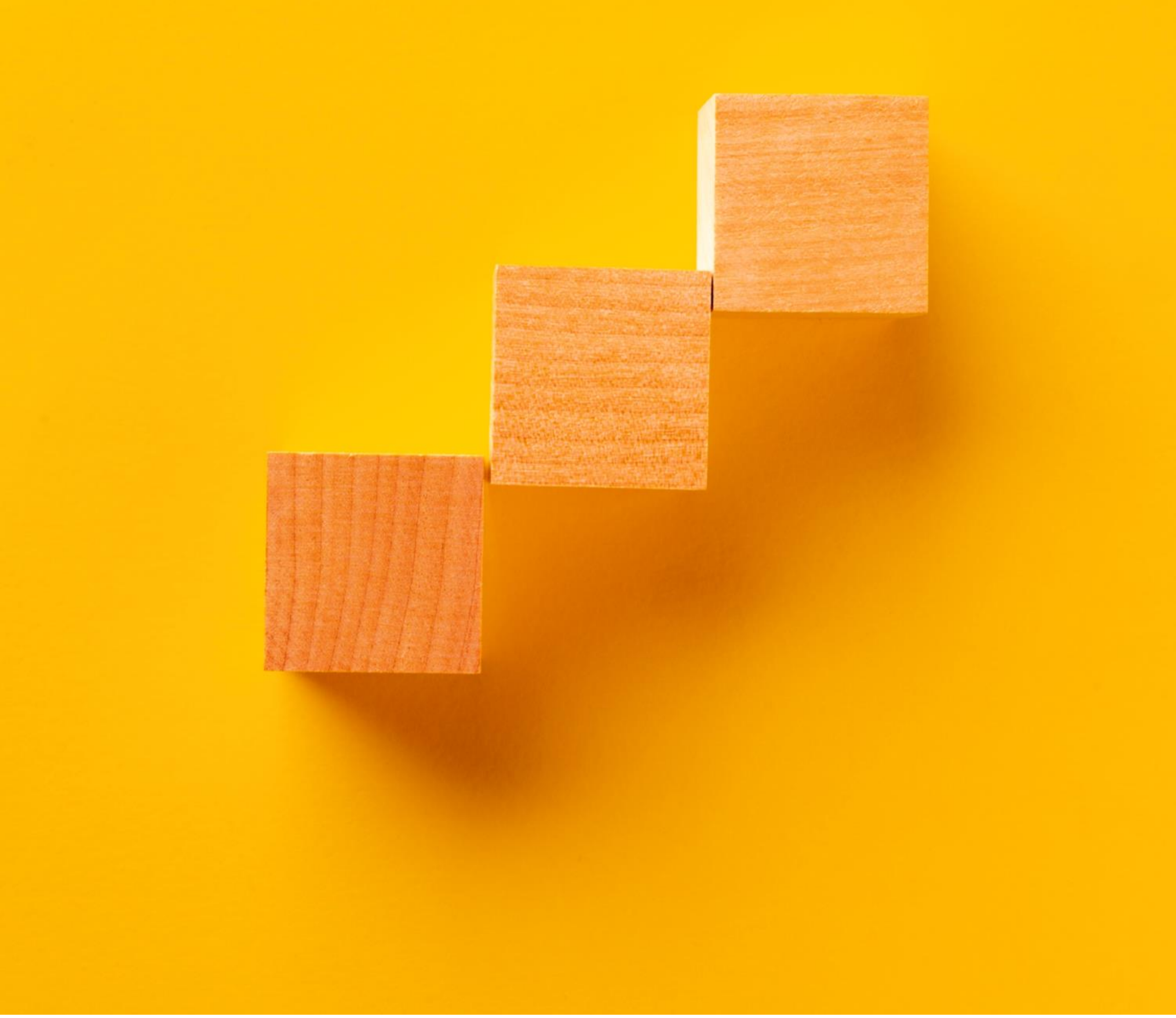
IiAS INSTITUTIONAL INVESTOR ADVISORY SERVICES



CORPORATE GOVERNANCE SCORES 2023

TRANSPARENCY BUILDS TRUST

Based on the
Indian Corporate Governance Scorecard Framework
Developed by IFC-BSE-IiAS

MARCH 2024

Contents

01. INTRODUCTION

The scores on the Indian Corporate Governance Scorecard have improved and are at their all-time best in eight years of evaluation. Driven largely by better disclosure and transparency; this improvement can be attributed disproportionately to regulators and investors, but there is no disputing that corporate governance practices of the BSE100 have improved in 2023.

2023 Review

2023 was the year of family feuds, and promoters' misbehavior. While the issues are litigious, independent directors have remained passive. Either taking a side or waiting for the patriarch to take a decision belies the fiduciary responsibility of independent directors. The fact that several boards are tenured, or filled with 'friendlies', limits the ability of independent directors to protect the company and minority shareholders from such family feuds.

2023 was also the year in which two large business houses, among others, brought in the next generation onto their boards. Both these conglomerates face a key-man risk but getting the next generation on the board is unlikely to solve for this. While having the next generation enter the business is not necessarily succession planning from a management point of view, it signals that the family houses are beginning to set their legacy in order.

With Business Responsibility and Sustainability Reporting (BRSR) becoming mandatory for the top 1,000 listed companies, businesses have been gearing up to meet the new disclosure standards. In effect, disclosure of non-financial information, especially on ESG metrics, has improved. There continue to be concerns about the quality of disclosures, which we expect will stabilize once the BRSR Core, which will eventually carry independent assurance, gets published.

With the asset management industry now having borne stewardship responsibilities for a few years now, the conversations between investors and companies are getting accentuated. The focus on sustainability is gaining focus as investors push for sharper ESG metrics. This will keep both investors and companies busy over the next couple of years.

Regulators have also pushed for better governance standards. Companies are now required to clarify on market rumours[1], ensure that all directors come up for periodic shareholder approval (no more board permanency), and side deals or arrangement with a set of investors (like private equity) now need approval from the broader set of shareholders. In enforcing these measures, SEBI is bringing more clarity and empowering shareholders further.

2024[2] will see the end of the grandfathering of previous board tenures of independent directors. While corporate India has geared up to this reality and several companies have

[1] *This will be effective for top 100 from 1 June 2024 and top 250 from 1 Dec 2024*

[2] *In some cases, this will be 2025 as Companies were given one year up to 1 April 2015 to comply with the requirement of IDs.*

refreshed their boards steadily, progress on this account has slowed in the last year. By now, most boards should have been refreshed. Yet on 31 December 2023, 39 of the BSE100 companies had tenured independent directors on the board. One risk of the board refresh will be for business groups – if business houses decide to shuffle independent directors across group companies, it will defeat the purpose of the regulations. Therefore, it will be interesting to see if Indian companies truly embrace the need to refresh boards or try harder to maintain status quo.

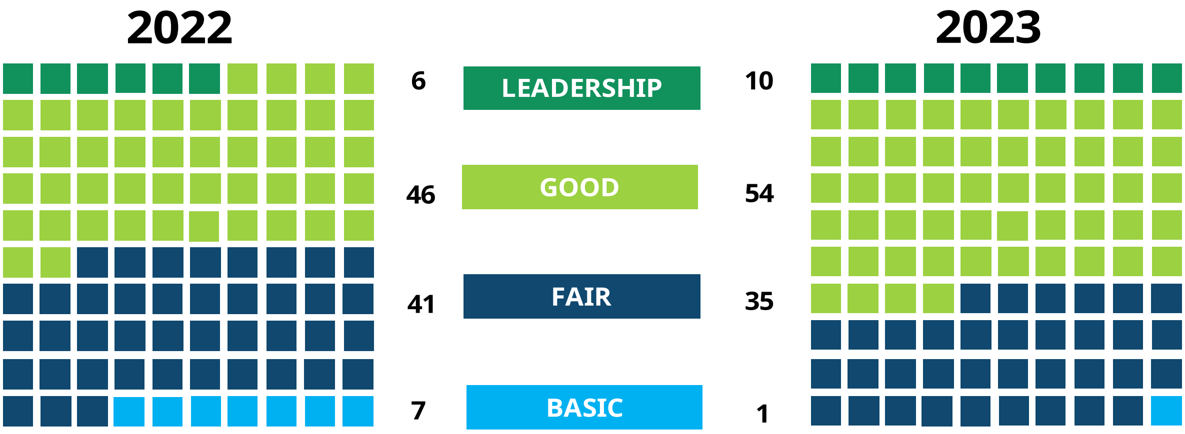
The Indian Corporate Governance Scorecard is based on the G20/OECD Principles of Corporate Governance. Since the G20/OECD principles have been recently revised, we will be revising our scorecard methodology in 2024[3]. As always, we will run a market consultative process in modifying the existing assessment methodology.

[3] *This will be the second revision to the assessment framework, the first one was made with effect from 1 April 2022.*

02. BSE100 TRENDS

The components of the S&P BSE 100 (BSE100) index comprise almost 59% of BSE's market capitalization[4]. This is unusually low – in the past the BSE 100 index constituents accounted for over 70% of the total market capitalization. The market exuberance in the smaller stocks is a possible explanation for this decline – but nevertheless, the top 100 companies have the most dominant institutional investment.

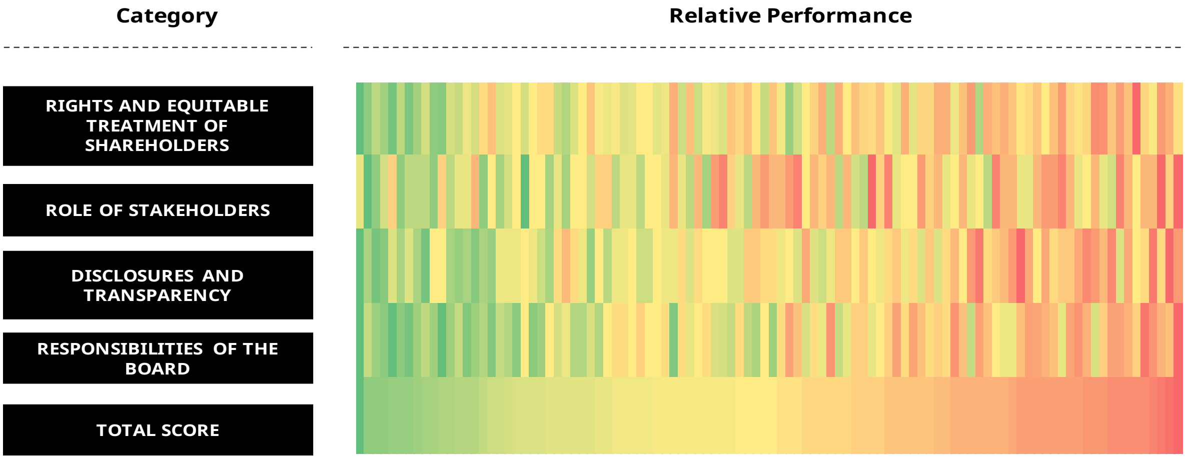
Exhibit 1: Distribution of governance scores of BSE100 companies



Since we first began the assessments in 2016 this has been the best performance of the scorecard for the BSE100 index constituents.

2023 saw the median score of BSE100 companies increase to 63 from 61[5]. 64 companies have scored in the GOOD and LEADERSHIP category, which reflect that, by and large, corporate India is reasonably well-governed. This year's score has just one company in the BASIC category, the lowest count in all the years we have evaluated the S&P BSE100 index constituents.

