality, it transcends the State by including the private sector and civil society organisations. Corporations are an important economic actor and have grown enormously to a position of pre-eminence. They are powerful components of the economy and create enormous national wealth and they are a great source of pride. The Government has to ensure that the interests of investors, shareholders, employees, creditors and other stake holders in the economic activity are aligned and protected to the extent possible. It is in our interest to ensure that corporations are run on sound management principles, that markets are competitive and externalities such as social and environmental impact of the businesses are all well accounted for. It is essential to provide an orderly environment and framework that would inspire confidence and trust on the part of the domestic and international investors and allow talent to be nurtured. I realize that good corporate governance requires efficient regulatory support and effective implementation tools and what I see ahead of me is the

largest asset that any government entity can have to implement the ideas and principles of policy formation.

I think, the company secretaries as a community is an effective tool to implement the new law that we just talked about. The Additional Secretary and the President of ICSI, both mentioned the relevance and importance of how the paradigm of corporate governance will have a sea change because of the passage of the new Companies Act. It has been six decades since this country rewrote the company law; not to say that the old law was bad. But as the times change, as the economic architecture changes, as our society changes, as the needs expectations and demands change, as the Indian economy has to align itself with the global economy, we need to realign our laws, our policies, our legislative and regulatory framework to make sure that India is not only compliant, but it is the leader of the pack to show the rest of the world that in India we have the intellectual capacity, the ability, the energy, the enthusiasm, the dedication, and the will power to create a new framework that will make sure that we are among the best countries that has good corporate governance structures in our country. And the people who will do it, it is not the Members of the Parliament or the Ministers or the Secretaries in the Ministry of Corporate Affairs, we are the ones who passed the law, but who will implement that law, who will execute that law, and who will make it effective, it is all the people who are sitting in this hall today and all the thousands of your colleagues who work around the country.

The Board of a company is at the top and is enjoined to steer and activate the entire corporate governance system. A professional is entrusted with the responsibility of providing effective guidance and its execution of those corporate governance principles. The Board is the deck of the enterprise where strategies are forged and future directions are determined. It is in the board room that corporate democracy can prosper and move in the right direction and growth of the enterprise. An empowered board is, therefore, at the centre of the Companies Act, 2013. This New Act that was passed recently has been in the making for more than a decade, and what it does, to my mind, is really to shift the focus from the conventional concept of our economy which was a command and control economy where compliance was forced. This new Act puts the responsibility of self-compliance and self-regulation on the shoulders of the Board and the KMPs and now company secretaries will be a Key Managerial Personnel, that means, they will

sit in the Boards. And the age old notion that all of us had that what company secretaries do is to take minutes, is to somehow adjust what is right, and to see what is being said, and to bridge the gap with using punctuation, and paraphrase and English language and grammar to make sure that there is compliance of all sorts. But now we must also remember, the company secretaries, first of all again, discussing this a couple of months ago, and I am very glad to see the topic of discussion for the next two days is very pertinent. Because I said to Mr. Ananthasubramanian. This terminology of company secretary, I have heard this terminology for years, it does not go down well with me. We have got to change the concept of what the job that all of you do. It is ensuring that the Board and the management comply with the laws of the land. It is a tremendous responsibility, it is not filing reports and making notes, it is to make sure that the company is responsible to the shareholders, to the people of this country, to the law makers and there is full compliance. Therefore, this term needs to be slowly or swiftly transformed to be called governance professionals. I think it is something that I fully support and I may be going out on limb and speaking more than I should be, but because this Institute is formed by an Act of the Parliament. If the Institute so feels amongst its Committee and Members of the Council to change the nomenclature of what job you all do from company secretaries to governance professionals, it has to be done through an Act of Parliament by an Amendment. I cannot give commitment, but I can fully assure you that if this is brought up to me, I will spare no effort to make sure to bring this Amendment so that we are able to designate the right nomenclature for the right job that all people are doing.

I am told that about 36,000 people are involved in this profession. If you are not able to take pride in what you do, if you are not able to demonstrate the enormous responsibility that you carry on your shoulders, then I think all of us are failing you and not you yourself, because there is a certain qualification that you have to achieve, pass certain examinations and then get recruited. But once you do that, more than individuals as community of company secretaries, it is incumbent upon us today, who are in the position to make policies and laws, that we must make sure that adequate representation and the kinds of responsibility that you are discharging is reflected in the profile that you are suited for.

Friends, this Companies Act, 2013 has attracted a lot of attention, more so, in areas of corporate social responsibility, independent directors, good corporate governance. And again, good

corporate governance is not something that you can legislate. You can't pass a law for a company to be a good corporate citizen. We can pass laws for filling, for reporting, for mitigating corporate fraud, but it is the ultimate conscience of the Board, because good corporate governance does not emanate from the middle management, it has to come from the top and that sort of culture can only be inculcated, if you want to do it. So no amount of legislation can change the environment of the corporate entities in which they want to operate.

And the Indian companies are second to none. I had been to many countries and I can tell you that the amount of intelligence, the amount of innovation, the amount of spirit that I have seen in the Indian companies, it is second to none. And all of you can really be giving the helping hand to all the Board that you are working with, to make sure that India really takes its rightful position as an economy and as a country to reckon with in the 21st century.

The focus of what we have to do in the future is not just to comply with the law, it is to achieve excellence, and how we can do that is by making sure that we use technology, we do self-reporting, self-compliance, self-regulation. That is a far more effective way of doing things as opposed to going back in time and having the inspector raj, where the Government officials, Ministry of Corporate Affairs and its officers sitting on your shoulder with a big stick around and asking you to do X, Y, Z. That sort of relationship has to transform. The Government and the private sector, the Corporations and the officials have to work together because the ultimate collective objective of all of us is to create wealth for this country and to create jobs.

