

“Corporate Governance - Excellence Enablers Report”



India has the maximum number of listed companies, but our governance can improve.

Excellence Enablers, stewarded by Mr Damodaran analysed the NIFTY 100 basis Annual Reports, Stock Exchange filings and Company Website information. The study data throws light on a few issues:

1. On an average the Nifty 100 has 11 board members.
2. The concept of Independent Director nomination is followed, the few defaulters are Public Sector Undertakings.
3. 40 % of companies have a Chairman cum MD as one person, separating the two is good corporate governance!
4. Two thirds of companies do not nominate a Lead Director. The concept of a Lead Director is important. Bharat Doshi was the Lead Director at the Godrej Consumer Products board and I learnt a lot from him.
5. 60 % of the Nifty 100 have at least 1 woman director and 36 % have 2 women directors, that's good progress. The few ones who don't have are PSUs
6. Boards meet once a month now, that's good since pace of business change is quick. Meeting once a quarter is old hat in a fast changing world.
7. The top 8 issues discussed by boards seem to be the here and now issues. Time is not spent on Succession, Talent, Competitiveness, Business models etc.
8. 16 companies do a shareholder satisfaction survey, it's a good idea that should be copied by all.

9. Independent Directors are required to meet on their own once every year. That norm is being followed, but they should meet amongst themselves more often. I remember as Chairman of Burger King, Me, Tara Subramaniam and Sandeep Chaudhary, the Independent Directors would meet every quarter.

10. 30 % of companies pay the maximum sitting fees which is Rs 1 lac per sitting, Most others are centred around Rs 50,000.

11. Very few companies offer a Profit linked commission to Directors. When offered too, the directors do not max it, payout is less than 75 %.

12. POSH - 1624 cases were registered in 2024 in 100 companies, that's 16 per company per annum or about 1.5 per month. The closure of the cases does not have full disclosure, what happened without naming people is good, I think companies can do a better job here.

13. Board evaluation - 80 % is done internally via a questionnaire, I think this can be done by a third party and for better impact discuss with the Chair and lead director. I would recommend putting the board evaluation on the company website, shareholders have a right to know how their Directors are faring.

14. There were 494 whistleblower complaints, that's 5 per company per annum, this process can be more robust. Whom to contact is not clear in many companies, The Audit Committee Chairman contact details are not visible in all companies. We had a funny situation in one firm where the CEO was trying to help a person guilty in a POSH case by being lenient

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Corporate Governance Nifty 100

Excellence Enablers Report

METHODOLOGY

The Survey is based on important Corporate Governance related information, that is available in public domain, about each listed company.

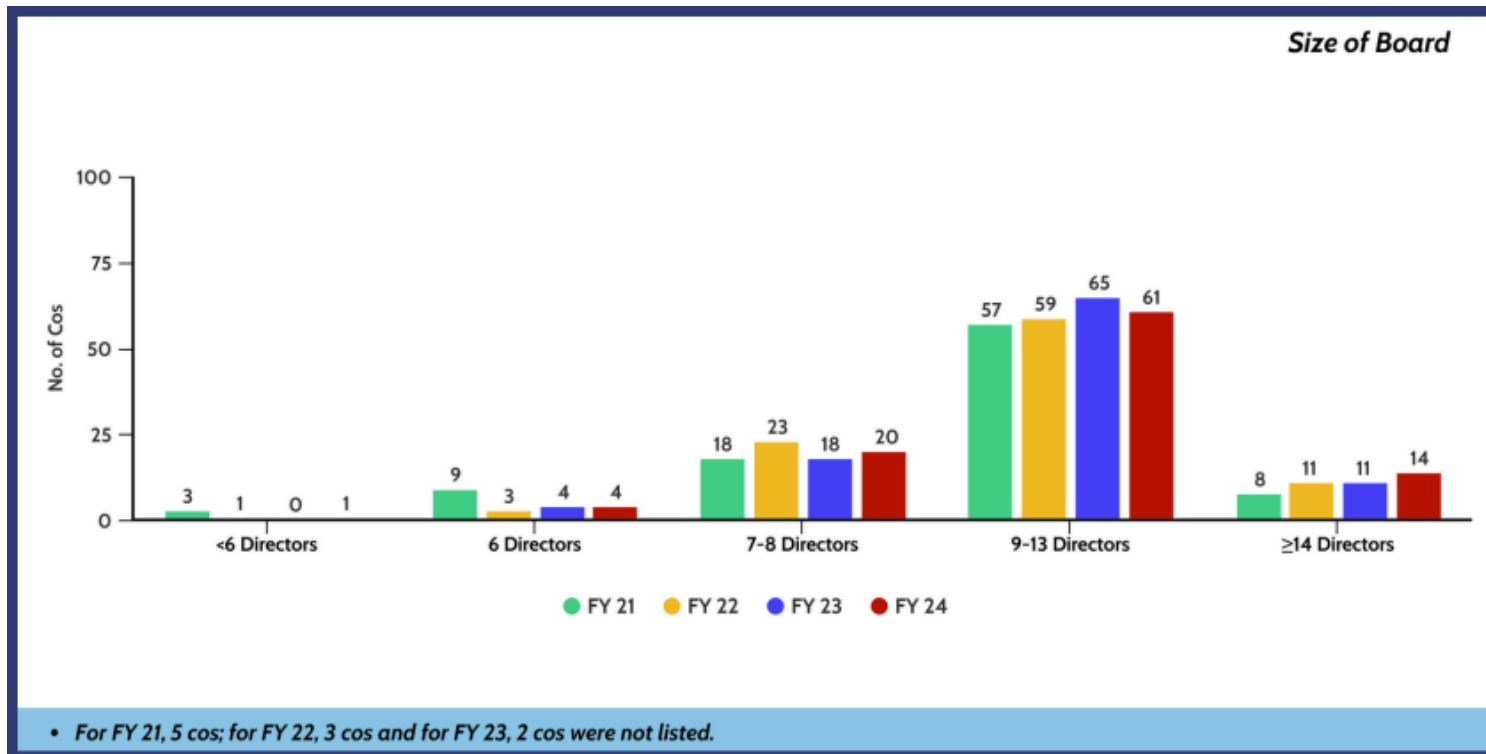
We have used the Annual reports, Stock Exchange and website disclosures of NIFTY 100 companies as a base to look at parameters that impact on, and manifest, the Corporate Governance standards of companies. While compliance requirements come from the Companies Act, 2013 and the Rules thereunder, and SEBI LODR Regulations, 2015, we have considered some generally accepted good practices in the area of Corporate Governance, which a number of companies have been following for some time. In some places, as has been mentioned under the relevant parameters, we have looked at website disclosures for each of the companies concerned.

We have not commented on any of the specifics of any company. We have also not named any company throughout the Survey since our focus is on encouraging each company to reflect on its practices having regard to those that are being practiced by many of the NIFTY 100 companies.

In this report, the parts mentioned in blue are the legal provisions relating to the relevant parameters. We have quoted only the sections/ sub-sections/ parts thereof which are relevant. We have also not made any changes to the language of any legal provision, and have chosen to live with drafting inelegance.

BOARD COMPOSITION

SIZE OF BOARD

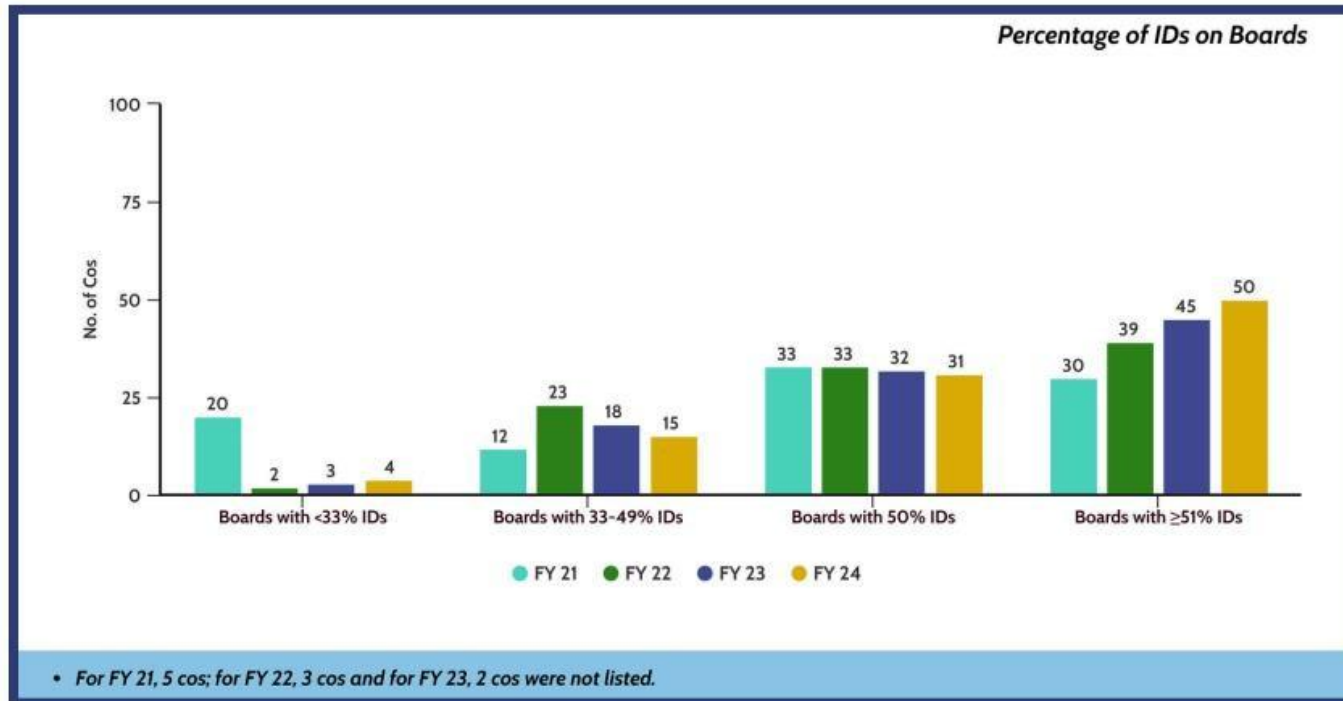


- As per Section 149(1) of the Companies Act, every company shall have a Board of Directors consisting of individuals as directors and shall have—
 - (a) a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and
 - (b) a maximum of fifteen directors
- As per Regulation 17(1)(c) of SEBI LODR Regulations, 2015, the Board of Directors of the top 1000 listed entities (wef April 1, 2019) and the top 2000 listed entities (wef April 1, 2020) shall comprise of not less than six directors.