Exhibit 2: Heat map displaying relative performance of BSE100 companies in 2023 across categories

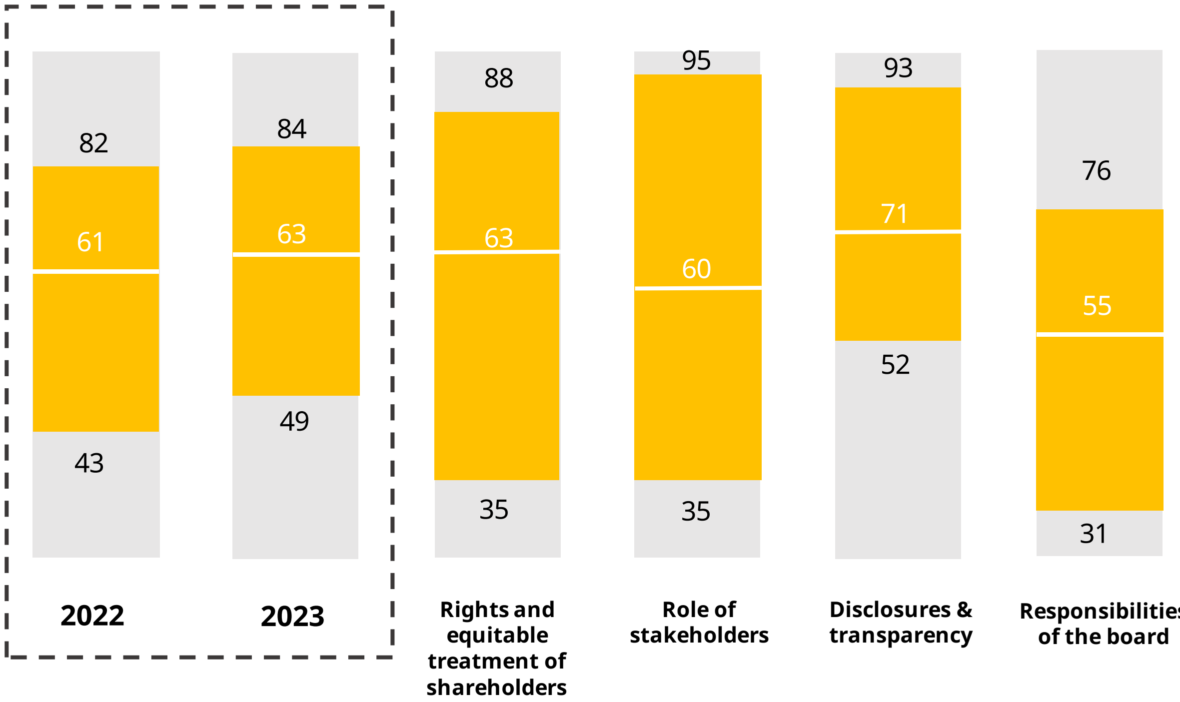


[4] *As on 13 February 2024*
[5] *Assessment period ends on 31 December 2023*

The heat map shows how companies have fared across categories. As can be seen clearly, companies that score well do not necessarily excel in every category.

Governance practices need to be well-balanced and have a holistic approach, for stakeholders to build trust.

Exhibit 3: Category wise median, maximum and minimum scores for BSE100 companies

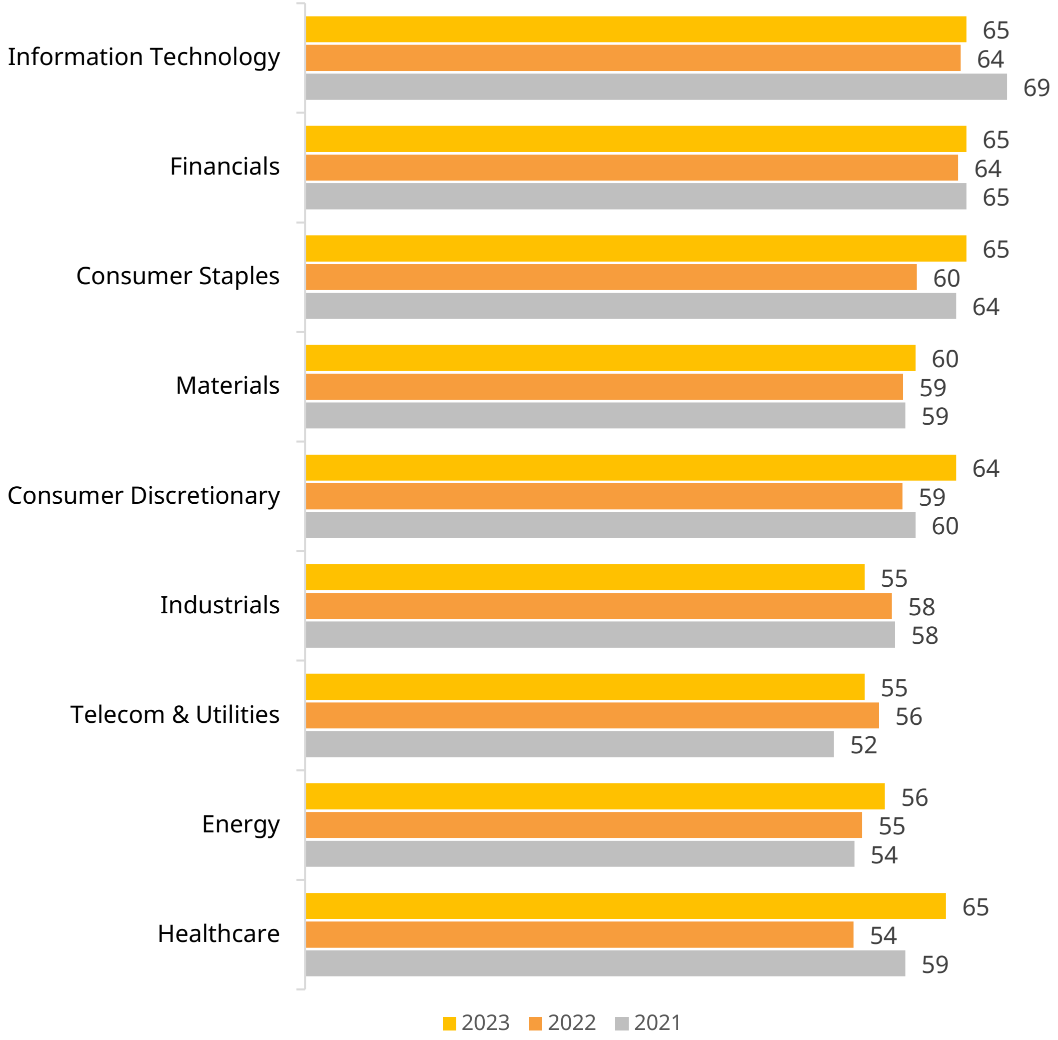


There was a meaningful increase in the companies in 'LEADERSHIP' and 'GOOD' Category (64 in 2023 vs. 52 in 2022). The highest score of BSE100 companies increased to 84, vis-à-vis 82 for the previous year. The lowest score increased to 49 in 2023 from 43 in 2022.

Not only has the median score for BSE100 companies increased to 63 in 2023 from 61 in 2022, at the lower end, scores in each assessment category have also improved. Even as the median scores in the category of rights and equitable treatment of shareholder have remained the same at 63, median scores in the remaining three assessment categories have improved.

The highest scores in each category of assessment have also reached a five-year high.

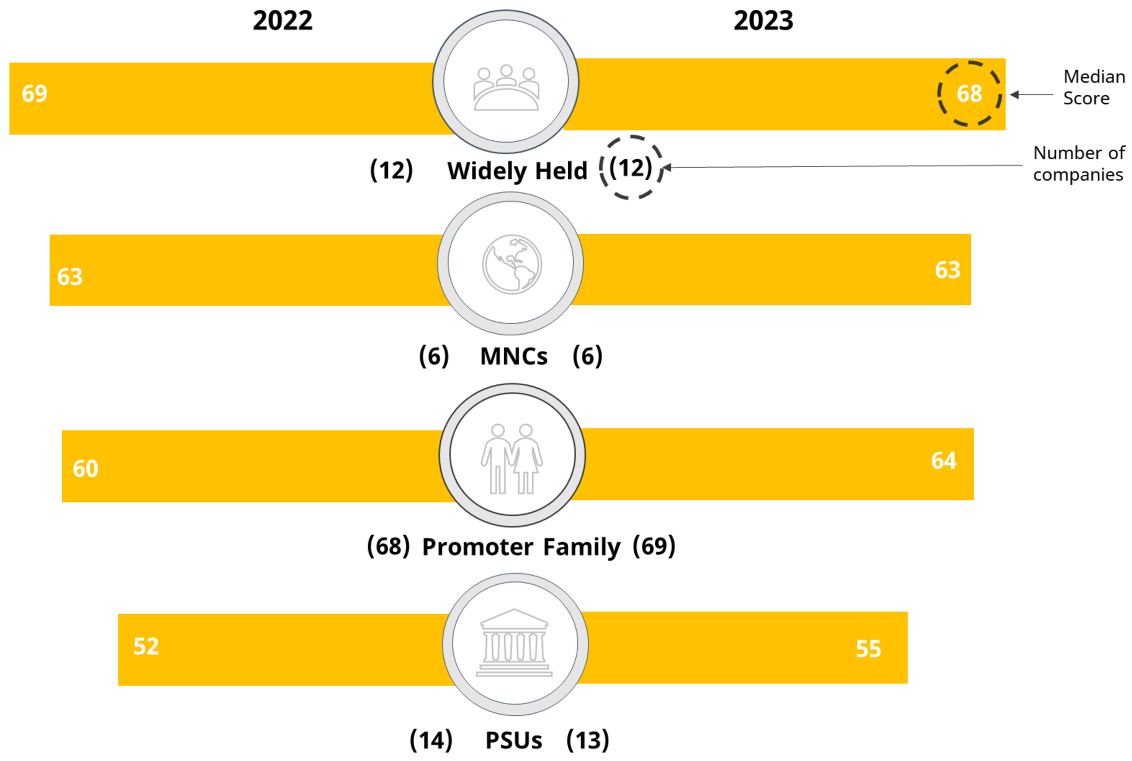
Exhibit 4: Industry wise median scores for BSE100 companies



Note: The assessment framework was revised in 2022. Therefore, the scores of 2021 are not strictly comparable to those of 2022 and 2023.

Based on industry classification, healthcare, consumer staples and consumer discretionary sectors have shown a significant improvement in their governance scores. The increase in median score for the healthcare sector is primarily due to change in constituents in the index. The industrials sector has shown a decline in median scores to 55 in 2023 from 58 in 2022.

Exhibit 5: Ownership wise median scores for BSE100 companies



From an ownership perspective, promoter-controlled companies account for 69% of the BSE100 index and therefore influence the median score of the index significantly.

In 2023, median score of promoter-led companies has increased to 64, resulting in an increase in the overall index median score. MNCs and widely-held companies continue to score well. Another positive in 2023 was the increase in median scores of PSUs.

03. LEADERS

Notes:

1. *The list of companies above is in alphabetical order and not in the order of scores.*
2. *Axis Bank is one of IiAS' several shareholders*
3. *Tata Investment Corporation Limited (TICL), Tata Consumer Products Limited and The Tata Power Company Limited are all part of the Tata group. TICL is one of IiAS' several shareholders.*
4. *ICICI Prudential Life Insurance Company Limited holds equity shares in IiAS. ICICI Lombard General Insurance Limited is a fellow subsidiary of ICICI Prudential Life Insurance Company Limited.*
5. *IiAS as a proxy advisor provides various services including voting advisory, publishing reports on corporate governance and related matters. These services are subscribed to by some of these companies, for which IiAS has received remuneration in the past twelve months.*
6. *HDFC Life Insurance Company Limited is a subsidiary of HDFC Bank Limited. HDFC Bank Limited is one of IiAS' several shareholders.*

04. THE NEXT LEADERS

IiAS revised its scoring methodology in 2022 and increased the threshold score for LEADERSHIP to 75 from the earlier 70. Based on the previous criterion of 70, all the companies listed above would have been part of the LEADERSHIP category.

Notes:

1. *The list of companies above is in alphabetical order and not in the order of scores.*
2. *HDFC Bank Limited is one of IiAS' several shareholders.*
3. *Tata Investment Corporation Limited (TICL), Tata Steel Limited, Tata Motors Limited, Titan Company Limited are all part of the Tata group. TICL is one of IiAS' several shareholders.*

05. SENSEX VS. BSE100

The 30 constituents of the S&P BSE SENSEX (SENSEX) accounted for ~38% of total market capitalization on 13 February 2024. The highest score for a SENSEX company in 2023 was 84 as compared to 82 in the previous year. The median score of the SENSEX companies stood unchanged at 67. In the 2023 study, 73% of the SENSEX companies have scored 60 and above (Leadership and Good category), in line with the 2022 study. Most importantly, this is the first year in which none of the SENSEX companies score in the BASIC category.

