



THE LITTLE WHITE BOOK OF GOVERNANCE

*A collection of quotes to
inhale and absorb.*



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Foreword

Governance is a popular word that adorns the PR leaflets of the investment management industry. However, there is a gap between the preaching and the actual implementation - partly because there is no agreed definition of good governance but mostly because investment managers focus on returns while they subscribe to an incorrect definition of risk.

Risk is often equated as volatility: the up and down movement of the price of an asset. However, volatility is not risk. If you were to hold an asset for a long period of time, its volatility may disappear – but the risk may still be there.

The risk in any investment is the permanent loss of capital which emanates from investing in a company with a bad business model or investing in a company with a poor governance framework. Much of the issues around governance – as highlighted in many of the quotes in *The Little White Book of Governance* - boil down to the intent of the founder, the ability of the board to protect minority shareholders, and a culture of ethics; all of which would prevent permanent loss of capital. Greed and the yearning for an adrenalin shot from returns gets in the way of evaluating risks of poor governance. Satyam is an example of a company which was a constituent of the indices, a 'must own' stock for many fund managers - but was not in Quantum Advisor's client portfolios due to the red flags in governance which our analysis exposed. Many such companies exist in many indices.

As trustees of your capital, good governance is a required attribute of any portfolio company. No matter how large a company's market cap may be and no matter what its dominance in an index, if the company fails our proprietary Integrity Screen, we will not invest in it. In a world where returns are the sole focus for many, we are committed to seek to invest in companies which follow the simple dictum of Be Good. Do Good.





What is governance?





Only when the last tree has died and the last river has been poisoned, and the last fish has been caught, will we realise we cannot eat money.

Cree, Native American Proverb



We do not inherit the Earth from our ancestors; we borrow it from our children.

Native American Proverb





*We never know the worth of water
till the well is dry.*

Thomas Fuller



*The natural environment sustains the
life of all beings universally.*

Dalai Lama





Earth provides enough to satisfy every man's needs, but not every man's greed.

Mahatma Gandhi



In a free enterprise, the community is not just another stakeholder, but it is in fact the very purpose of its existence.

Jamsetji Tata



Supposing I have come by a fair amount of wealth - either by way of legacy, or by means of trade and industry - I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community.

As to the meaning of "corporate social responsibility," Friedman and I would agree: If a certain action improves the corporation's bottom line, there's no point in labelling it "socially responsible." It's just good business.

Robert Reich



Business can constitute an enormous force for goodness in society. Through its commitments to corporate citizenship and to the principles of the UNGC, the global business community can continue to create and deliver value to society.

Talal Abu-Ghazaleh



Businesses need to go beyond the interest of their companies to the communities they serve.

Ratan Tata





History shows that where ethics and economics come in conflict, victory is always with economics. Vested interests have never been known to have willingly divested themselves unless there was sufficient force to compel them.

B. R. Ambedkar



Making peace with nature is the defining task of the 21st century.

António Guterres





***One of the first conditions of happiness
is that the link between man and
nature shall not be broken.***

Leo Tolstoy



***The activist is not the man who says the
river is dirty. The activist is the man who
cleans up the river.***

Ross Perot





We can never have enough of nature.

Henry David Thoreau



*Sustainable development is the
pathway to the future we want for all.
It offers a framework to generate
economic growth, achieve
social justice, exercise
environmental stewardship
and strengthen governance.*

Ban Ki-Moon





Strong government doesn't mean simply military power or an efficient intelligence apparatus. Instead, it should mean effective, fair administration - in other words, good governance.

Raghuram Rajan



Public servants should be focused on serving the public - not any special interest group, and good governance should be an expectation - not an exception.

Abigail Spencer





Good governance never depends upon laws, but upon the personal qualities of those who govern. The machinery of government is always subordinate to the will of those who administer that machinery. The most important element of government, therefore, is the method of choosing leaders.

Frank Herbert



Money is like manure. It stinks when you pile it; it grows when you spread it.

JRD Tata





***Know all the theories, master all techniques,
but as you touch a human soul be
just another human soul.***

Carl Jung



***When you shake someone's hand and get
your hands back. Count your fingers. If you
don't have five fingers, don't shake
their hands again.***

Gentleman from South Africa to Ajit, 1989





*There is no pillow as soft as
a clear conscience.*

Glen Campbell



*We must conserve what we still have,
we must restore what we've lost, and
we must grow what we need to live
without degrading the planet for future
generations to come.*

Jeff Bezos





Businesses have a profound opportunity to help build a more sustainable future, one born of our common concern for the planet we share.