One of the factors that impacts on the performance of a Board is its size. With 5 mandatory Board committees, there ought to be enough Board members to ensure that committees are properly constituted, and do not have the same members on almost all committees, with resultant information asymmetry, adversely impacting those who are not on committees.

- In FY 21, minimum Board size was 5 in 3 companies (making them non-compliant), and maximum Board size was 19.
- In FY 22, minimum Board size was 5 (making it non-compliant), and maximum Board size was 17
- In FY 23, minimum Board size was 6 in 4 companies, and maximum Board size was 18.
- In FY 24, minimum Board size was 5 (making it non-compliant), and maximum Board size was 20.
- In previous 4 FYs, the average size of Board
 - in FY21 was 9.86,
 - in FY22 was 10.41,
 - in FY23 was 10.48
 - in FY24 was 10.52
- The same company continued to have the maximum Board size in the 4 Fys.

PERCENTAGE OF IDs



The following number of companies were non-compliant, with less than prescribed minimum number of IDs

- As on March 31, 2021, 21 companies (of which 14 were PSUs and 5 were PSBs). 3 PSUs had no IDs.
- As on March 31, 2022, 14 companies (of which 7 were PSUs and 4 were PSBs).
- As on March 31, 2023, 6 companies (of which 5 were PSUs).
- As on March 31, 2024, 4 companies (of which 3 were PSUs and 1 was PSB).

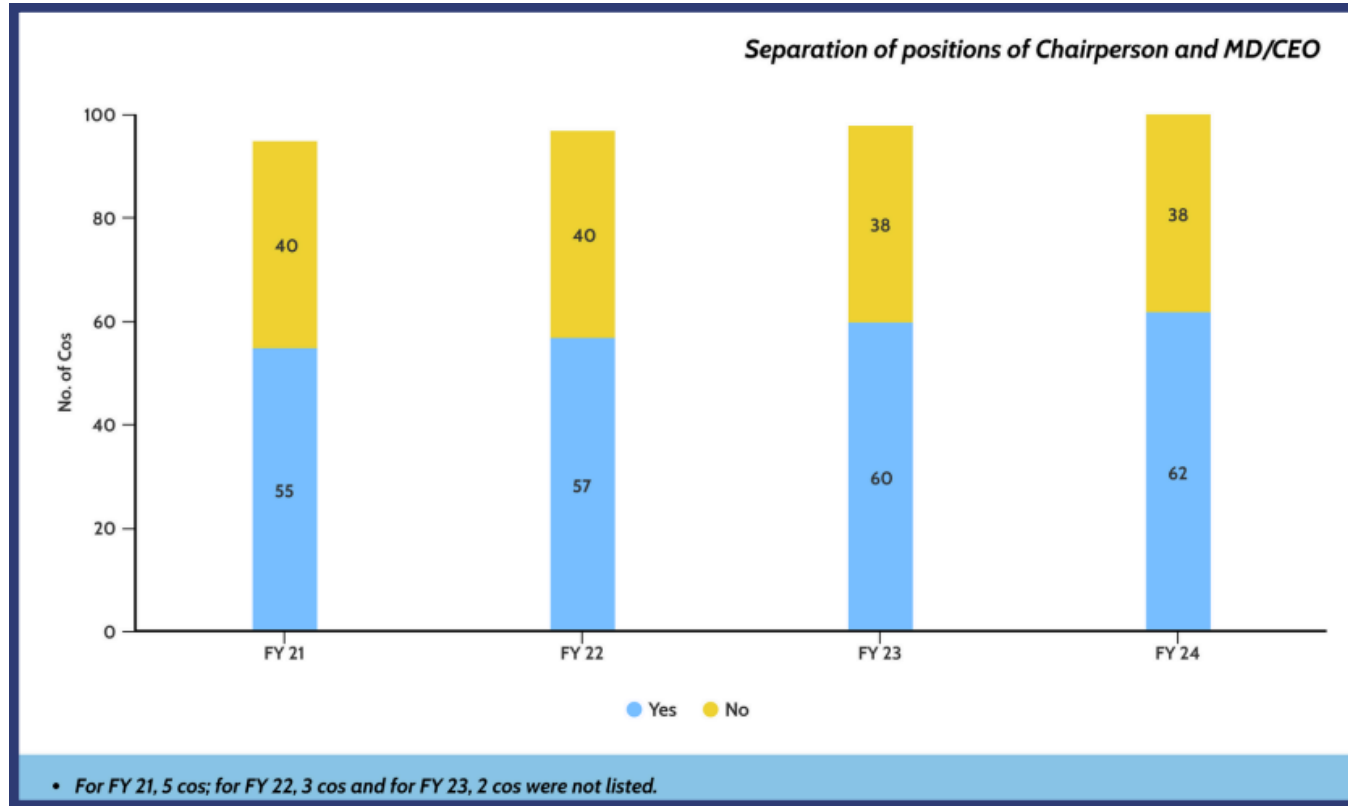
- As per Section 149(4) of the Companies Act, 2013, every listed public company shall have at least one-third of the total number of directors as independent directors.
- As per Regulation 17(1)(b) of SEBI LODR Regulations, 2015, where the chairperson of the Board of Directors is a non-executive director, at least one-third of the Board of Directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the Board of Directors shall comprise of independent directors: Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of Board of Director or at one level below the Board of Directors, at least half of the Board of Directors of the listed entity shall consist of independent directors.

Explanation.- For the purpose of this clause, the expression “related to any promoter” shall have the following meaning:

- (i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;
- (ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

SEPARATION OF POSTS OF CHAIR AND MD/CEO

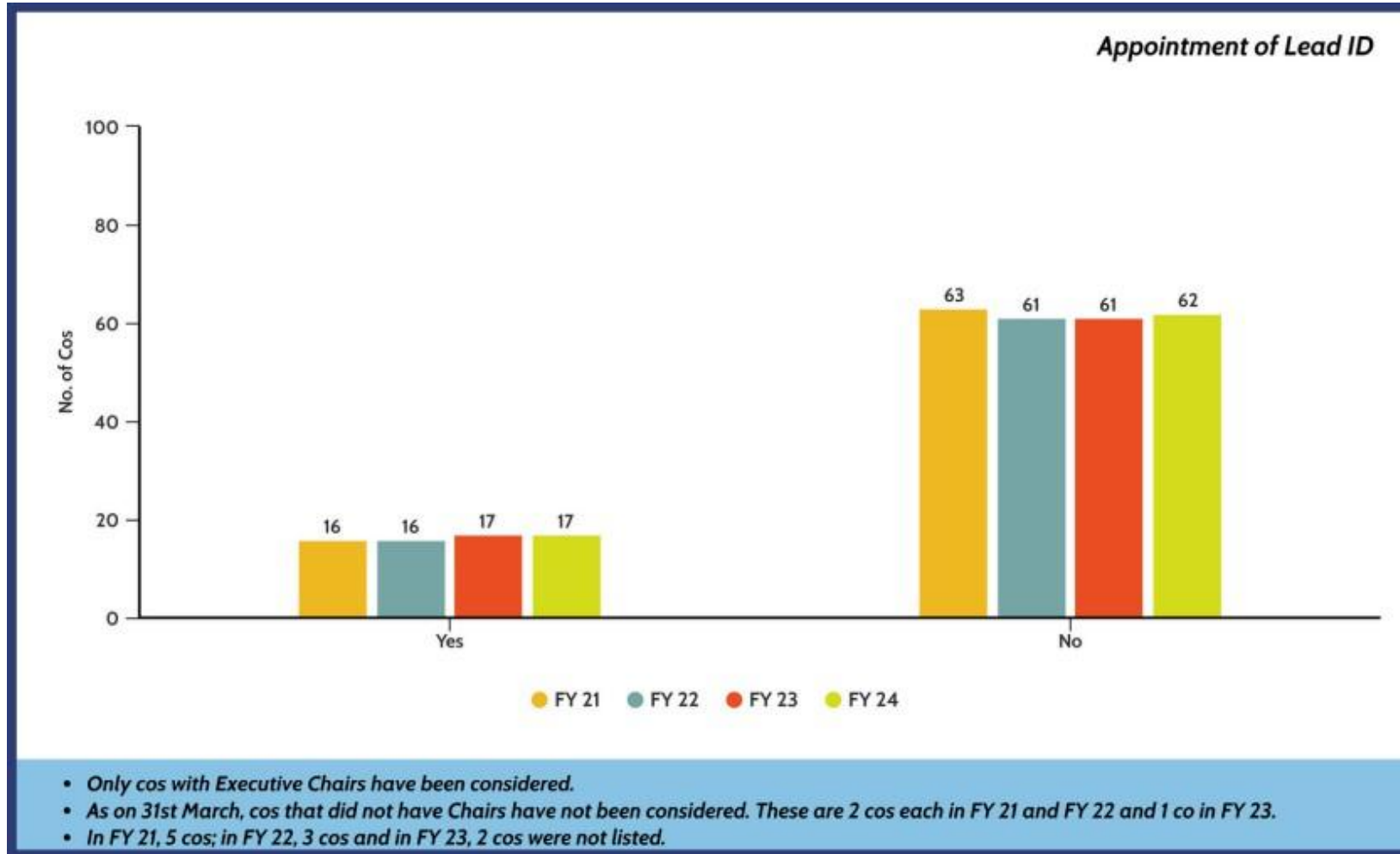
The Chairperson is the Chairperson of the Board, and the MD is the Chief Executive of the company. Combining these 2 roles in one person runs counter to the basic principle of Corporate Governance which is that the management, headed by the MD, shall be answerable to the Board headed by the Chairperson. If both the Chairperson and the MD have executive responsibilities, the requirement of Corporate Governance does not get adequately addressed. It is unfortunate that this separation has been made non-mandatory.