Exhibit 6: Category-wise scores of SENSEX companies

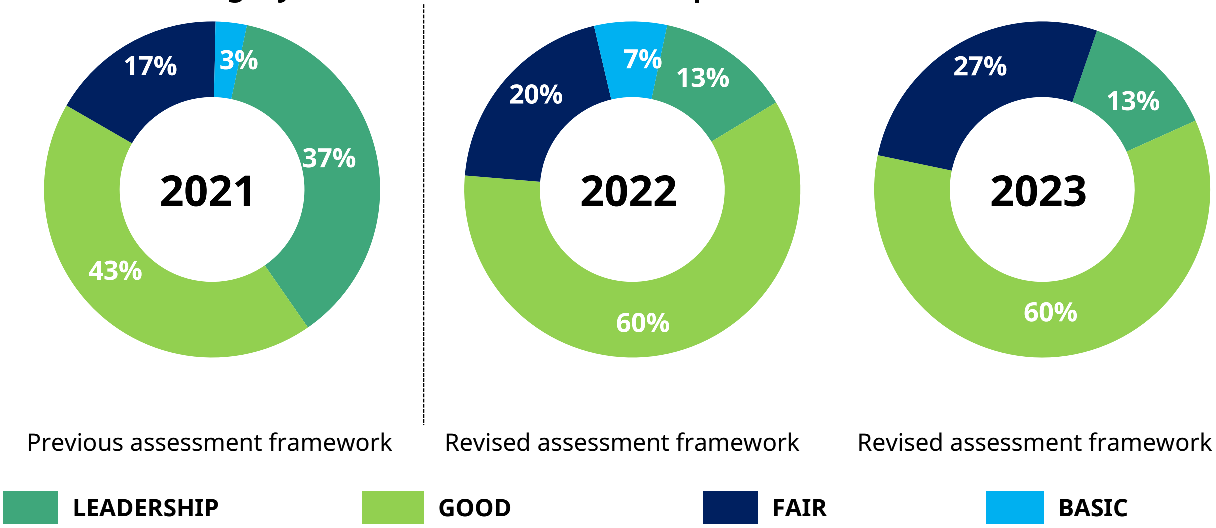
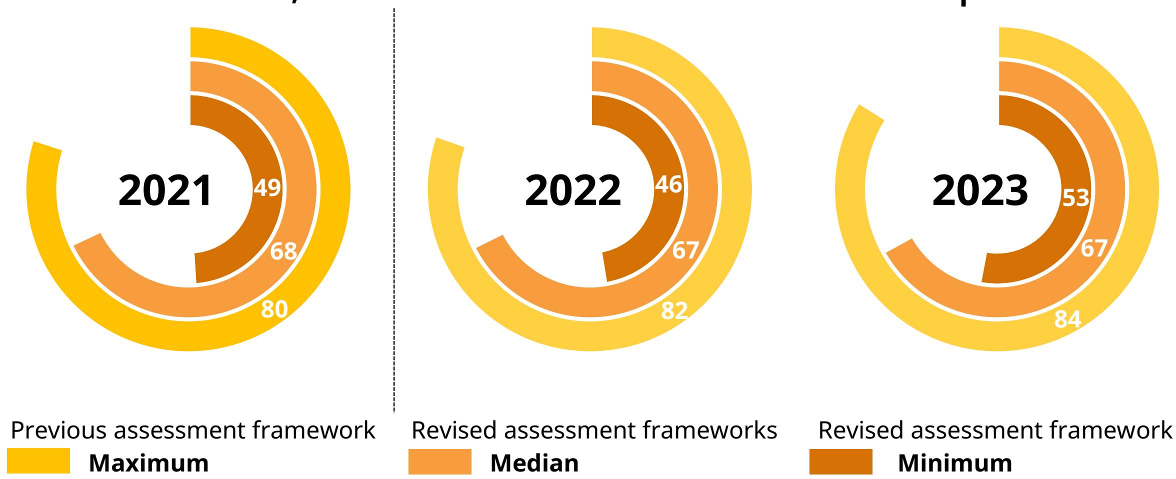
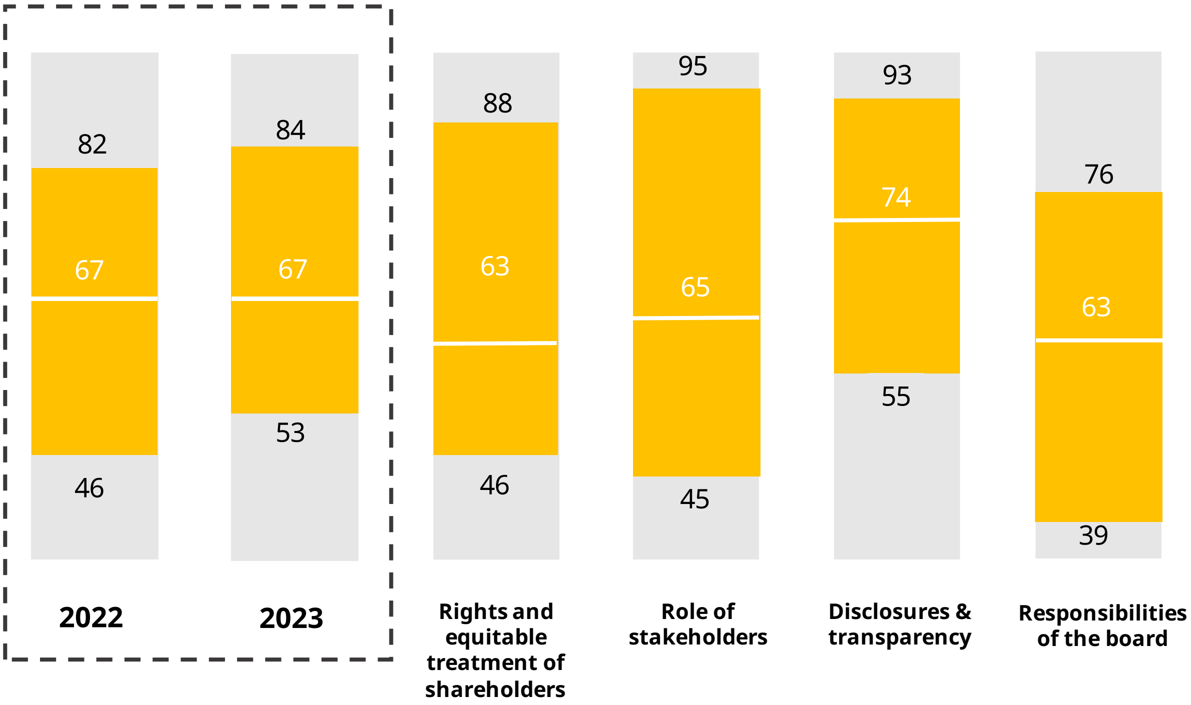


Exhibit 7: Minimum, Maximum and Median scores of SENSEX companies



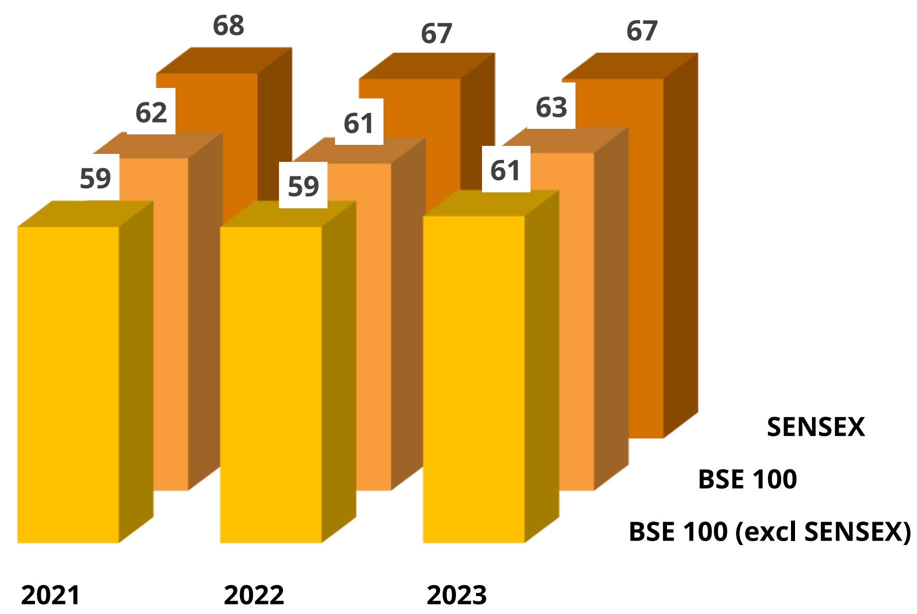
Note: The assessment framework was revised in 2022. Therefore, the scores of 2021 are not strictly comparable to those of 2022 and 2023.

Exhibit 8: Category wise median, maximum and minimum scores for SENSEX companies



The median scores of SENSEX companies in 2023 was 67, unchanged from 2022. The 2023 scores continue to reflect that SENSEX companies are better governed on the scorecard, than other companies of the BSE100 (median for BSE100 stood at 63). However, the improvement in scores of BSE100 companies ex-SENSEX was better than SENSEX companies: these increased to 61 in 2023 from 59 in 2022.

Exhibit 9: Median scores of SENSEX vs. BSE100

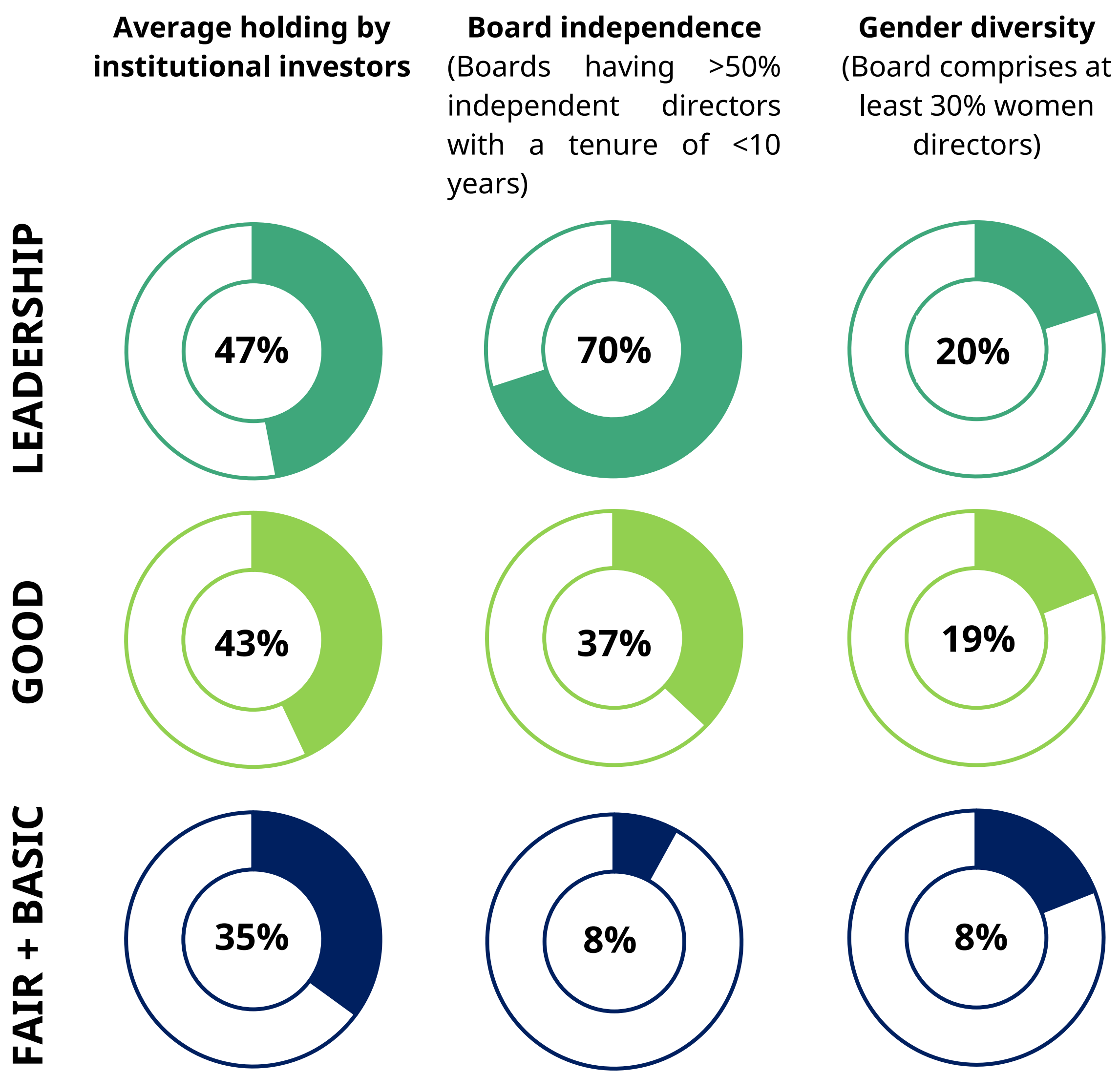


Note: The assessment framework was revised in 2022. Therefore, the scores of 2021 are not strictly comparable to those of 2022 and 2023.

06. HOW THE SCORE CATEGORIES DIFFER

There are clear trend lines across the score categories for the BSE100. Institutional investments in the LEADERSHIP companies tend to be higher than the rest. This balance of shareholding between promoters and institutional investors allows institutional investors to have a greater say and set expectations of these companies. To match these expectations, companies in the LEADERSHIP category also tend to have more independent and more diverse boards. There is also an ordinality across score categories with respect to board independence and gender diversity on boards, and higher institutional investment.