India today needs 15 million new jobs every year, 650 million young people, so many graduates, so many educated people, how will they get absorbed in the job market. We are still an agrarian economy, but friends don't forget that two thirds of our country men are involved on the farm land, but they contribute only 14% of our GDP. There is a huge mismatch in the number of people who work on the farm fields and the amount of economic output they contribute. So we have to shift a huge part of our population from the farm sector, from the fishing, from the farming, from the dairy production areas into the manufacturing sector, into the shop floors, to give them skills so that they are able to add economic value, not just to their incomes, but to our economy.

How can we do that? The Government can't provide these many jobs on its own, even though in India, we still have a fascination or sort of addiction to Government jobs. It is the private sector that has to step forward and create jobs. And, instead of creating an environment of fear, of uncertainty, we have to together and collectively work to make sure that we create an environment where India remains a bankable destination for investments both domestic and foreign and we can only do it, if we inspire confidence in people who believe in the India's growth story.

Indian Corporate, companies - small, big and large - all of us have to work together to make sure that we come back to the growth momentum that we had few years ago, despite the global economic down turn. We still have the wherewith-all, to withstand the irritants that come our way. We will surmount these challenges, but we can only do it together and it is not just that private sector alone or Government alone that can do it; it has to be done collaboratively. That has to be done together and people like yourself can steer the corporates in the way that they should be working to make sure there is complete transparency and we are able to show to the world that Indian Companies are doing the job of creating wealth, creating prosperity and creating jobs for our young people.

I don't know how long it will take to change the name of what all of you do, but please remember that after the passage of the Companies Act, 2013, the company secretaries now have far more powers than they ever did before and with power, comes responsibility; with greater power, you have greater responsibility. To be able to be unbiased, to be fair, to be able to give your views without biases, that is the ultimate test of this profession, and if you are able to do that, I think then you are doing justice to your job and you are doing justice to the faith that we have entrusted upon you. It has been a very interesting morning and I have had discussions with Members of the Council and other people and I see that there is excitement for the future.

Friends, there are many countries around the world which have been far better off than us in terms of economic growth and prosperity, But I see as I travel across the Nation, the faith and confidence that young Indians have in India's present and its future, it is phenomenal, it is

unmatched. I know of countries in Europe and Asia where they do not know in next 20 years where their Nations might be, but you ask any person walking in the street, in a town or a village, and you ask him or her, do you believe in this country, do you believe in the strength of fundamentals of democracy, in freedom and enterprise and moving forward, without fail most and almost everybody will say, 'Yes'.

So, we have a great responsibility not only as professionals, as politicians, as bureaucrats, as judicial officers or Parliamentarians, as citizens of the country, who have the good fortune to be living in this time and age. Because the next 20 years are going to be so crucial for this Nation. We must leave an India that is much better than what we inherited from our forefathers and these next 20 years are going to be defining for our country irrespective of the noise that you hear in the political corridors. What you might see in televisions, what you might read in the news papers, irrespective of what ideology I or you belong to, we may differ in what we believe is the best way forward, but we can't defer what is best for our country. It is unity, it is strength, it is growth, it is investment, it is caring for the poor, it is creating jobs and it is having faith in our democracy. We can differ, I mean, I can have huge differences with my political opponents but we are not enemies - we compete politically for a space, for your votes, for your faith, for your support only to be able to serve you for 5 years and that's it and that is where it should end. It should not go on to a personalized issue of I am good or you are bad. There are 44 parties in Parliament. Mr. Joseph has mentioned how Mr. Deshmukh as Finance Minister got the Companies Act passed in 1956. I am sure he had much easier time than I did. With 40 parties in Parliament, only I know what it takes to get a legislation passed, with the amount of hours we lose in ruckus in Parliament and adjournments. Between the passage of the Bill in Lok Sabha and Rajya Sabha the 8 months had lapsed. It took some effort to get consensus to get a Bill passed. But then in the end, ultimately what do I focus on, and I don't focus on the troubles and the tribulations I had to face in getting a political consensus on this particular Bill, but what I have been focusing on and show to the country and the world is the fact that, look 44 parties have got together - Ruling Party and Opposition and we passed the bill that is good for the country. So it is what you choose to focus on. I can show case this Bill as a great achievement of my Ministry and my Government but, 'No'. I think it is an achievement for the country because the Chairman of the Standing Committee of the Finance was the member of the BJP. 102 recommendations we

got from Standing Committee, 96 of them we accepted. So we worked together. This is the spirit in which all of us have to work and I think I spoke a bit about the political aspect of things, so that you can all take a lesson from how we have worked together, so that you can also work together.

There is corporate rivalry, there is competition but there must be ethics, there must be a line beyond which one must not cross because then not only you will be failing in your professional duties, but would also be letting down your country. The morals and the ethics are not coded in black and white on a piece of paper and a book, they come from within you, they come from what you have learnt, from learning, from schooling, from your parents, from your society, from your neighbors and we have a history of 5000 years; which other country can boast of such a heritage? Our cultural ethos, our beliefs, our prayers, our support system, our families - unmatched anywhere in the world. So, if we keep all of this together and singularly focus on doing our job to the best of our capacity and capability, I am sure we can come up stronger than anybody else.

At this convention, it has been a pleasure to be here this morning to speak very openly and candidly with you and Mr. President, I am sure that you and your Members of the Council will take this Institute to greater heights and I can assure the fullest support of my Ministry and my personnel support and I wish you all the very best for the future.

Thank you and Jai Hind.