- In FY 21, FY 22, FY 23, and FY 24 respectively, 10, 8, 10 and 9, non- PSUs did not have separate Chairperson and MD.

APPOINTMENT OF LEAD ID

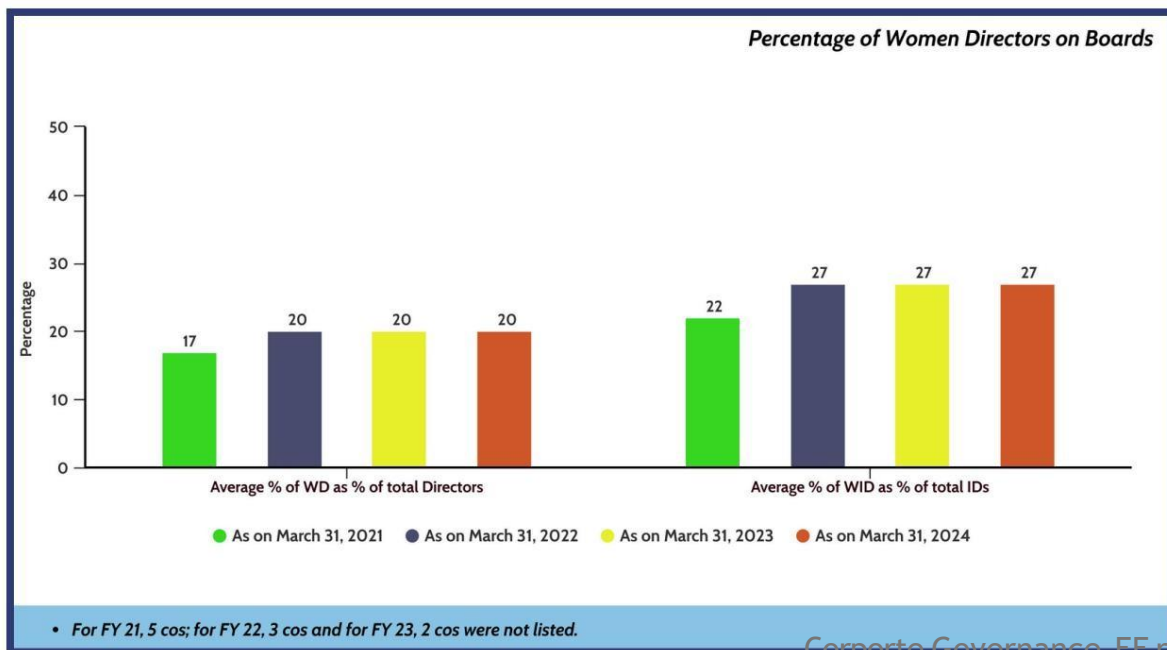
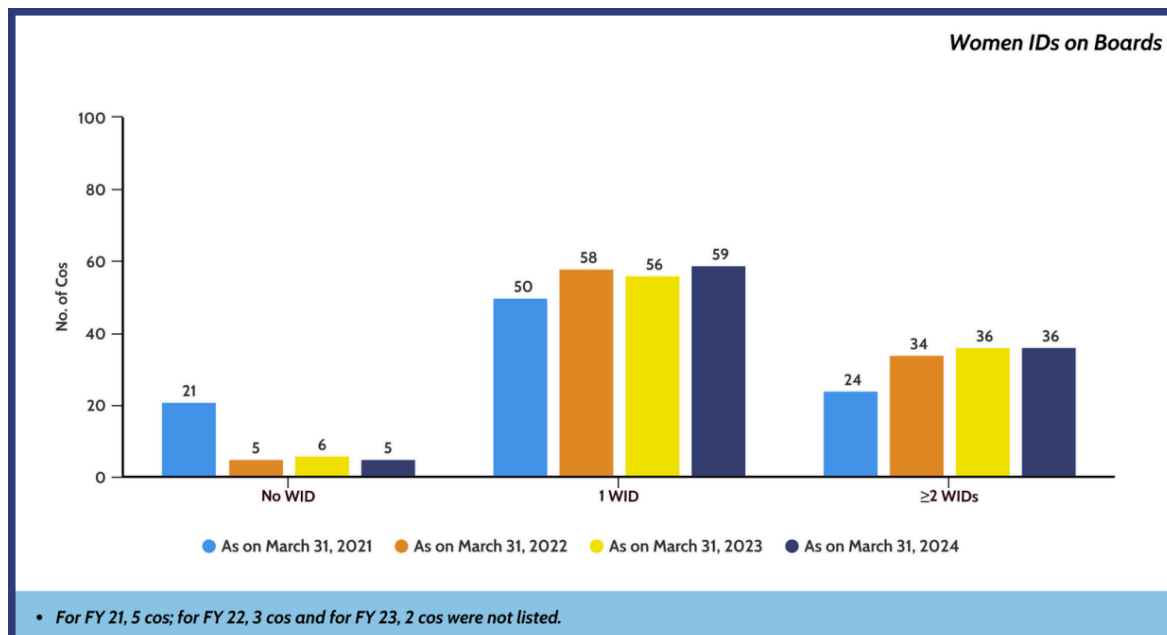
Appointment of Lead ID should be made mandatory for Boards which have an Executive Chairperson.



- In previous 4 FYs, 12 companies continued to have a Lead ID.