Exhibit 10: Governance is correlated to board independence, board diversity, and higher institutional shareholding for companies in the BSE100



Investors have had a role to play in enhancing the corporate governance practices of companies. Institutional investors, both global and domestic, have increased their expectations of companies with respect to their governance practices. Stewardship codes and responsibilities have had a material impact on how these investors have engaged with companies and voted on shareholder proposals. Higher institutional shareholding effectively means that companies are vulnerable to shareholder vote and therefore ensuring strong governance structures becomes critical.

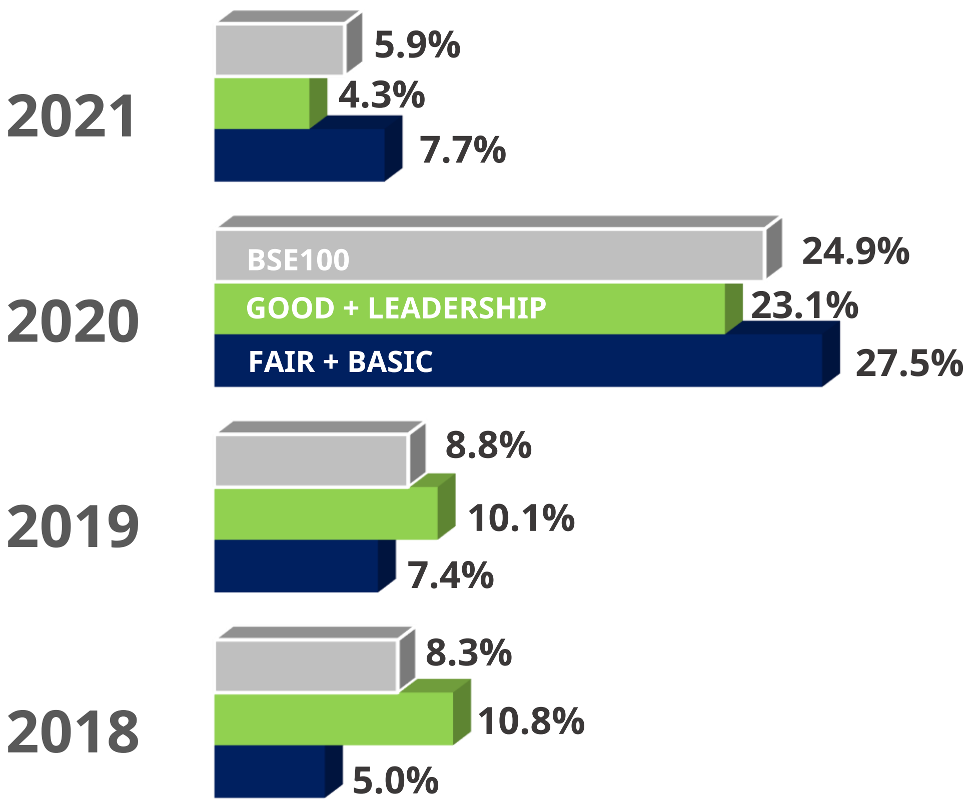
07. DO MARKETS VALUE GOVERNANCE?

Our analysis shows that markets value governance.

At a portfolio level, companies that are well governed (those with a score of 60 and more) tend to show better price performance and lower stock beta over time than those that are not so well-governed (score of less than 60). This has been tested for our assessments in the past.

Our observation is that this correlation does not always hold at the time of market exuberance. With a significant mid-cap and small cap rally that we are seeing, the correlation of scores with stock price performance and stock beta has tempered for companies evaluated in 2020 and 2021.

Exhibit 11: Median stock price CAGR of BSE100 companies based on their governance scores



2018: Stock price performance analyzed from 2 April 2018 to 31 March 2023
2019: Stock price performance analyzed from 1 April 2019 to 31 March 2023
2020: Stock price performance analyzed from 1 April 2020 to 31 March 2023
2021: Stock price performance analyzed from 1 April 2021 to 31 March 2023

Exhibit 12: Median stock Beta[6] of BSE100 companies based on their governance scores (lower is better)

2018: Stock price performance analyzed from 2 April 2018 to 31 March 2023
2019: Stock price performance analyzed from 1 April 2019 to 31 March 2023
2020: Stock price performance analyzed from 1 April 2020 to 31 March 2023
2021: Stock price performance analyzed from 1 April 2021 to 31 March 2023

[6] *Beta is calculated on daily stock price return with the BSE100 index as the benchmark*

08. GOVERNANCE THEMES

BOARD EFFECTIVENESS

The board of directors is the focal point in a company's corporate governance structure. To carry out their responsibilities effectively, a board requires a certain level of independence and diversity.

Past data shows that the scores of companies and overall median scores tend to be most correlated to the category scores for 'Responsibilities of the board', as compared to the scores of the remaining three categories – a reflection of the belief that the tone is set at the top.

The median scores, out of a maximum score of 100, in the category of 'Responsibilities of the board' improved to 55 in 2023 from 53 in 2022. The highest score in this category was 76 in both 2022 and 2023 – yet the lowest score scores showed a marginal improvement to 31 in 2023 from 26 in 2022.

Although companies have made incremental improvements in their boards and there is greater transparency, the progress on increasing board independence and diversity appears to have slowed. PSUs continue to underperform on basic compliance related issues and have generally scored and the lower end of this category.

The effectiveness of the Nomination and Remuneration Committees (NRCs) is being raised by investors, with committee members facing push-back on their reappointments when board independence is a concern, or where executive remuneration is high. Containing promoter remuneration remains a challenge for NRCs, as is setting tangible performance goals for promoters. There continues to be a tacit understanding that promoters will, effectively, work in the interests of the company and its stakeholders. However, past instances and the nature of related party transactions in a handful of companies question this belief.

BOARD INDEPENDENCE

The grandfathering of the independent directors' previous tenure will be complete in 2024[7]. Even so, the progress on refreshing boards has slowed down. On 31 December 2023, of the 1,065 directorships of the BSE100, 582 (54.6%) are independent director positions[8] – of these, just 74 positions (6.9%) are held by tenured Independent Directors. The needle doesn't seem to have moved much. Board independence last year, on 31 March 2022 was similar: then, tenured Independent Directors held 77 of the 1,064 board directorships, accounting for 7.2% of the board positions.

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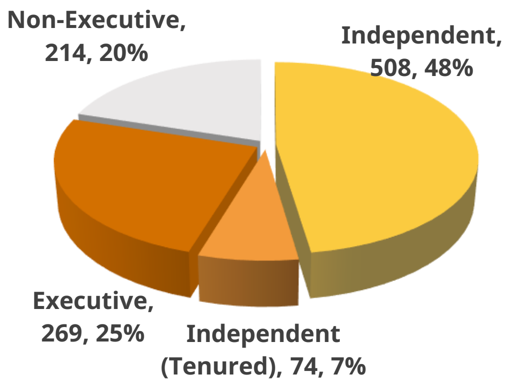
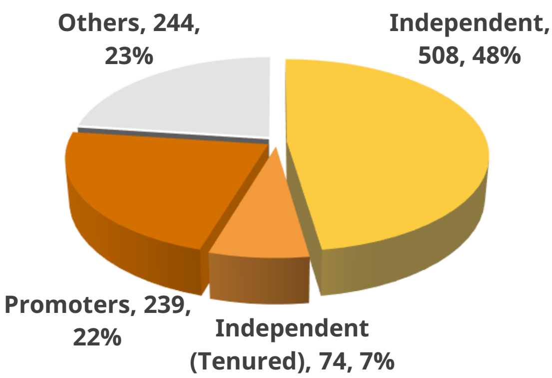
[7] *In some cases, this will be 2025 as Companies were given one year up to 1 April 2015 to comply with the requirement of IDs.*
[8] *Source: PRIME Database, IiAS research*

Exhibit 13: Board composition of the BSE100 companies on 31 December 2023

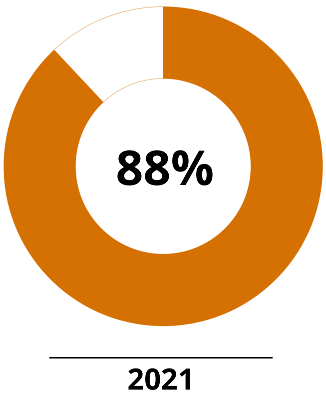


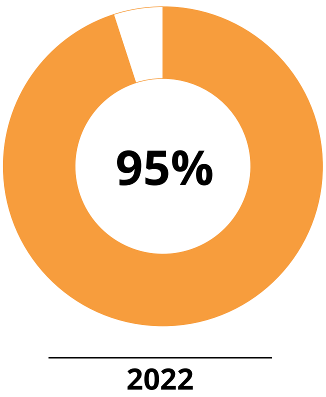


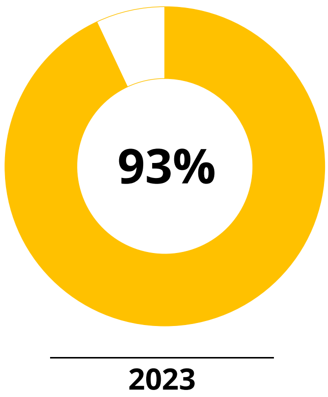
- *IiAS classified Independent Directors with a tenure of more than 10 years as non-independent. These have been shown separately as tenured Independent Directors.*
- *Promoters include those part of the promoter family, and nominees of controlling shareholders.*
- *Others include professionals that are executive directors, non-executive directors, and nominees of investors, lenders, and other stakeholders*

Most PSUs continue to have weak board structures or remain non-compliant with even the minimum regulatory standards. This has been a concern over the past several years, but regulatory enforcement over PSUs has been weak. For a large part of the regulatory requirements on corporate governance, the government has created an exception for PSUs in the regulation itself. 7 of the 13 PSUs in the BSE100 did not meet the regulatory standard for board independence on 31 December 2023.

Exhibit 14: Companies that meet the regulatory standard of board independence







The companies above meet the regulatory standards of board composition set for India. The data includes Independent Directors that have had a tenure of over 10 years on the board.

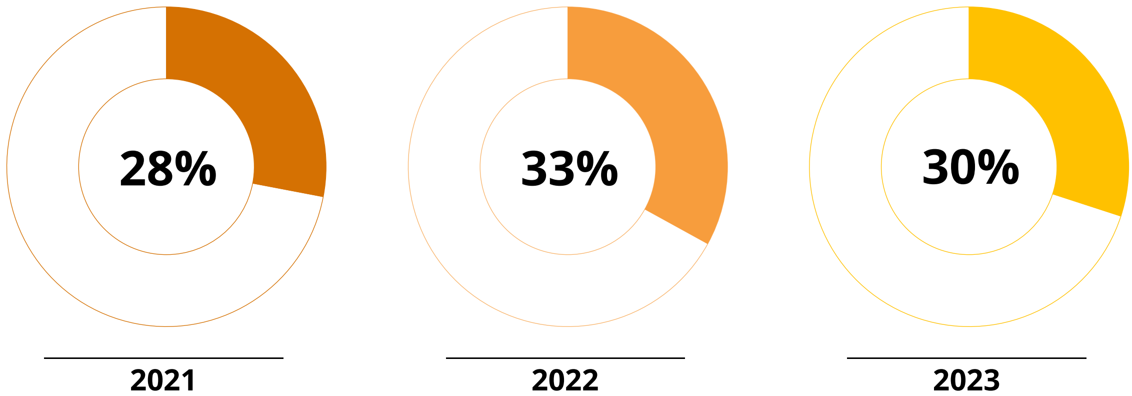
While global best practices are that independent directors must comprise at least half the board, Indian regulations determine the board composition based on the Chairperson – if the Chairperson is an executive director or a promoter, then at least half the board must comprise Independent Directors, otherwise, the threshold drops to a third. Under Indian regulations, on 31 December 2023, 27 of the BSE100 companies were required to maintain board independence levels of 33%, while the remaining 73 were required to maintain board independence at a 50% threshold. Board composition tends to remain more compliance driven.

On 31 December 2023, 93 of the BSE100 companies were compliant with regulatory requirements of board independence (50% if the Chairperson is an executive director or represents the promoter group, and 33% otherwise). The seven non-complaint companies[9] were all PSUs, one of which was a public sector bank.

IiAS classifies tenured Independent Directors as non-executive non-independent directors. Based on this classification, only 65 of the BSE100 companies are compliant with regulatory requirements.

85% of the BSE100 index constituents had Independent Directors comprise 50% or more of the total board composition on 31 December 2023. However, reclassifying tenured Independent Directors (board tenure of 10 years or more) as non-Independent, this number drops to 59%[10].