Tim Cook





Building the foundations of governance





The means is as important as the end.

Mahatma Gandhi



Leadership must entail trusteeship. Leaders are stewards of the unwritten rules we once took for granted, that constituted the common good.

Robert B. Reich





If you believe in unlimited quality and act in all your business dealings with total integrity, the rest will take care of itself.

Frank Perdue



The glue that holds all relationships together, including the relationship between the leader and the led, is trust, and trust is based on integrity.

Brian Tracy





If your client has a problem with ethics, a signed contract may not be enough to protect you from expensive litigation.

Paul E. Casey



There is no right way to do the wrong thing. Ethical choices sometimes require sacrifice. This may not always lead to positive feelings for the decision-maker, but it should always lead to positive feelings for those affected by the decision-maker.

Christopher Gilbert



Corporate governance should be done more through principles than rules.

Adi Godrej

Organisations need to practice qualitative corporate governance rather than quantitative governance thereby ensuring it is properly run. You cannot legislate good behaviour.

Mervyn King



The boardroom is not merely a conference room; it's the bridge of a corporate vessel, guiding the company through the turbulent waters of the business world.

Hendrith Vanlon Smith Jr



***Building trust is a process.
Trust results from consistent and
predictable interaction over time.***

Barbara M. White





***The real threat to business is from within,
from poor ethical standards and lack of
integrity that can do incalculable harm.***

Azim Premji



***If ethics are poor at the top, that behaviour
is copied down through the organization.***

Robert Noyce





A man without ethics is a wild beast loosed upon this world.

Albert Camus



Corporate culture matters. How management chooses to treat its people impacts everything for better or for worse.

Simon Sinek





Progress is impossible without change, and those who cannot change their minds cannot change anything.

George Bernard Shaw



We cannot solve our problems with the same thinking we used when we created them.

Albert Einstein





Nothing can withstand the power of the human will if it is willing to stake its very existence to the extent of its purpose.

Benjamin Disraeli



Happiness is not a state of mind but a way of being, an activity of the soul in accordance with virtue.

Michael Sandel





Don't ask, What do I want from life? Ask a different set of questions: What does life want from me? What are my circumstances calling me to do?

David Brooks



Real integrity is doing the right thing, knowing that nobody's going to know whether you did it or not.

Oprah Winfrey





***Honesty is the first chapter in the
book of wisdom.***

Thomas Jefferson



***Apply yourself. Get all the education you
can, but then, by God, do something.
Don't just stand there, make it happen.***

Lee Iacocca





*Do your little bit of good
where you are.*

Desmond Tutu



*There are no secrets to success. It is the
result of preparation, hard work, and
learning from failure.*

Colin Powell





*A man of faith will remain steadfast to truth
even though the whole world might
appear to be enveloped in falsehood.*

Mahatma Gandhi



*Excellence endures and sustains.
It goes beyond motivation into the
realms of inspiration.*

Azim Premji





The only way to do great work is to love what you do. If you haven't found it yet, keep looking. Don't settle.

Steve Jobs





Why governance matters in the world of investments





Investment is an act of faith.

Manmohan Singh



We need a mutual fund industry with both vision and values; a vision of fiduciary duty and shareholder service, and values rooted in the proven principles of long-term investing and of trusteeship that demands integrity in serving our clients.

John C. Bogle





The question of markets is really a question about how we want to live together. Do we want a society where everything is up for sale? Or are there certain moral and civic goods that markets do not honour, and money cannot buy?

Michael Sandel



To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity.

Douglas Adams





I think a problem for most people in a fiduciary capacity is to eliminate self and greed and all those things so that they can actually be in a fiduciary capacity where the artist comes first or the client, whoever the client happens to be.

Shep Gordon



It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

Warren Buffett





It is not the profit margins of the past but those of the future that are basically important to the investor.

Philip Fisher



Play fair, be prepared for others to play dirty, and don't let them drag you into the mud.

Richard Branson





*Never deceive others, in business or in life.
In 1995, I was deceived by four companies –
four companies that are now closed.
A company cannot go far by deceit.*

Jack Ma



*We cannot be mere consumers of good
governance, we must be participants; we
must be co-creators.*

Rohini Nilekani





Governance: Perspectives of founders and independent directors



Founders are key to good governance

People believe that only public limited companies need to be concerned about corporate governance. The reality is all companies, big or small, private or public, startups or established companies, exist in an environment where good governance is imperative. Corporate governance has got much more traction in the last few years, mainly because there have been some serious cases of misgovernance which has had a huge impact on shareholder value. The Indian government has tightened regulations, looked at the role of the boards, the separation of the role of a chairperson from Managing Director, and the role of independent directors.