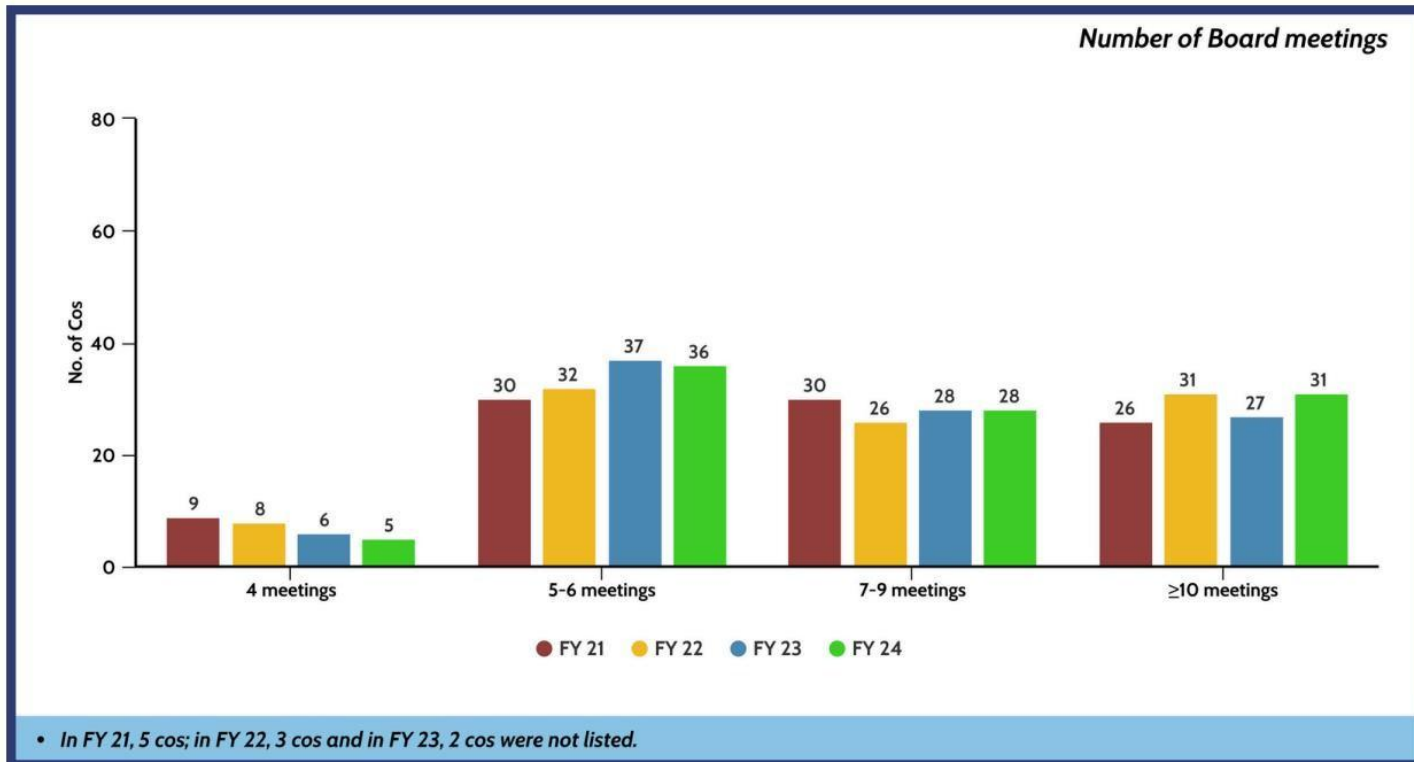
DIVERSITY ON BOARDS

PERCENTAGE OF WOMEN DIRECTORS



- As per Section 149(1) of the Companies Act, 2013 and Rule 3 of the Companies (Appointment and Qualifications of Directors) Rules, 2014, the following class of companies shall appoint at least one woman director (i) every listed company; (ii) every other public company having (a) paid-up share capital of one hundred crore rupees or more; or (b) turnover of three hundred crore rupees or more.
- As per Regulation 17 (1)(a) of SEBI LODR, 2015, Board of Directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent. of the board of directors shall comprise of non-executive directors; Provided that the Board of directors of the top 500 listed entities shall have at least one independent woman director by April 1, 2019 and the Board of directors of the top 1000 listed entities shall have at least one independent woman director by April 1, 2020.
- Following companies did not have a woman ID on their Boards As on March 31, 2021, 21 companies (including 12 PSUs and 3 PSBs). As on March 31, 2022, 5 companies (including 1 PSU and 1 PSB). As on March 31, 2023, 6 companies (including 3 PSUs and 1 PSB). As on March 31, 2024, 5 companies (including 4 PSUs and 1 PSB).
- Following companies had women MDs As on March 31, 2021 and as on March 31, 2022, 2 companies each, of which 1 company was common. As on March 31, 2023 and as on March 31, 2024, 5 companies, of which 3 companies are common.
- Following companies had women Chairs As on March 31, 2021, 2 companies. As on March 31, 2022, 5 companies. As on March 31, 2023, 4 companies. As on March 31, 2024, 5 companies. 2 companies are common across the 4 years.

NUMBER OF BOARD MEETINGS

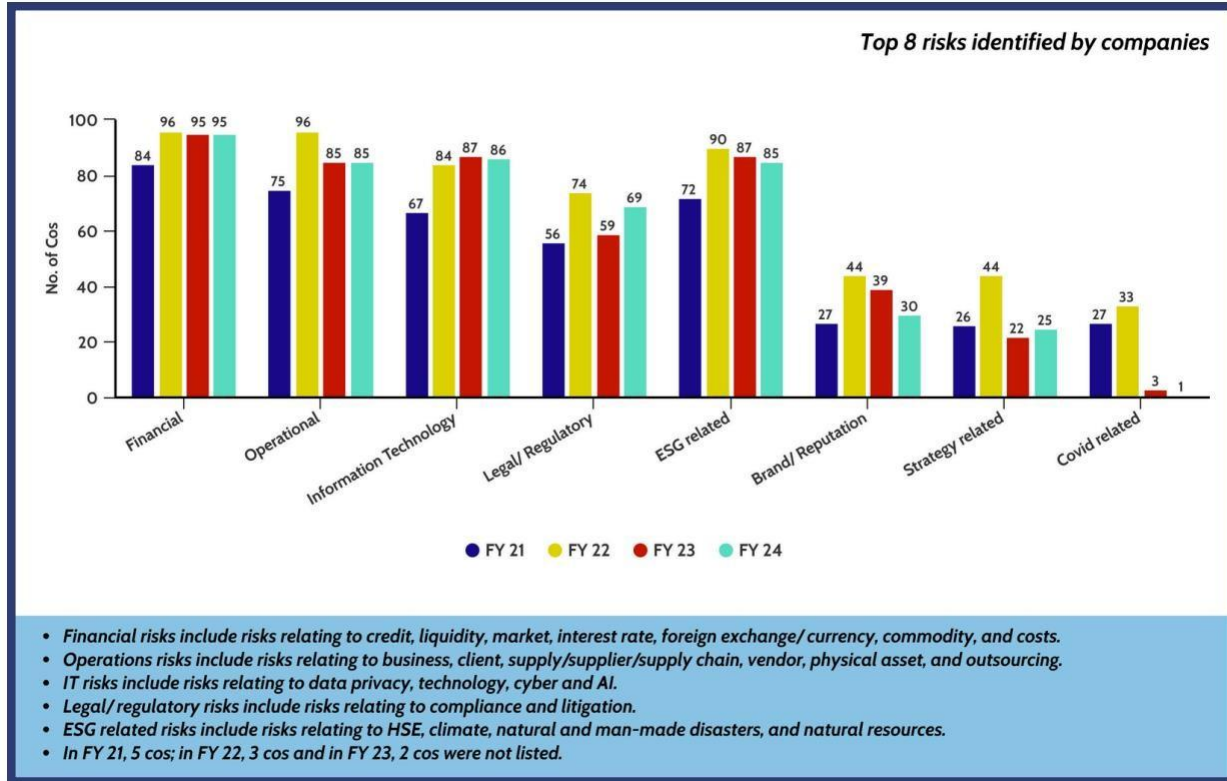


- As per Section 173(1) of the Companies Act, 2013, every company shall hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.
- As per Regulation 17(2) of SEBI LODR Regulations, 2015, the Board of Directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.

The minimum number of Board meetings prescribed by law and regulations is 4. Experience has however shown that companies that have at least 6 Board meetings, of sufficiently long duration, are able to extract more value from the Boards.

- Happily, in the case of Board meetings, most companies have exceeded the minimum of 4 meetings. More Board meetings should ordinarily add value, especially with the meetings, that do not focus on quarterly financial results, being able to devote quality time to other important items, such as strategy, succession planning and the like. However, if meetings are held far too often, they become routine engagements, with diminishing utility kicking in.
- Highest number of Board meetings conducted were
 - in FY 21, 19 in 2 companies,
 - in FY 22, 26,
 - in FY 23, 23,
 - in FY 24, 23.
- It might be worthwhile for such Boards to examine the productivity of, and the requirement for, such meetings.

TOP 8 RISKS IDENTIFIED BY COMPANIES



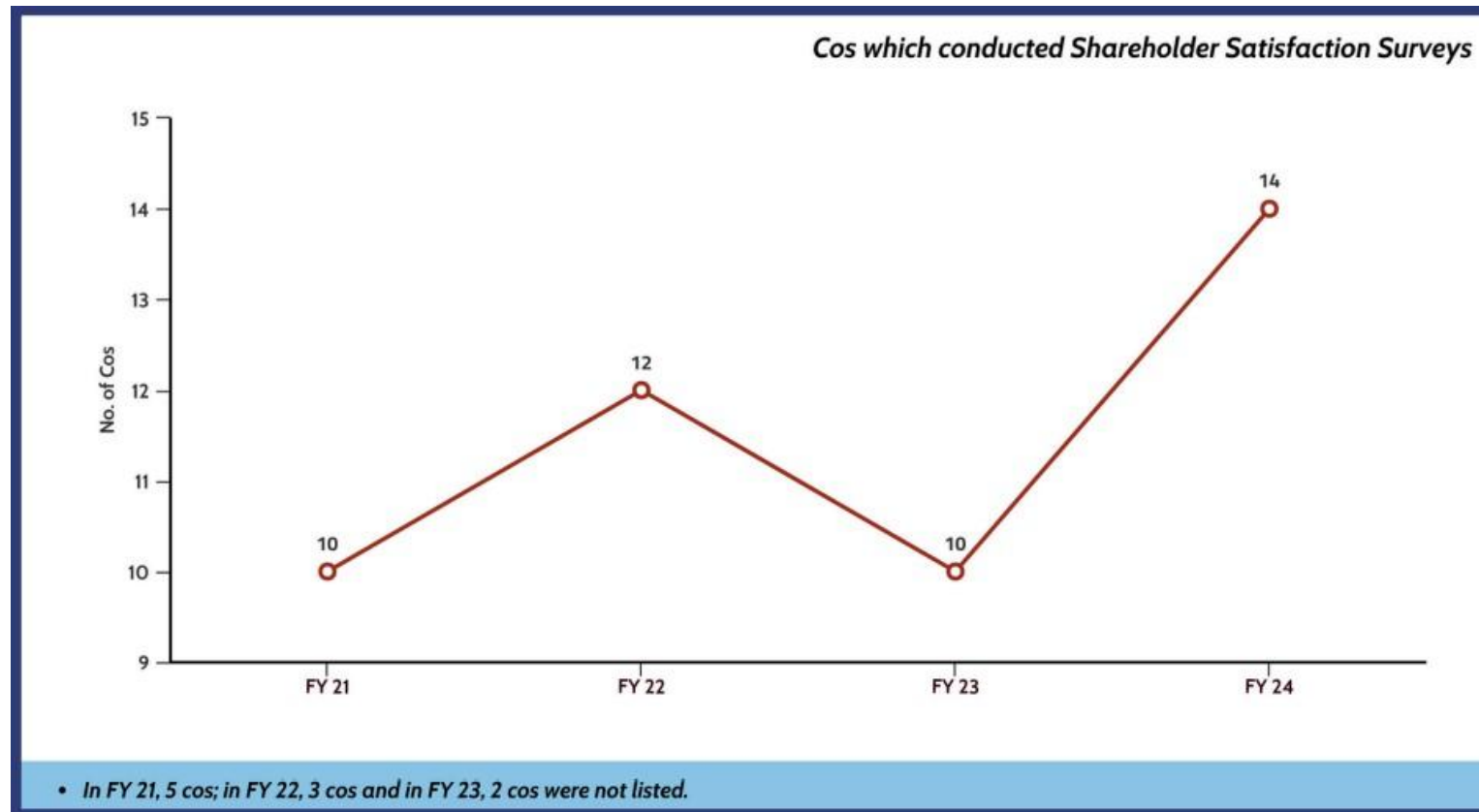
- As per Regulation 21(4) of SEBI LODR Regulations, 2015, the board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security (wef April 1, 2019)
- As per Schedule II (Part D) of SEBI LODR Regulations, 2015, the role of the committee shall, inter alia, include the following:
 - (1) To formulate a detailed risk management policy which shall include:
 - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
- As per Schedule V (B)(1)(e) of SEBI LODR Regulations, 2015, Management Discussion and Analysis: This section shall include discussion on the following matters within the limits set by the listed entity's competitive position
 - (e) Risks and concerns

Risk mitigation should commence with a robust process for identification of risks, and an assessment of their impact and probability

- Some of the other risks which stand out in the 4 FYs are lack of succession planning, absence of business continuity plan, inadequate HR/ talent management, geo-political risks, human rights, diversity and inclusion, business ethics and integrity, fraud, IPR, Research and Development etc.