Exhibit 15: Companies with more than 50% board independence (with a tenure of less than 10 years)



For the purpose of the data above, tenured Independent Directors (tenure of over 10 years) have been considered as non-independent.

Board Permanency

Some promoters have long believed that their right to run a company that they or their families founded is absolute. Several of these promoters have embedded themselves into the company permanently. There are two ways in which this is being done. First, by naming themselves into the Articles of Association or by appointing themselves as directors not liable to retire by rotation. Such directors, once appointed, do not need to seek periodic shareholder approval – they have board permanency.

Promoters tend to get their permanent positions when they have sufficient shareholding to vote for themselves. These are usually times when the company's performance is not

[9] *Additionally, two companies did not meet the board independence requirements on 31 December 2023. However, this was because of the demise of an independent director in November 2023. Because these companies have a three-month curing period under regulations, and that in the past these companies have been meeting the regulatory standard, IiAS has not considered these as non-compliant for the purpose of this analysis.*

[10] *Source: PRIME Database, IiAS Research*

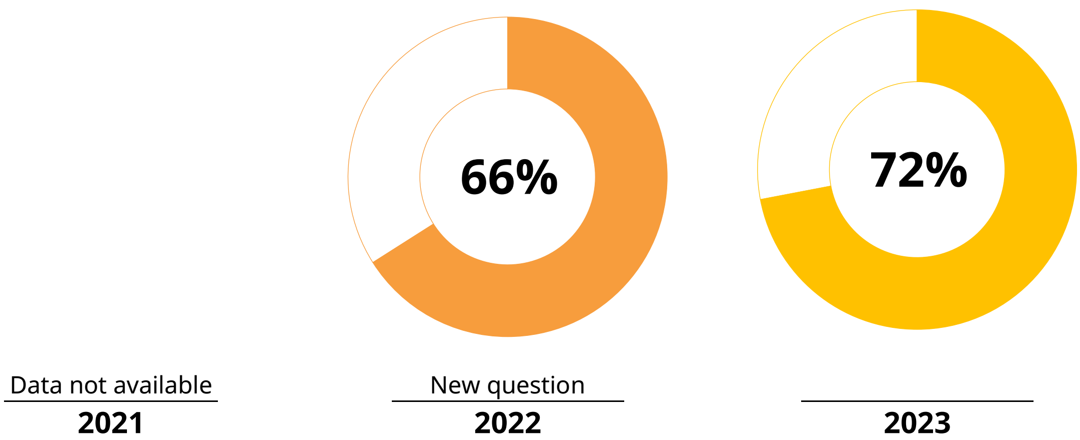
a concern, leading shareholders to overlook the longer-term consequences of the resolution.

The concern regarding board permanency becomes central when the company performance deteriorates or there are significant corporate governance concerns, especially with respect to related party transactions. In instances where promoters lose their dominant shareholding, either through reduction in shareholding or a significant dilution post debt-restructuring, they continue to remain in control. With a compliant board, these promoters seldom face pressure from their peers. It is then left to investors to fight for a change in board and management.

Under these circumstances, for investors to effect change, they need to seek the removal of the director. This is a more difficult confrontation than a simple vote against a director's reappointment[11]. This is addressed in IiAS' 2022 revision of the scorecard through the inclusion as a new parameter (see Q4 in the scorecard).

SEBI too has recognized this and has modified regulations. From 1 April 2024, these directors will need to seek shareholder approval every five years to continue to serve on the board.

Exhibit 16: Companies that have all board members seeking periodic shareholder approval



This is a new question following the revision in the scorecard in 2022. Therefore, data for 2021 is not available.

Board Engagement Levels

Having been forced to embrace technology through the two years of COVID-19, directors appear to be more accepting of virtual meetings now.

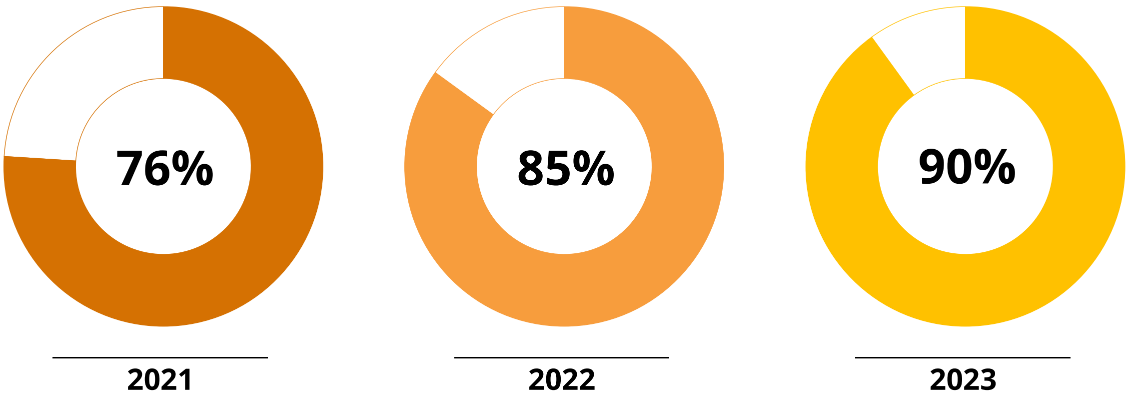
The consistent pushback from investors on director reappointments where attendance levels have been low, is a possible reason for better discipline in attending board meetings.

[11] *Related research: Board permanency creates leverage for promoters -: https://bit.ly/3XRPiwu*

Nevertheless, getting all board members to attend all board meetings continues to remain a challenge. In 2023, only 6 companies had 100% attendance by all board members [12](against just 13 in 2022).

Companies often explained away the low attendance with busy schedules, or constraints around time zones and travel. But all of this seems to have sorted itself out. Board meeting attendance is likely to improve further if companies set a board meeting calendar at the beginning of every year and maintain the discipline to follow through.

Exhibit 17: Companies where all board members have attended at least 75% of the board meetings held over the immediate past three years



SPECIAL RIGHTS TO A SET OF INVESTORS

Promoters and pre-IPO investors (usually private equity) sometimes have rights that are disproportionate to their shareholding. For promoters, it may be in the form of board permanency, a board chair position that is embedded in the Articles of Association, or board nomination rights without any shareholding thresholds.

In some of the newly-listed start-ups, pre-IPO investors have board nomination rights even if they are diluted by over 50%. Given their already low shareholding and that such companies will continuously raise capital to fund their cash burn, such privileges are prejudicial to the interests of the residual shareholders. Other arrangements include tag-along and drag-along rights, and other control rights. More than half the BSE100 companies have either given out special rights to a set of stakeholders, or their charter documents are not available in public domain for investors to be able to understand these arrangements.

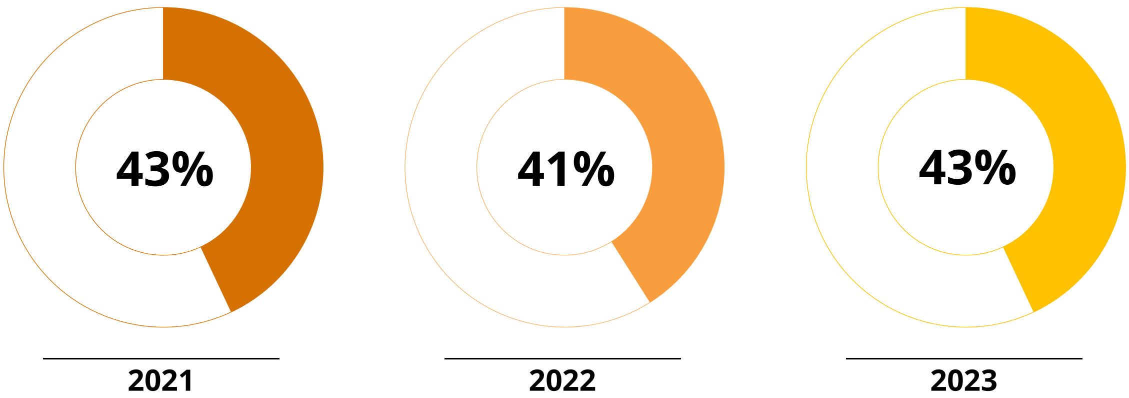
From a first principal basis, we believe investors must influence corporate decisions only to the extent of their shareholding. Such special rights are akin to holding shares with differential voting rights – without paying a premium for them. This is something we do not support.

[12] *The assessment does not consider directors that are no longer on the board.*

Even so, these rights get embedded in the company's Articles of Association largely because the interested stakeholders also vote on them. Once approved, these are not reviewed, and periodic shareholder approval is not sought.

SEBI recognizes that some of these special rights can be misused and may be detrimental to the interest of non-controlling shareholders. Consequently, regulations have been modified to require all special rights or arrangements to be brought periodically to shareholders for approval.

Exhibit 18: Companies where charter documents do not give any special rights to a set of stakeholders



SEPARATING THE ROLES OF THE CHAIRPERSON AND CEO

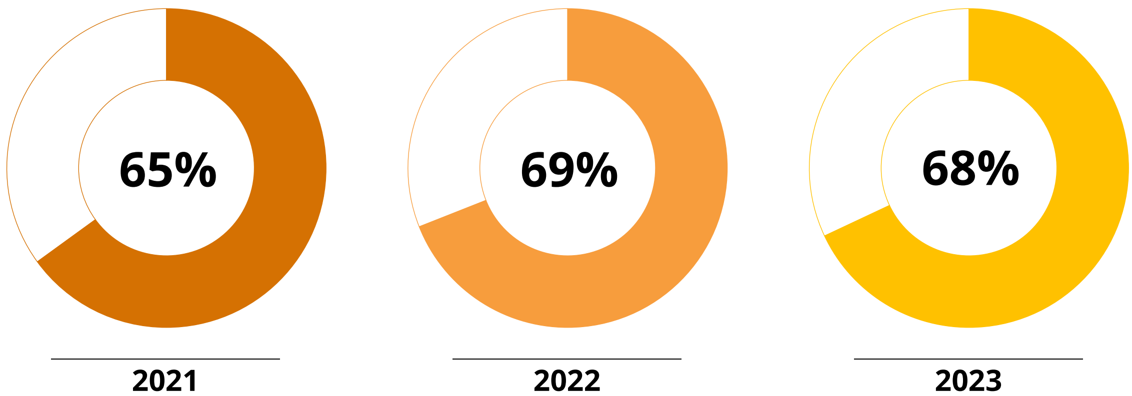
The Indian Corporate Governance Scorecard assesses for the separation of the CEO and Chairperson roles because these are two distinct responsibilities. The separation is critical more so given the preponderance of promoter-owned companies in India. This view was validated by the 2017 Kotak Committee that recommended the separation of the role of Chairperson and CEO[13] in listed companies. This was done with the intention of separating the power centers and ensuring a more balanced governance structure, creating an objective layer of supervision over management.

Going a step further, SEBI had brought in a nuance to the accepted practice – that while the roles are separated, the Chairperson and CEO cannot be related to each other. However, on 15 February 2022, SEBI announced the requirement of separation of roles of Chairperson and CEO would be on a voluntary basis rather than a mandatory basis. Even so, some companies have separated the two roles to gear up for the regulation.

Progress on this issue has slowed over the past three years. With the increasing number of family-owned companies entering the BSE100 index, the separation of roles is becoming a difficult decision for both boards and for the promoter family.

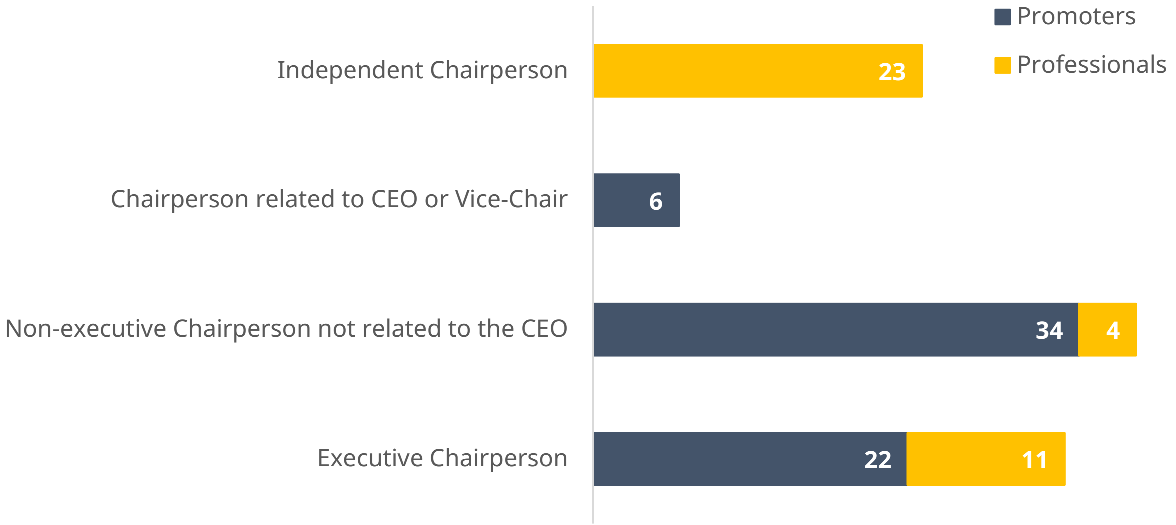
[13] *Managing Director and CEO are being used inter-changeably in this report*

Exhibit 19: BSE100 boards that have separated the roles of Chairperson and CEO



The data above does not assess for the relationship between the Chairperson and CEO; it merely assesses if the roles have been separated. In case of Executive Chairpersons, even with another Managing Director, IiAS does not consider the roles to have been separated.