The Indian capital markets regulator, SEBI, has also put in place some strong regulations. The institutional investors, whether Indian institutional investors or foreign institutional investors, have started evaluating companies on corporate governance. The proxy advisory agencies are also putting pressure on corporates to improve governance. All this is a very welcome development for India Incorporated, whether it's a public company or a private company. Increasingly, key stakeholders - whether employees, board members – gauge how well governed companies are before they decide to join.

So, these are all very good steps and I'm sure the overall governance standards in India will improve dramatically in the next few years. And I am very, very happy that this is happening.

For me, governance goes beyond just compliances. It encompasses a transparent set of rules and controls in which all of stakeholders are aligned and the highest standards of corporate governance are practiced.

Many times, there are conflicts between a stakeholder and the organization. In my view, the organization's interest should always come first. Whether it's a conflict between founders and the organization or some key loyal employees and the organization. The interest of the organization should be first. And to me that is a thumb rule for having the best governance standards: the organisation's



interests must prevail. Many of my friends are founders who have built and are managing publicly listed companies and they believe “this is my company”, which is completely untrue. I think the starting point of good governance is at the top where the founder notes that this company just doesn't belong to the family, but it also belongs to others - especially when it's a publicly traded company where there are outside shareholders. Once there is a recognition that there are public shareholders, and that is recognised, then the founder should start practicing much higher standards of governance and not treat the company as their own company. The rules and regulations now force founders to recognise that the company has a broader set of shareholders and these rules make founders behave accordingly.

Harsh Mariwala

Chairman, Marico Ltd.





***I define Good Governance as being
Ethical and Honest.***

***Good governance leads to better
business performance which is
beneficial to all Stakeholders, be it
shareholders, employees, vendors,
dealers, customers and society.***

Narotam Sekhsaria



***Governance is balancing the interests of all
stakeholders in the enterprise and
discharging to the full the fiduciary
responsibility bestowed on the Board and
complying with the law.***

Mohandas Pai





Governance is running your business and taking every single action in a manner in which it would not cause you the slightest embarrassment if it was reported the next day in the newspapers.

Keki Mistry



Governance begins where compliance ends.

Ajay Nanavati





Governance is corporate poetry in motion. It's a dynamic that seeks balance in its reflection of the corporate story. It's ever changing. It seeks equilibrium between management and strategic direction; between profit and purpose; between shareholder value and stakeholder impact. It demands careful attention - like poetry.

Marsha Vande Berg



Good governance gives minority investors confidence that they won't be forgotten or ignored.

Derek Brodersen





***Governance is self-discipline
to do the right thing.***

Hormazdiyaar Vakil



***Corporate governance is about
running the business ethically while
delivering value to all stakeholders.***

Nalini Kak





***Governance is a process -
a never ending one!***

Uma Mandavgane



***Corporate governance is not just about
adherence to the law. It's about defining
the values of the business.***

Lloyd Mathias





Governance is more culture and practices than Standard Operating Procedures and Rules.

Mrutyunjay Mahapatra



Good governance is the cornerstone of sustainable success and an outcome of organisations that are committed to transparency, accountability, and ethical decision-making in every facet of their operations.

Homi Katgara





More money is lost for lack of good governance than is made by adopting smart business strategies.

The safety of your investment lies in the belly of good governance.

Kaiwan Kalyaniwalla



Transparency and judiciousness are the two pillars of governance. Governance is not just about doing the right thing, it's also doing it the right way. Cliché as it may sound, that's what it is.

Shilpa Desai



Governance is managing the affairs of a firm, corporate body or state in a transparent manner to the overall benefit of all stakeholders, enjoying all forms of freedom of expression, within the framework of the constitution and the governor putting other stakeholders' interests ahead of self interest.

Srinivasan C.

••————••

Good governance means the company is rarely in conflict with regulatory or socially acceptable norms. It also means that the corporates are process driven and do not work as per the whims and self-interest of any individual.

Surjit Banga



Minority investors' hard earned savings are invested in companies to meet the long term commitments and goals of the investors.

Hence, good Governance by the company is expected by these minority investors.

S. R. Balasubramanian



Sustainability must be the focus for Corporate Governance.

It should address: Organizational growth and profitability; Environmental protection; Social justice; Equality.

Suresh Lulla





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