SHAREHOLDER SATISFACTION SURVEY

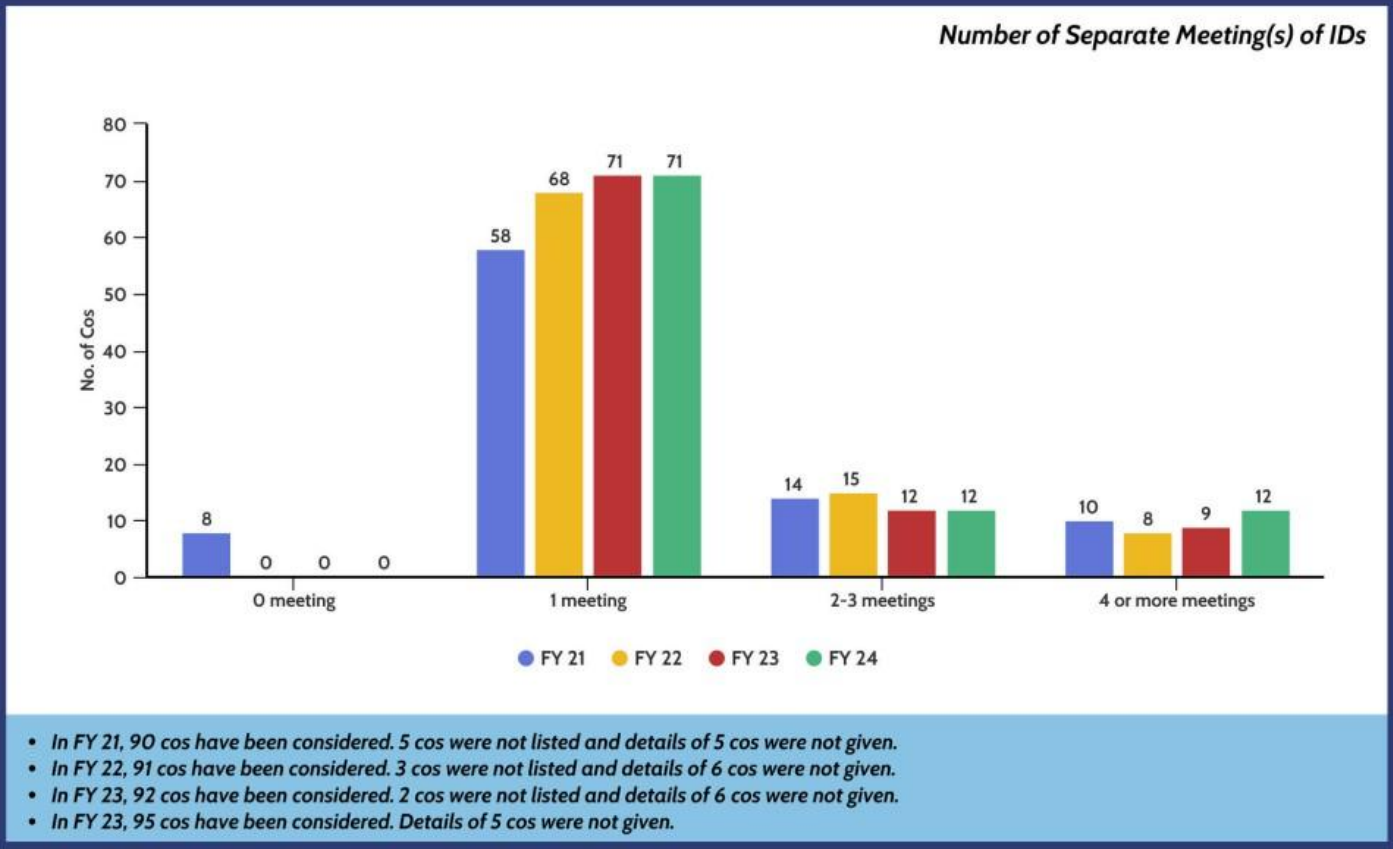
The Shareholder Satisfaction Survey, that some companies conduct, enables them to identify areas for improvement that need to be worked on, and to reinforce those aspects that seem to be meeting with the approval of the shareholders. However, a survey conducted through the process of administering questionnaires, many of which can be responded to mechanically, does not serve the purpose that is intended. Questionnaires should contain questions that are open ended, and invite the respondents to express, in their own words, their thoughts, ideas and concerns. The multiple answer format may not yield the desired results.



- In previous 4 FYs, 4 companies are common.

NUMBER OF MEETINGS

SEPARATE MEETING OF IDs



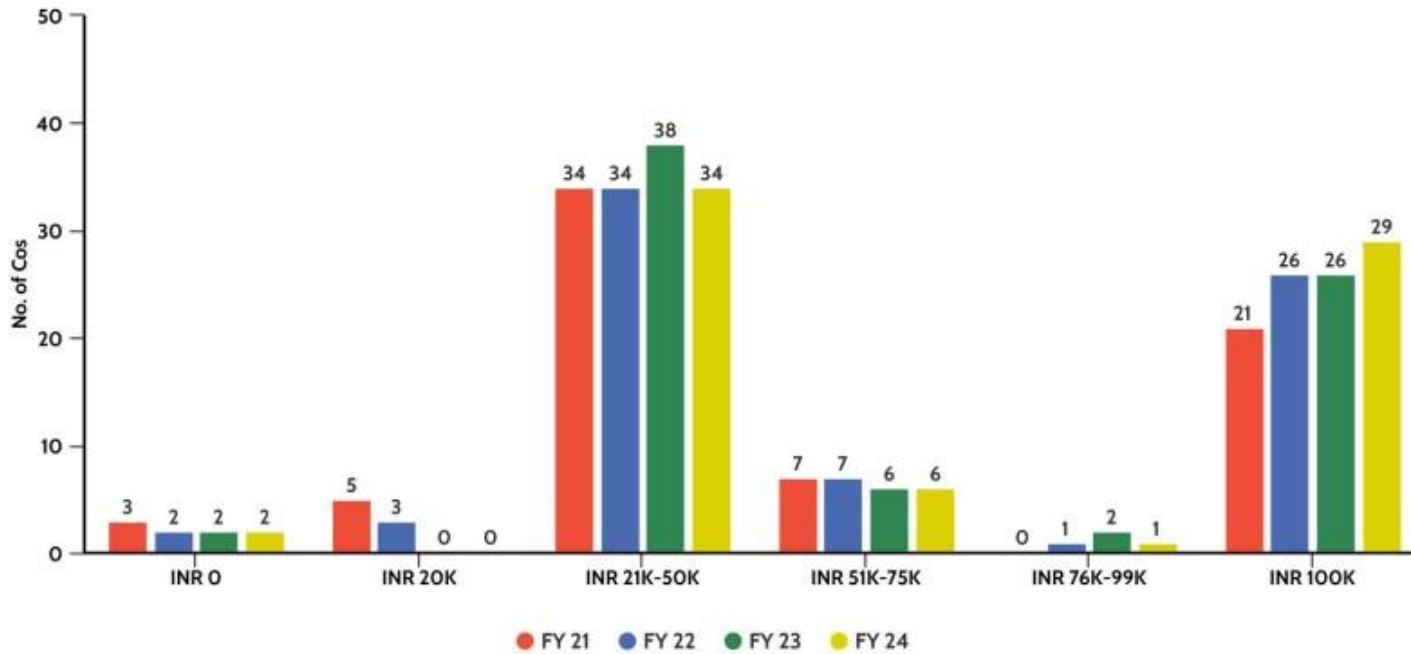
- As per Schedule IV (VII) (1) of the Companies Act, 2013, the independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management.
- As per Regulation 25(3) of SEBI LODR Regulations, 2015, the independent directors of the listed entity shall hold at least one meeting in a financial year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting. SEPARATE MEETING OF IDs

The prescription that the separate meeting of IDs should be held at least once in a FY, has led to some companies having only one such meeting conducted each year. This meeting of IDs is a forum for exchange of ideas, and for articulating shared concerns and suggestions that can be projected to management. Since it has been provided in Schedule IV in the portion relating to Board evaluation, the inference seems to be that the meeting should address the subject of evaluation, and nothing else. Such an approach would be a gross under-utilisation of a very valuable forum.

- Highest number of meetings in all 4 FYs was 5.
- In all 4 FYs, 48 companies continued to have only 1 such meeting.