Exhibit 20: The Chairpersons of BSE100 companies on 31 December 2023



Notes:

1. *4 of the 23 Independent Chairpersons have a board tenure of 10 years or more.*
2. *Promoters include promoter representatives (example: parent company representation in MNCs)*
3. *IiAS considers being "related" not just on the basis of the regulatory description of "relatives" but uses a more practical approach factoring in family dynamics*

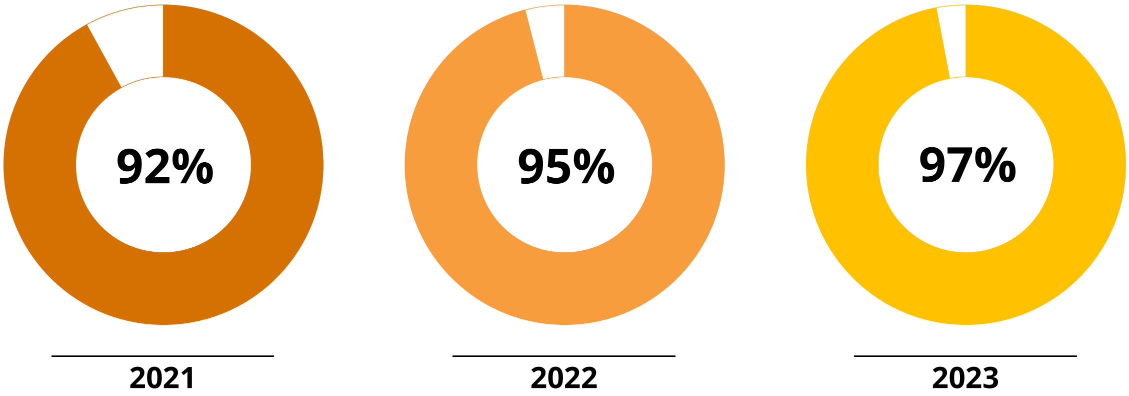
Source: IiAS research, PRIME Database, stock exchange filings

BOARD DIVERSITY

Board diversity is critical for board effectiveness. Having a heterogenous mix of individuals at the helm will avoid group-think and support a more robust decision-making process.

Indian regulations have pushed for two aspects here. First requiring that the boards of the top 1,000 companies have at least one-woman Independent Director and second asking companies to publish the skills that each director possesses[14]. 97% of the BSE100 companies have met the requirement for Independent Woman Director.

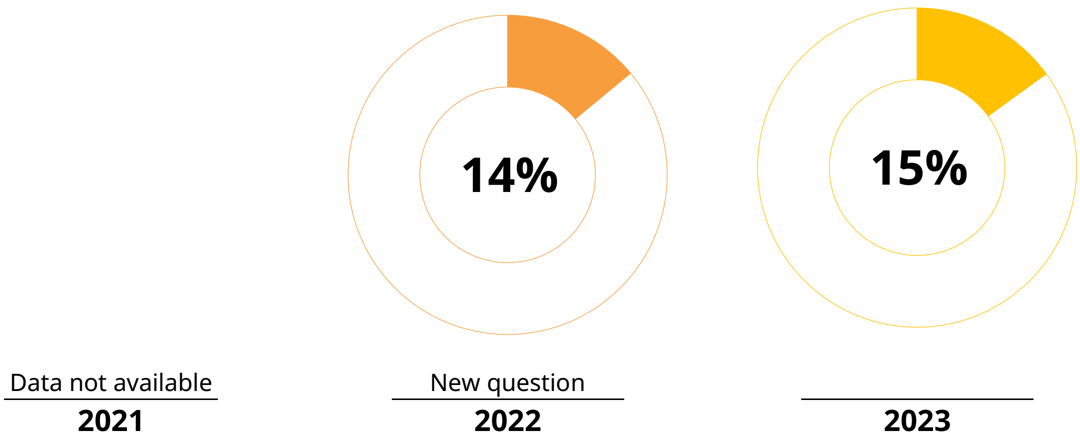
Exhibit 21: Companies with at least one Independent Woman Director



Gender diversity is the easiest form of measurable diversity[15]. Women held 18.8% of board seats in the BSE100 on 31 December 2023, of which about 14.1% were held as Independent Directors[8]. While Corporate India has used the regulatory push to increase the number of women on boards, the pace of growth has slowed since the COVID years.

The conversation for gender diversity needs to change – it is no longer about having one woman on the board, but it must be seen as a share of the board size. In India, board sizes range between 9 and 10 members (median) and having one woman on the board automatically means 10% of the board. For the full effect of gender diversity, it is believed that women must comprise at least 30% of the board. On 31 December 2023, the median board representation of women in the BSE100 was a little over 16%, similar to the levels a year ago.

Exhibit 22: Companies where women comprise 30% or more of the board



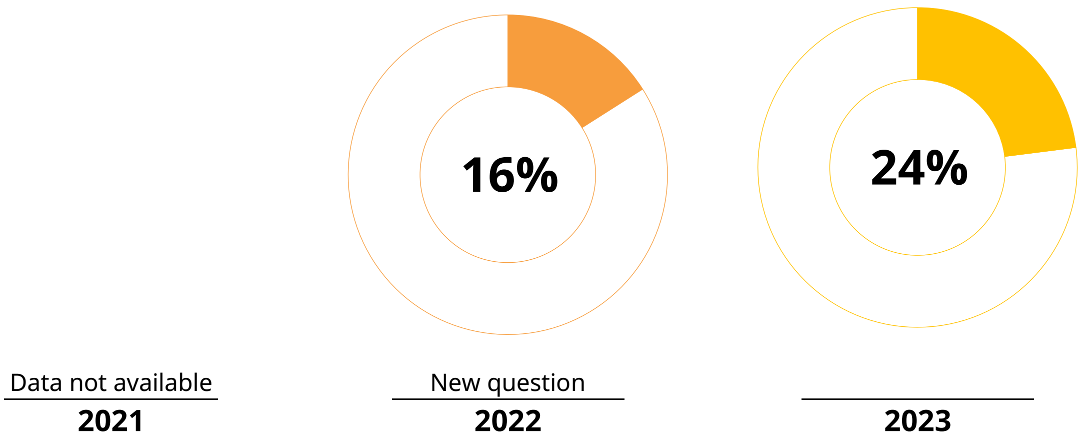
This is a new question following the revision in the scorecard in 2022. Therefore, data for 2021 is not available.

[14] *Related research: Corporate India; Women on Boards 2022 - https://bit.ly/3YObOHQ*
[15] *Does not account for non-binary gender*

From 1 April 2022, IiAS made changes to how it assesses companies on gender diversity. The assessment for the board now factors in women as a share of board composition, rather than simply assessing on absolute numbers.

Effective 1 April 2022, IiAS also added a question on gender diversity in the workforce. 87 of the BSE100 companies have claimed to be equal opportunity employers[16]; yet 39 of the top 100 companies have either not disclosed gender diversity in the workforce or have women forming less than 10% of the workforce. This is lower than the 53 companies with low gender diversity in the workforce as per our 2022 analysis – this is largely attributed to better disclosure levels rather than a material improvement in the workforce statistics.

Exhibit 23: Companies where women comprise 30% or more of the workforce



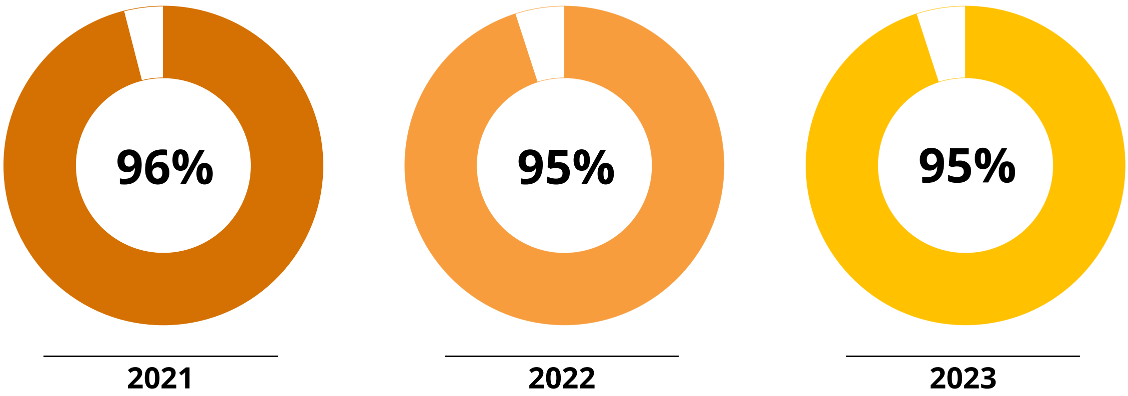
This is a new question following the revision in the scorecard in 2022. Therefore, data for 2021 is not available.

Lessons from corporate failure show that boards need at least one non-executive director that understands the business. India does well on this, but in several boards, it is the promoters in non-executive capacities that bring business competence. It is time that boards have at least one Independent Director who understands the company's core business – this will help boards have an objective understanding of the business challenges and improve the robustness of board deliberations.

For a well-balanced board, skill diversity is an important aspect. In asking companies to disclose director-level skills, SEBI is pushing boards to focus on thinking about the skills of the board as a team of individuals[17]. The intent is for boards to have a cohesive plan on where the company is going and what skills the board will need to take it there[18].

[16] *Source: Annual reports, sustainability reports, website disclosures*
[17] *Related research: Board Skills in India; 2020-21 practices - https://bit.ly/3L9tZ4e*
[18] *Related research: Checking the box on skill diversity - https://bit.ly/3rpKrWc*

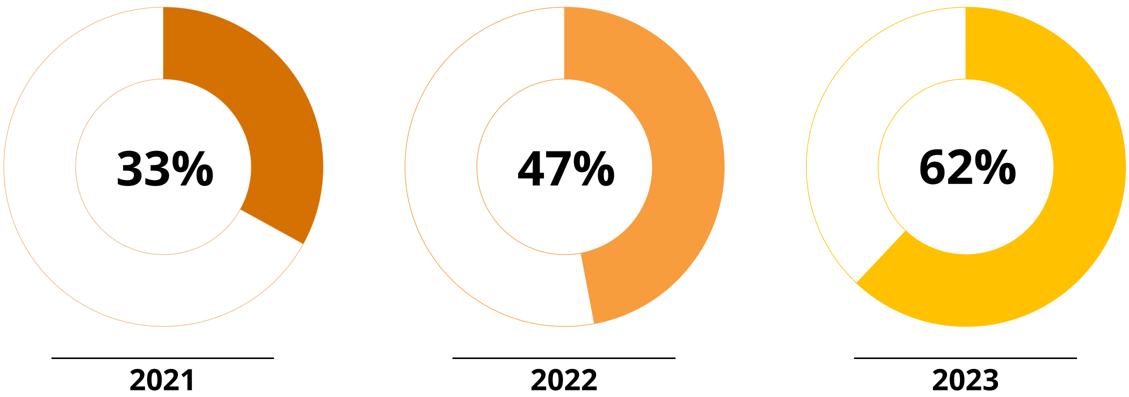
Exhibit 24: Boards with non-executive directors that have knowledge of the company's core business domain



One of the important aspects of modern business is the use of technology – which is core to managing and increasing scale. SEBI has mandated that cyber security risks be part of the Risk Management Committee's charter.[19] This has become a focus area for boards of the BSE100.

The scores on this question have improved largely due to better disclosure levels. From the earlier setting out a laundry list of skills, companies are becoming more thoughtful in their approach towards skill diversity.

Exhibit 25: Boards with diversified and comprehensive set of skills



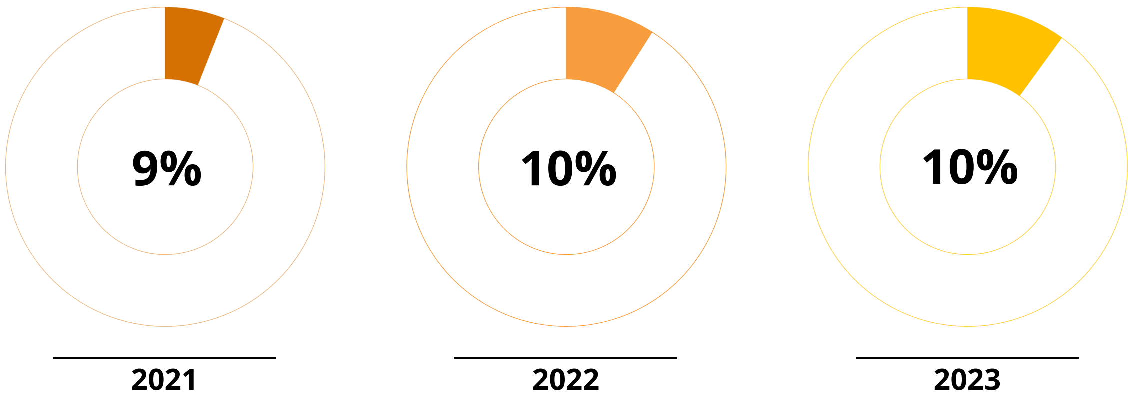
BOARD EVALUATION

For boards to have an objective assessment of how they stack up, regulations in India have mandated that boards undertake an annual evaluation exercise. By itself, this requirement set performance standards for directors, which boards took some time to adjust to. Disclosure of the board evaluation exercise is a common practice in the Western markets but is yet to be accepted culturally in India[20]. From walking on eggshells to doing a robust assessment, most Indian boards are somewhere in between. Having

[19] *Related research: Boards' focus on digital governance is long overdue - https://bit.ly/3GubtzY*
[20] *Related research: Board evaluation in India 2020-21 - https://bit.ly/3AVooKp*

said so, boards almost unanimously shy away from disclosing the results of the board evaluation exercise.

Exhibit 26: Boards that disclosed the outcome of the board evaluation



Individual performance appraisals for employees are confidential and directors feel no different about the board evaluation process. But the disclosures that investors want to see are not individual specific. Investors want to understand what is on the board's agenda, and the steps it proposes to take over the next 12 to 24 months to address these. This is part of the fiduciary responsibility towards investors that boards need to address.

SUCCESSION PLANNING

Because of the family-controlled nature of Corporate India, succession planning is a critical issue. Boards seem reticent to discuss the issue and leave the decision-making largely to the family patriarch (or matriarch). Boards also seem to accept that succession will be hereditary, subliminally refueling the perspective that the company belongs to the promoter while the residual shareholders merely exist in isolation. Therefore, boards are quick to get the next generation, irrespective of their age and experience, onto the board – with a view that they will be trained by being on the board. Professionals, however, need to earn their stripes to get a board seat.

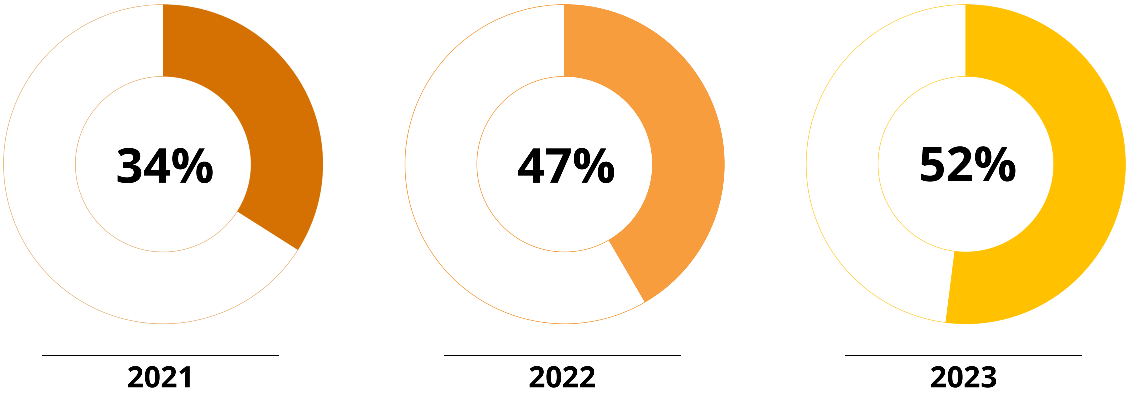
Some promoter families are consciously managing internal succession. Family constitutions are being carved out, and whether the company will be run by family, or it remains just an owner (and not manager) is being debated. While several of these family constitutions have been drawn up, there is little disclosure for investors. That a family constitution has been drawn up itself remains shrouded in secrecy and spreads only through word-of-mouth. Because stakeholders invest in the promoters as much as they do in the company, boards must consider it part of their responsibility to address succession planning in an organized manner.

The critical issue remains of finding a successor at the 'promoter or promoter family level'. If boards truly believe that the promoter is irreplaceable, it may also mean that institution-building is weak[21]. The Nomination and Remuneration Committees, to this extent, need to be involved more centrally in determining the skills that the successor

[21] *Related research: Investors must rethink their equation with promoters - https://bit.ly/3GtpZIz*

will need and then identifying individuals that may fit the bill. This reluctance to address the issue head-on or get involved in what is clearly seen as an internal family issue might mean that the company itself is split, to accommodate the siblings.

Exhibit 27: Companies that have a succession plan for the board of directors and the senior leadership



2023 has been the year of promoter family disputes. Despite having family constitutions, wills specifying estate distributions, and verbal and written agreements, disputes have occurred. Therefore, it is never too early for boards to have a structured succession plan in place for the company's undisrupted continuity independent of the promoter family drama.

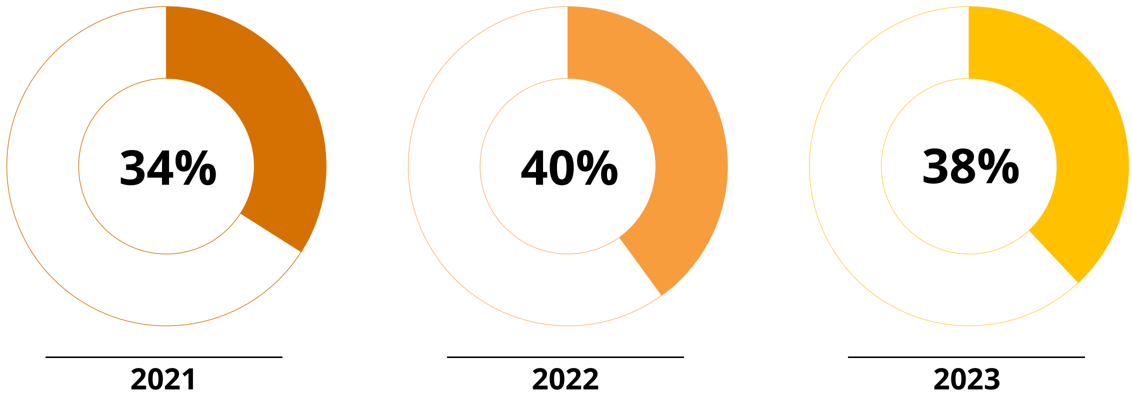
EXECUTIVE REMUNERATION

Over the years, remuneration levels of promoters and executive directors has been a cause of concern – in the past, remuneration has exceeded revenue and profit growth[22]. During the COVID years, the experience was mixed – while some promoters voluntarily took pay cuts, several others continue to pay themselves even as profits declined, workers were laid-off, and salaries and wages were 'rationalized.'[23] That remuneration levels remain uncontained is reflected in a handful of promoters paying themselves between Rs. 500 mn to Rs. 1 bn in salaries and commission, independent of the size of their companies. Promoters' (and "founders") compensation structures almost always lack clarity with respect to the expected performance outcome.

In instances where the promoter lets go of his executive capacity, remuneration levels continue to remain a concern even in a non-executive capacity. Despite holding non-executive capacities, promoters often get paid more than other executive directors holding full-time positions.

[22] *Related research: India Inc's remuneration levels need to be reined in; July 2022: https://shorturl.at/tvCN9*
[23] *Related research: The missing 'S' in CEO compen*ation; February 2022: https://rb.gy/nk0ro*

Exhibit 28: Companies where executive pay has been aligned to company performance over the past three years



The promoters' wealth is tied to their investment in the company and consequently, the firm's performance. Therefore, a high salary suggests that promoters are looking to separate their roles as owners and managers. Yet, boards seem to set little accountability – promoter pay increases are almost a fait accompli. The Nomination and Remuneration Committee often tend to comprise friends and family, and sometimes the promoters themselves, which is a likely factor in giving performance requirements a very light touch.

Investors have been voicing their concerns through their votes. Of the 201 resolutions relating to promoter remuneration (in both, executive and non-executive capacities) examined by IiAS in 2022[24] (calendar year), 68 resolutions (34%) relating to promoter compensation passed only because of the promoters' votes – put to a majority-of-minority vote, these resolutions would have been defeated.

There are a variety of reasons for investor dissent on remuneration, including the absolute level of compensation, weak disclosures in the resolution, the structure of the remuneration (in terms of its alignment to company performance), and promoter family remuneration where there are several promoter family members on the board and holding office-of-profit positions.

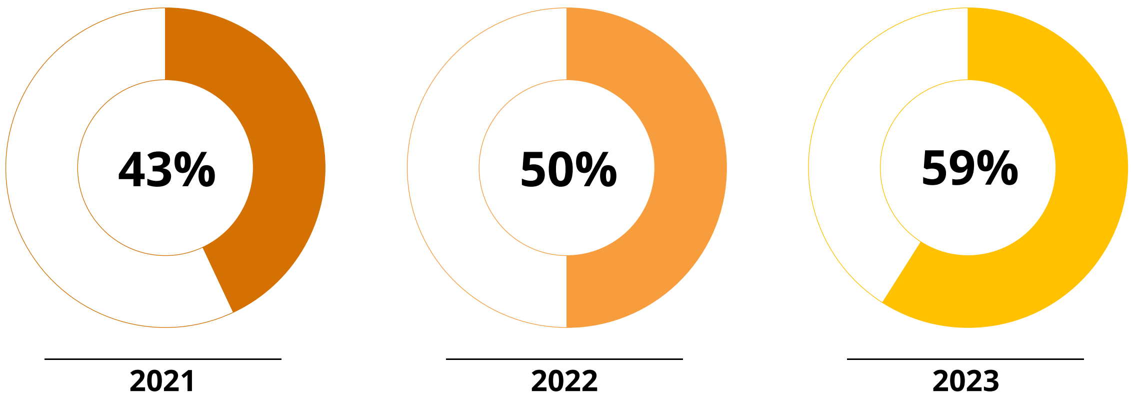
For promoter compensation, there is an inherent conflict of interest when the promoter group votes on the remuneration resolution. It is time that SEBI and the Ministry of Corporate Affairs list executive remuneration as a related party transaction and put it to a majority of minority vote[25].

Boards strive to create relevant incentive structures for executive directors, yet they shy away from pushing performance through remuneration structures. In India, variable pay usually comprises about 50% of aggregate pay, while globally it can range from 67% to 90%[26]. Boards need to set measurable long-term and short-term targets to align executive pay with company performance and must disclose these while seeking

[24] *Promoters vote their own salaries; June 2023: Promoters vote in their own salaries despite poor investor support (iiasadvisory.com)*
[25] *ibid*
[26] *Related research: CEO salaries – clarity that investors seek - https://bit.ly/3J2TFxQ*

shareholder approval. This process will push boards to think clearly about the company's priorities and bring clarity to investors as well.