SITTING FEES PAID FOR BOARD MEETINGS

Sitting fees paid for Board meetings



- For FY 21, 70 cos; FY 22, 73 cos; FY 23, 74 cos and FY 24, 72 cos have been considered.
- For FY 22, 23 and 24, 1 co; did not give the data for sitting fees for Board Meetings.
- While the other cos have been paid sitting fees, they have not given the amount per meeting.
- For FY 21, 5 cos; in FY 22, 3 cos and in FY 23, 2 cos were not listed.

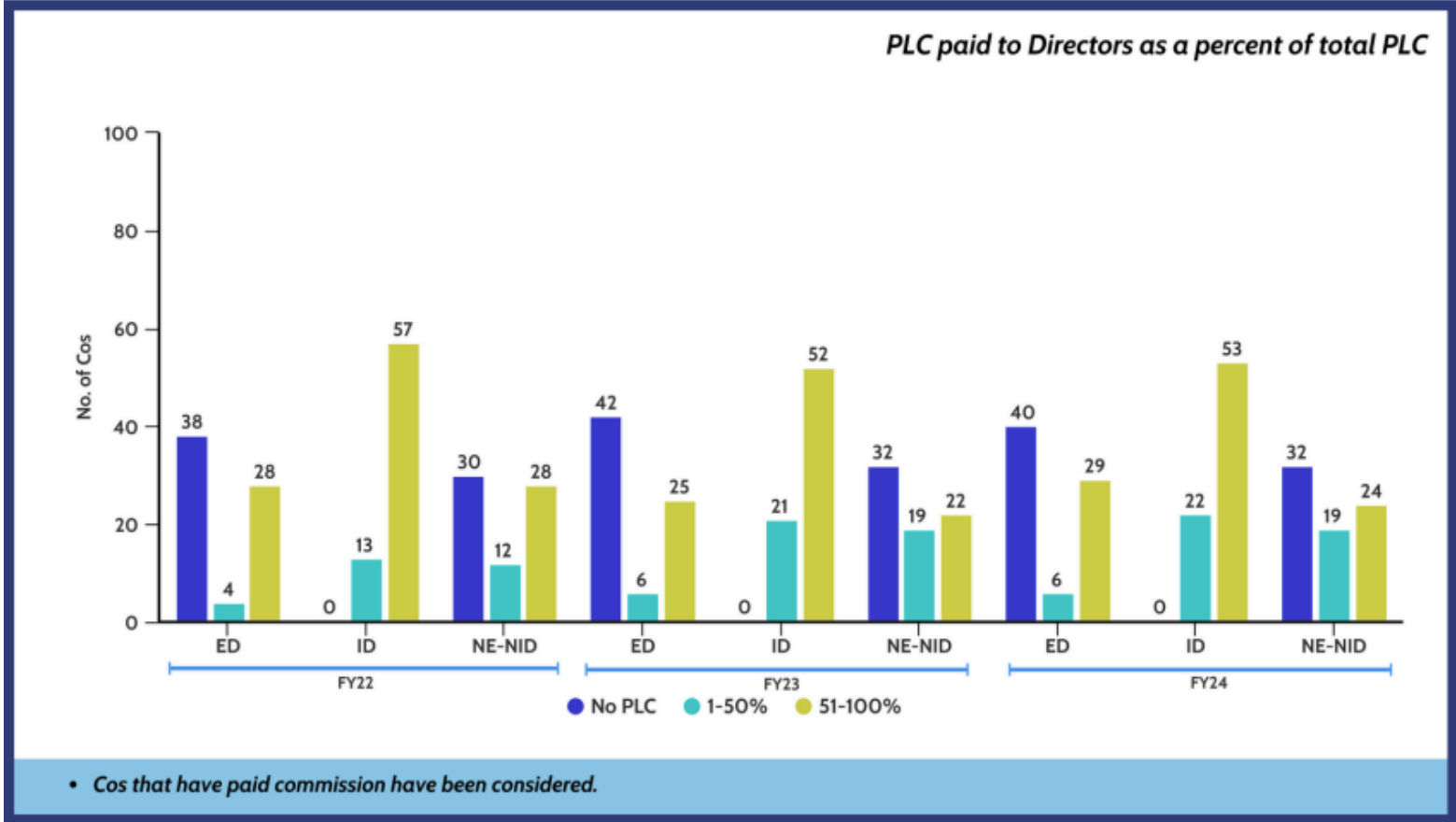
- As per Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a company may pay a sitting fee to a director for attending meetings of the Board or committees thereof, such sum as may be decided by the Board of directors thereof which shall not exceed one lakh rupees per meeting of the Board or committee thereof: Provided that for Independent Directors and Women Directors, the sitting fee shall not be less than the sitting fee payable to other directors.

If Directors are expected to commit quality time, and to contribute to improving corporate performance, it is necessary to compensate them appropriately for attending meetings. The expectation is that Directors of all categories will be paid the same amount of sitting fees per meeting. In this context, the provision (mentioned above), especially the reference to “woman directors” is interesting, to say the least.

Taking into account the vastly increased responsibilities of the Board and the Directors, as well as the longer number of hours required for productive Board meetings, it would be appropriate for more companies to increase the sitting fees to INR 1 lakh per meeting. This might also persuade persons who can add value to the Board, but are staying away from Boards, to reconsider their position vis-à-vis Board directorship.

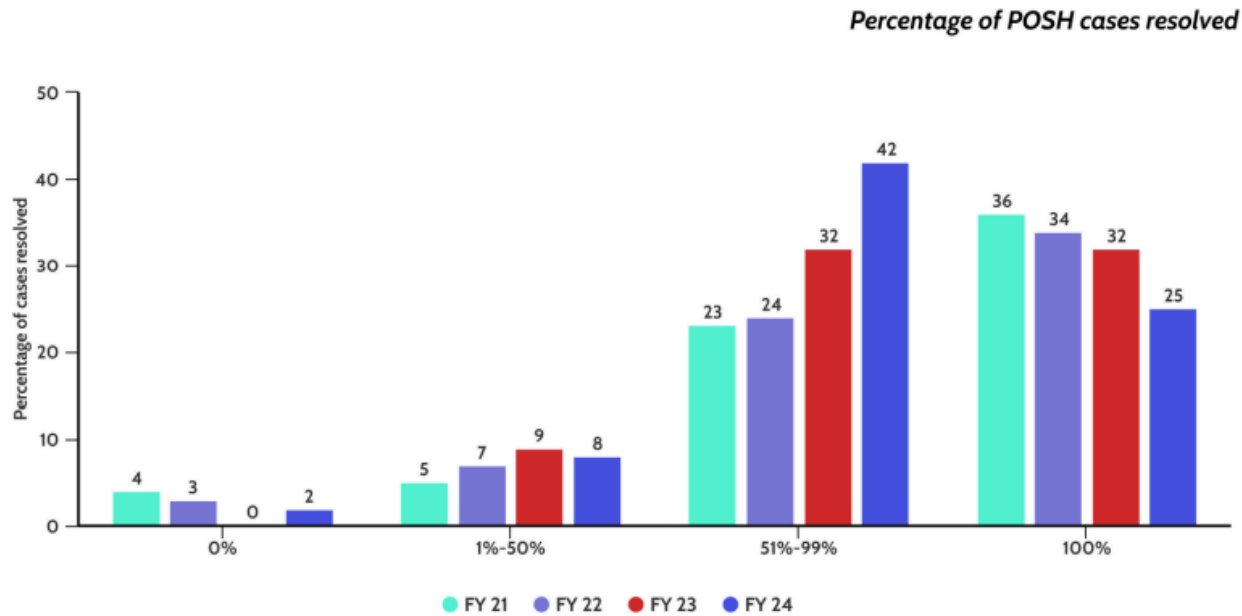
- In all 4FYs, 4 companies paid additional sitting fees to the Chair of the Board/ committees. In previous 4 FYs, 3 companies were common.

PERCENTAGE OF PROFIT LINKED COMMISSION PAID TO DIRECTORS



- Banks (including PSBs) and insurance companies are governed by RBI/ IRDAI stipulations and so have been excluded.
- PSUs have not been considered.
- In FY 22,
 - 3 NIDs each in 3 companies were paid PLC amounting to 40-50% of the total.
 - 2 NIDs each in 2 companies were paid more than 50% of the total PLC.
 - 17 companies paid 100% PLC to IDs. 1 company paid 3.78% to IDs, and 94.9% to WTDs.
- In FY 23,
 - 1 NID each in 2 companies were paid PLC amounting to 45-50% of the total.
 - 1 NID in 1 company was paid more than 50% of the total PLC.
 - 22 companies paid 100% PLC to IDs. 1 company paid 0.78% to IDs, and 99% to WTDs.
- In FY 24,
 - 4 NIDs in 4 companies each were paid PLC amounting to 40-50% of the total.
 - 1 NID each was paid more than 50% of the total PLC.
 - 14 companies paid 100% PLC to IDs. 1 company paid 3.11% to IDs, and 95.39% to WTDs.
- The highest % of total PLC paid to 1 NID in FY 22, FY 23 and FY 24 was 67.08%, 70.26%, and 59.79% respectively.
- No company paid 100% PLC to WTDs in all 3 FYs

DISCLOSURE RELATING TO POSH



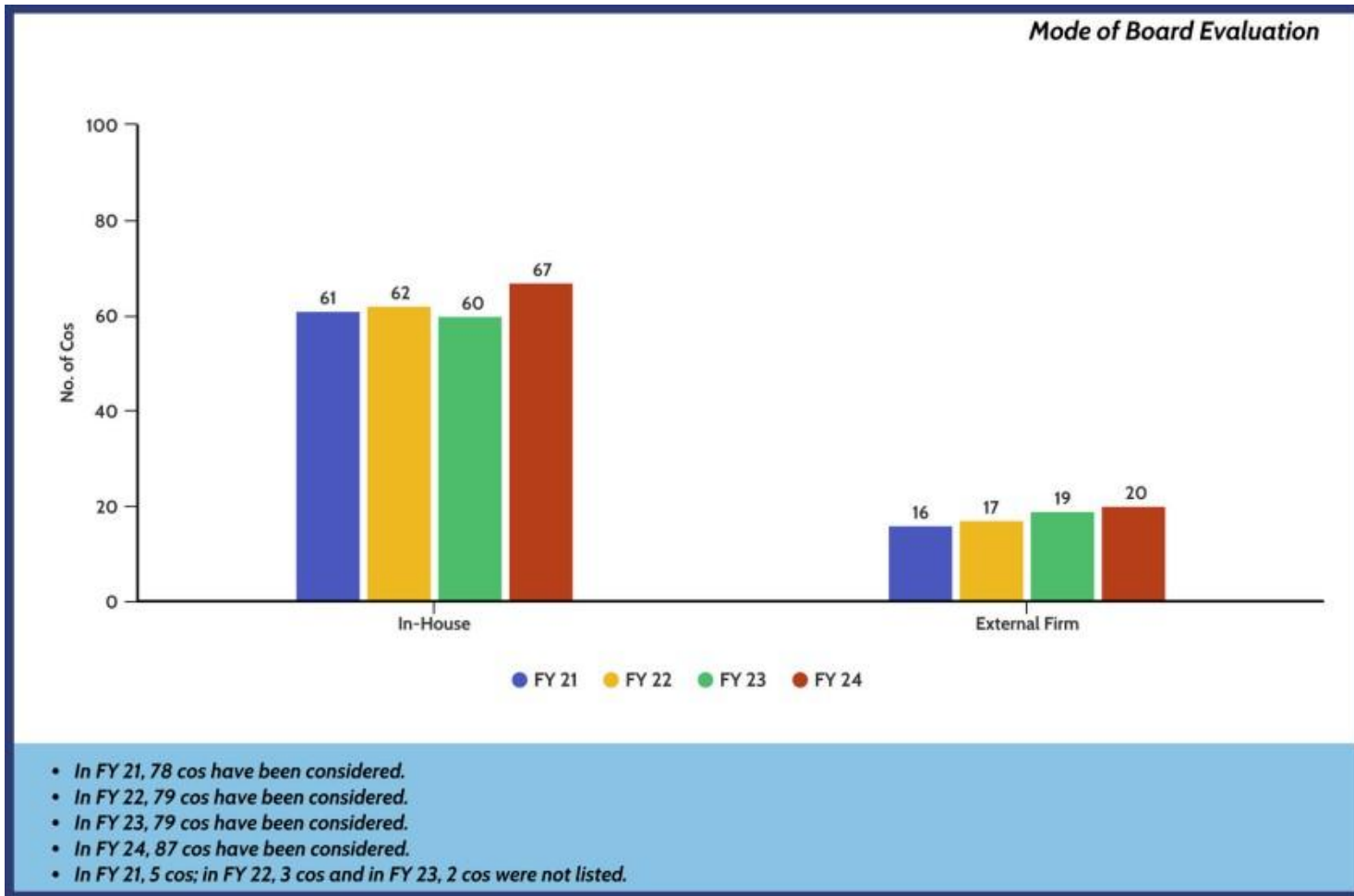
- Cos which reported zero complaints have been excluded.
- For FY 21, 5 cos; in FY 22, 3 cos and in FY 23, 2 cos were not listed.

- In FY 21, 660 cases were reported, and 554 cases were shown as disposed of.
- In FY 22, 798 cases were reported, and 687 cases were shown as disposed of.
- In FY 23, 1188 cases were reported, and 1042 cases were shown as disposed of.
- In FY 24, 1622 cases were reported, and 1464 cases were shown as disposed of.
- From the reporting, it is not clear in how many of these, the allegations were established, and appropriate remedial action was taken. Since creation of a safer workplace is the objective, clarity on this account would have been helpful. In FY 24, 23 companies reported receiving 0 complaints.
- In FY 21, FY 22 and FY 23, 27, 29 and 23 companies respectively had reported receiving 0 complaints. The absence of complaints would seem to indicate either an ideal workplace or the lack of confidence among employees in reporting cases of this nature.
- In previous 4 FYs, the highest number of cases were reported by the same 1 company. The highest number of cases in FY 21 were 70, in FY 22 were 55 cases, in FY 23 were 141 cases, and in FY 24 were 182 cases. The resolution relating to these cases were 80%, 76%, 88% and 89% per year respectively.

- As per Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the employer shall include in its report the number of cases filed, if any, and their disposal under this Act in the annual report of his organization or where no such report is required to be prepared, intimate such number of cases, if any, to the District Officer.
- As per Rule 8(5)(x) of the Companies (Accounts) Rules, 2014, Board report shall contain a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
- As per Schedule V (C) (10) (l) of the SEBI LODR Regulations, 2015, a listed Company shall make a disclosure in the section on the corporate governance of the annual report in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013: a. number of complaints filed during the financial year b. number of complaints disposed of during the financial year c. number of complaints pending as on end of the financial year.

The Prevention of Sexual Harassment (POSH) of women at the workplace is one of the most important responsibilities of management. Towards this end, cases of this nature are expected to be examined and disposed of, fixing responsibility in instances where the allegation is established. The 2 major weaknesses seem to be the mechanical manner in which cases are “disposed of” and the inadequate punishment that often does not serve as a deterrent or help to create the right working environment.

BOARD EVALUATION



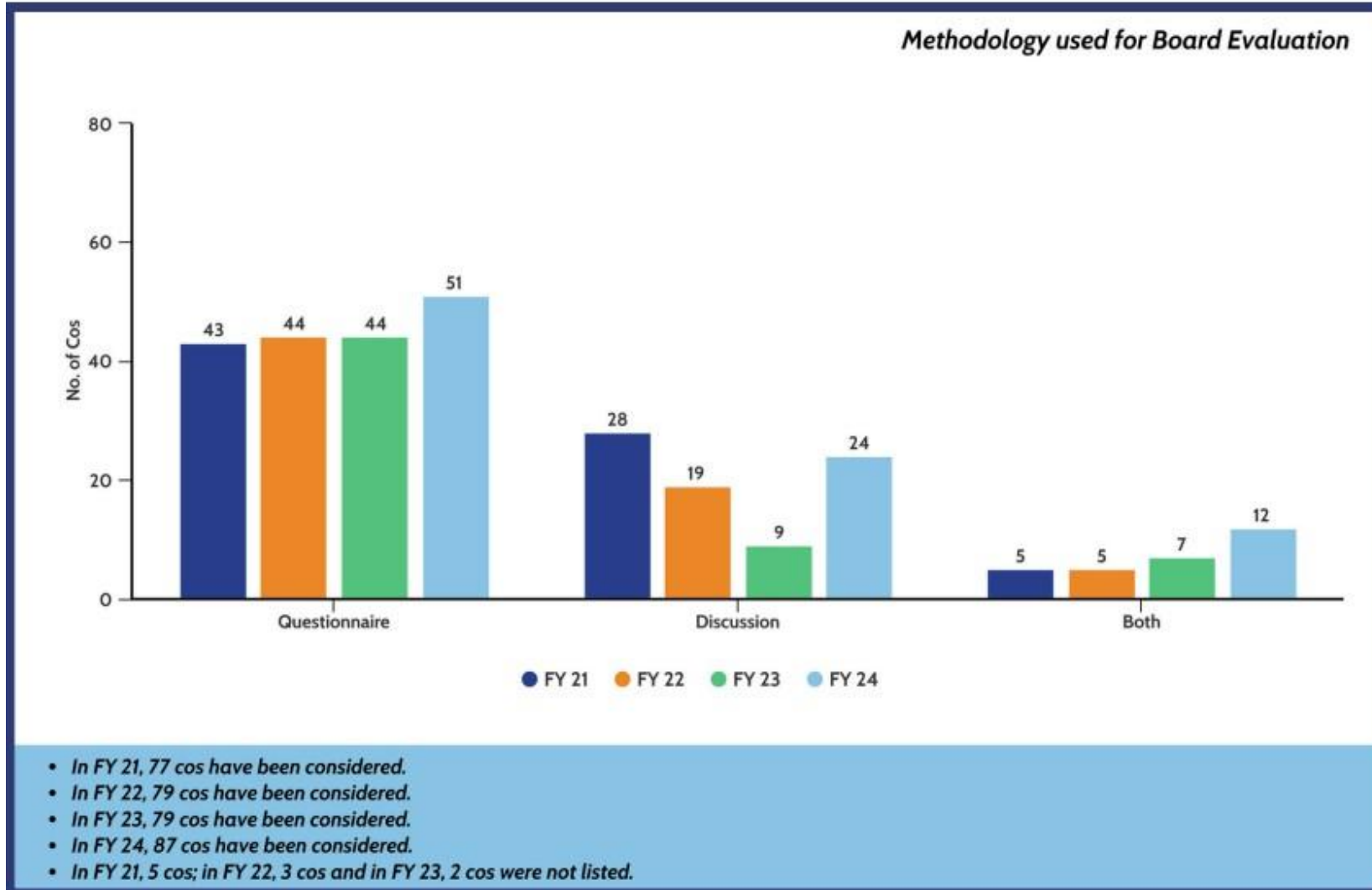
- As per Section 178(2) of the Companies Act, 2013, the Nomination and Remuneration Committee shall.... specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance
- As per Regulation 17(10) of SEBI LODR Regulations, 2015, the evaluation of independent directors shall be done by the entire board of directors which shall include - (a) performance of the directors; and (b) fulfillment of the independence criteria as specified in these regulations and their independent from the management: Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.
- As per Regulation 25(4) of SEBI LODR Regulations, 2015, the independent directors in the meeting referred in sub-regulation (3) shall, inter alia- (a) review the performance of non-independent directors and the board of directors as a whole; (b) review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors; (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

MODE

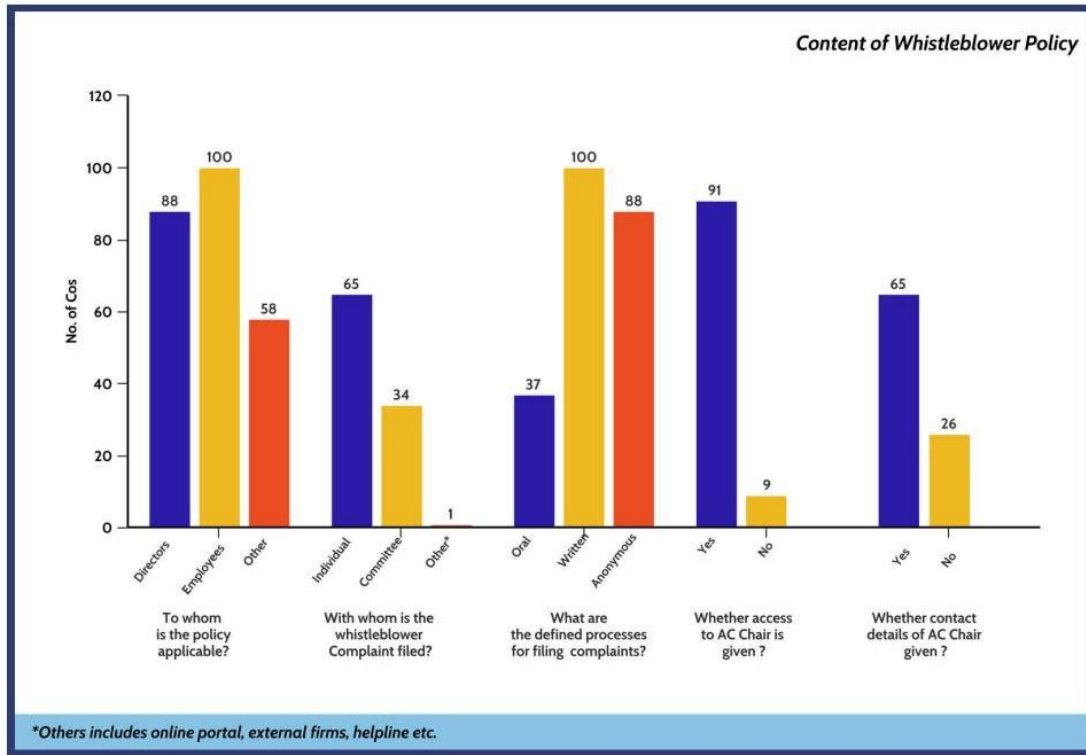
When carried out with sufficient seriousness and rigour, Board evaluation is a very important tool to enable the Board, its committees, its Chairperson and the Directors to significantly improve performance. Presently, most Board evaluation exercises are carried out in a routine fashion, with no attempt being made to extract value from the exercise. A major failure is that following the process of evaluation, no feedback is given to the persons concerned, to improve their performance. A few progressive companies have embarked on preparing action plans arising out of Board evaluation, with the intention of monitoring the implementation, and reporting the performance in the subsequent year.

METHODOLOGY

Experience has shown that neither a questionnaire approach, nor a discussion approach, is, by itself, a satisfactory method. A robust process should involve both these elements.



VIGIL/ WHISTLEBLOWER MECHANISM



- Out of 91 policies which provide an access to the Chair of AC,
 - 26 have given an email id and an address of the Chair of AC.
 - 47 have given only an email id. Of these, 17 are general email ids.
 - 44 have given an address. Of these, 34 are company addresses and 10 are personal addresses of Chairs of ACs.

- As per Section 177(10) of Companies Act, 2013, the vigil mechanism under sub-section (9) shall provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases:

Provided that the details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's report.

- As per Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014,
 - Every listed company and the companies belonging to the following class or classes shall establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances- (a) the Companies which accept deposits from the public; (b) the Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees.
 - The companies which are required to constitute an audit committee shall oversee the vigil mechanism through the committee and if any of the members of the committee have a conflict of interest in a given case, they should recuse themselves and the others on the committee would deal with the matter on hand.

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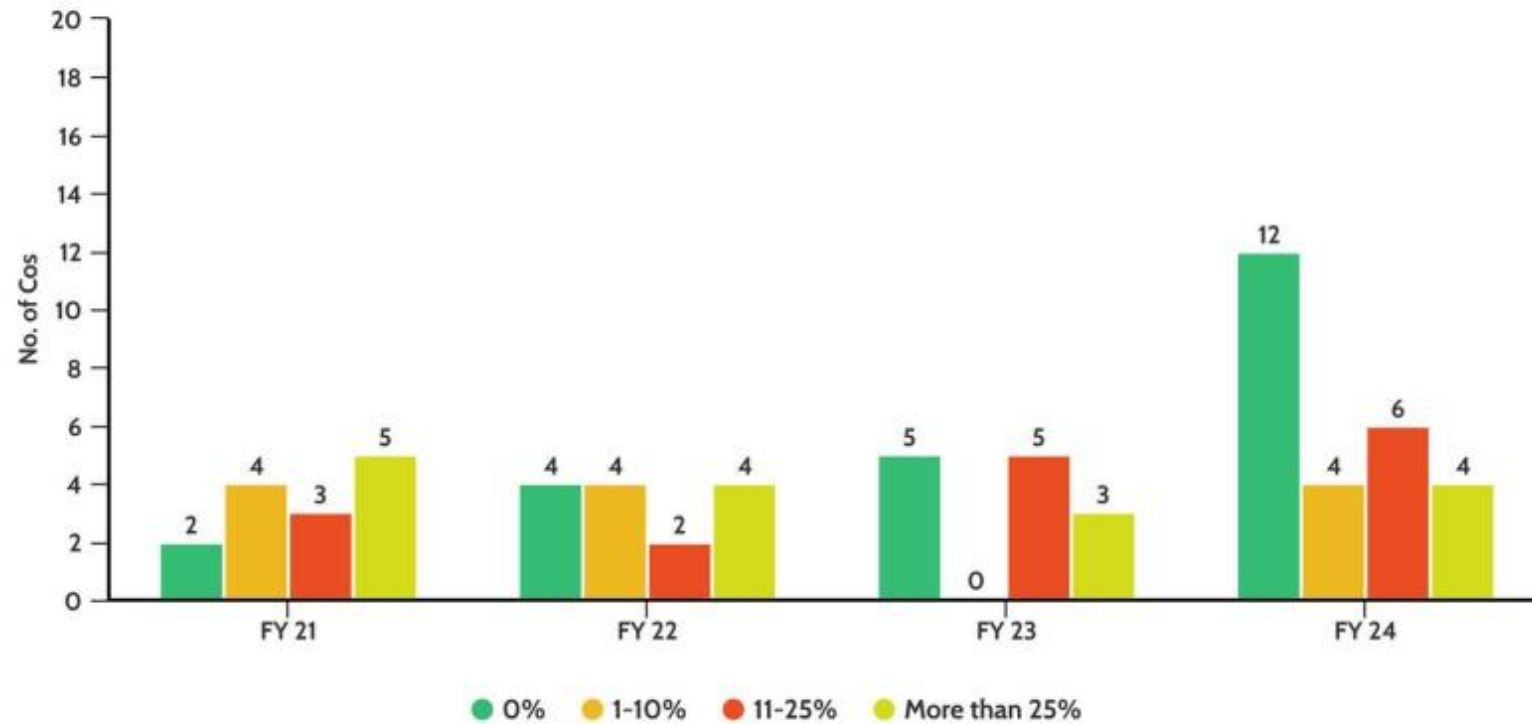
(4) The vigil mechanism shall provide for adequate safeguards against victimisation of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee or the director nominated to play the role of Audit Committee, as the case may be, in exceptional cases

- As per Regulation 22(2) of SEBI LODR Regulations, 2015, the vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

The Whistleblower Mechanism, also known as the Vigil Mechanism, is a facility available to persons to bring matters to the attention of senior/ top management, without revealing their identity. Having such a mechanism is not enough. How much is revealed in the annual reports by way of the manner of resolution of complaints, the punishment meted out, the constitution and functioning of the internal committees, and the campaign undertaken to sensitise the workforce, will set apart companies which take this exercise seriously, from those that are going through the motions, with

regard to such complaints.

Percentage of Whistleblower complaints pending at the end of FY



- Companies which reported zero complaints have been excluded.
- In FY 21, 65 cos; in FY 22, 54 cos; in FY 23, 53 cos and in FY 24, 47 cos did not disclose information related to whistleblower complaints
- In FY 21, 5 cos; in FY 22, 3 cos and in FY 23, 2 cos were not listed.

- In FY 21, FY 22, FY 23 and FY 24, 16, 30, 32 and 27 companies reported receiving 0 complaints.
- The highest number of reported cases in FY 21 were 870 cases; in FY 22 were 845 cases, in FY 23 were 303 cases and in FY 24 were 494. Of these, 4.37%, 28.88%, 47.85% and 42.71% respectively were complaints pending for resolution at the end of the FY.

Thank You