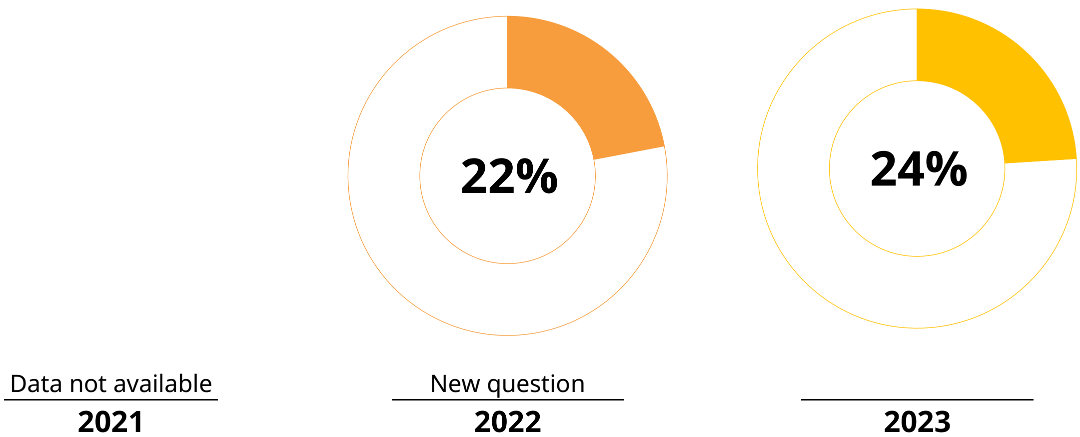
Exhibit 29: Companies where executive pay structures have at least 50% variable pay and aggregate pay is less than 5% of profits



Global compensation disclosure standards are far ahead of what India practices: disclosures of the basis of variable pay and stock options for executive remuneration is usually articulated in advance, and while determining pay there are sufficient disclosures on achievement vis-à-vis targets. With several promoters getting a flat share of the commission, there is little target orientation – most of the performance orientation applies to professionals, who are far easier to hold accountable. MNCs, too, follow differential disclosure standards – while performance benchmarks for the global CEO are published in the proxy statements, the disclosures of the Indian subsidiary continue to be limited to the requirement of the regulatory standards.

It is in this context that while reviewing the scorecard questions, IiAS decided to add a question relating to the disclosures of performance metrics for executive remuneration.

Exhibit 30: Companies that disclosed performance metrics for executive remuneration



This is a new question following the revision in the scorecard in 2022. Therefore, data for 2021 is not available.

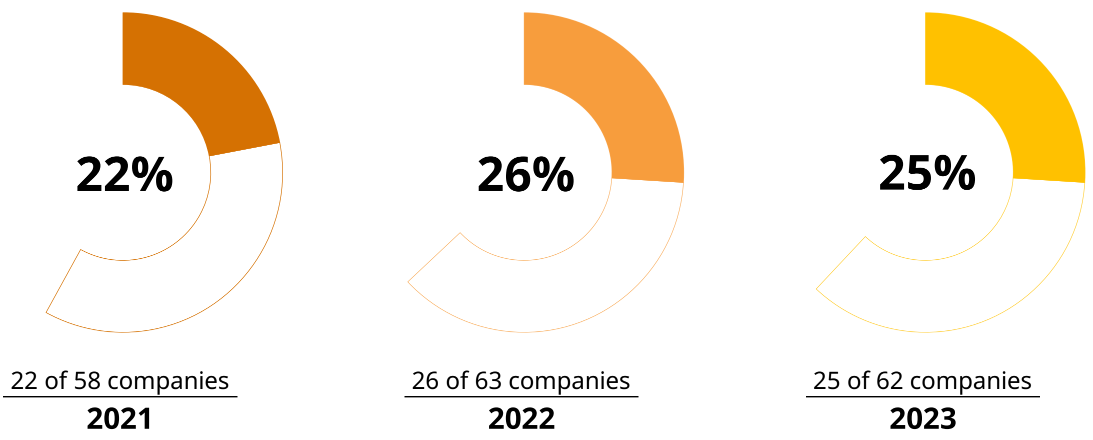
For professionals, a large proportion of the remuneration tends to be driven by stock options. Stock options were initially used by the financial and information services sectors, but the manufacturing sector too has adopted stock options as a component of remuneration. This is a good practice – adding stock options to the remuneration structure balances the short-term and long-term incentives for employees, especially executive directors.

In case of start-ups that have listed, remuneration levels are driven by restricted stock units (stock options exercisable at face value). Several of these start-ups are trading well below the issue price, but with stock options at deep discounts (often at face value), founders (who are not subject to the same restrictions as 'promoters') are in-the-money independent of company performance.

Of the BSE100, 62 companies have stock options schemes and have granted stock options in the past year. Companies tend to grant stock options at deep discounts to market price, usually because promoters do not want to get diluted, or to save employees from large investment amounts in case the stock price it too high. The third reason could be to conserve cash. Investors seek alignment of interests in stock options schemes: therefore, investors want stock option grants at deep discounts to carry performance-based vesting.

Of the 62 companies that had stock option schemes, only 25 of these had ESOP plans that aligned the interest of employees and shareholders – that is, the stock options were either issued at market price, or if these were at a discount to market price, then vesting would be determined based on the achievement of pre-defined targets.

Exhibit 31: Companies with stock options grants aligned with investor interest



Note: The scoring key was changed in 2022. The 26 companies in 2022 and 25 companies in 2023 reflect those that have issued stock options at market price, or if these were issued at a discount to market price, then vesting of such stock options was determined based on the achievement of pre-defined targets. We believe this is a more holistic measure of the alignment of interests between employees and investors. In previous years, the assessment was limited to whether stock options were issued at market price.

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

Managing and disclosing conflict of interest is critical to building stakeholder trust. About half the companies have a publicly disclosed conflict of interest policy, but in most instances, these policies apply only to employees and directors (which, therefore, includes promoters on the board and those holding office of profit positions). Including stakeholders (suppliers, vendors) into the ambit of disclosing and addressing conflicts of interest is critical for a more robust approach.

Exhibit 32: Companies that have a publicly disclosed conflict-of-interest policy for employees

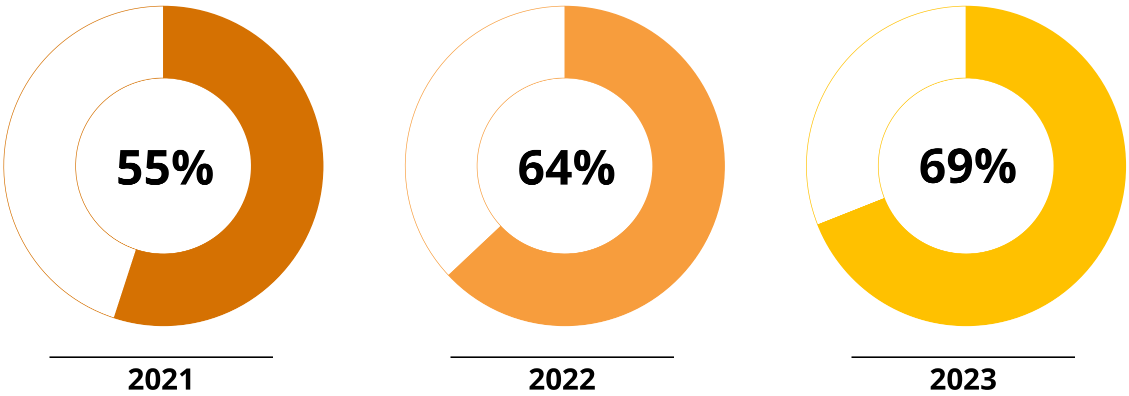
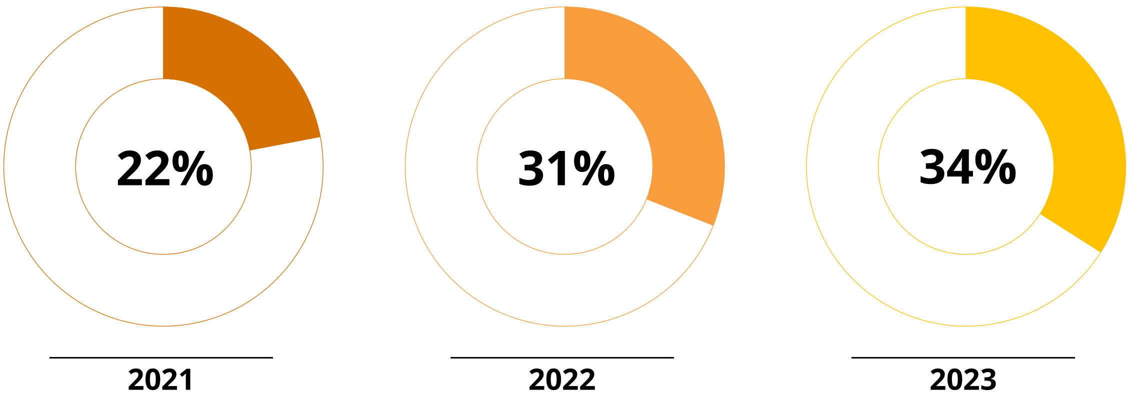
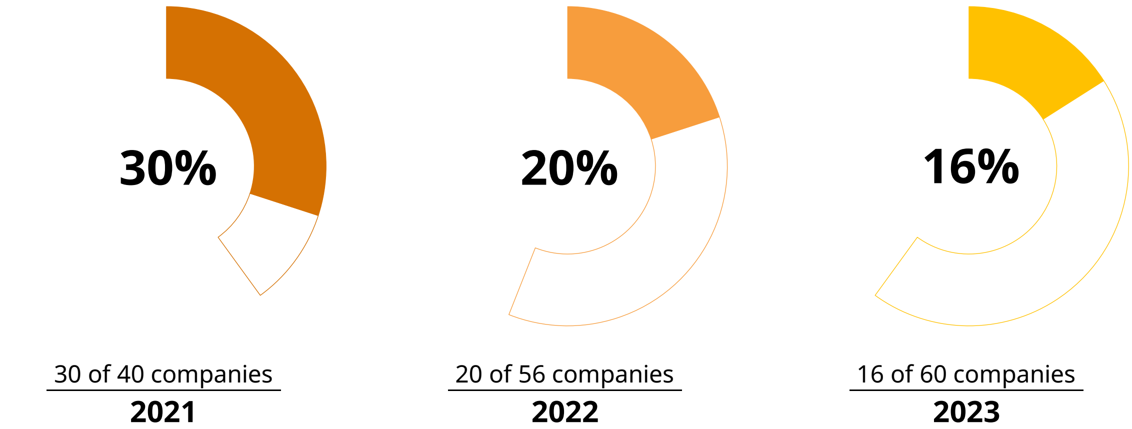


Exhibit 33: Companies with conflict-of-interest policies that encompass all stakeholders (not limited to employees)



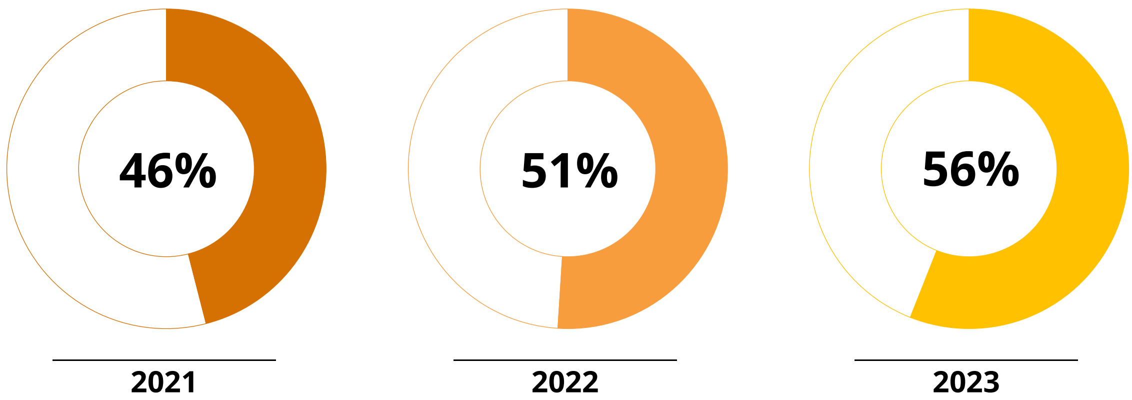
Conflict of interest can take several forms, but the most critical manifestation of this is related party transactions. Most related party transactions in India are operational – for example, Indian subsidiaries of MNCs buying and selling components or products from an entity belonging to the global parent. But even in these circumstances, investors raise concern if there are fellow subsidiaries, or promoter-owned companies that are in the similar line of business, creating a conflict-of-interest for the promoters.

Exhibit 34: Companies that undertook transactions in the past three years that were prejudicial to the interest of minority shareholders



Note: The scoring key was changed in 2022. The question looks at all transactions that may have been prejudicial to minority shareholder interest and is no longer limited to related party transactions. The question and the score for 2022 and 2023, therefore, is expansive compared to the first model. Accordingly, the score for 2021 is not strictly comparable.

Exhibit 35: Companies with policies on related party transactions that prohibit interested directors from participating in discussion and voting



With regulations on related party transactions becoming more stringent, several companies required shareholder approval for transactions with subsidiaries and promoter-controlled companies. Some of these transactions showcased the stranglehold promoters had over listed companies – through the control of critical supplies or through distribution channels. Having business adjacencies in promoter-controlled companies increases the vulnerability of the company to the promoters – the Risk Management Committee, to this extent, must focus on de-risking the business.

MANAGING SHAREHOLDERS

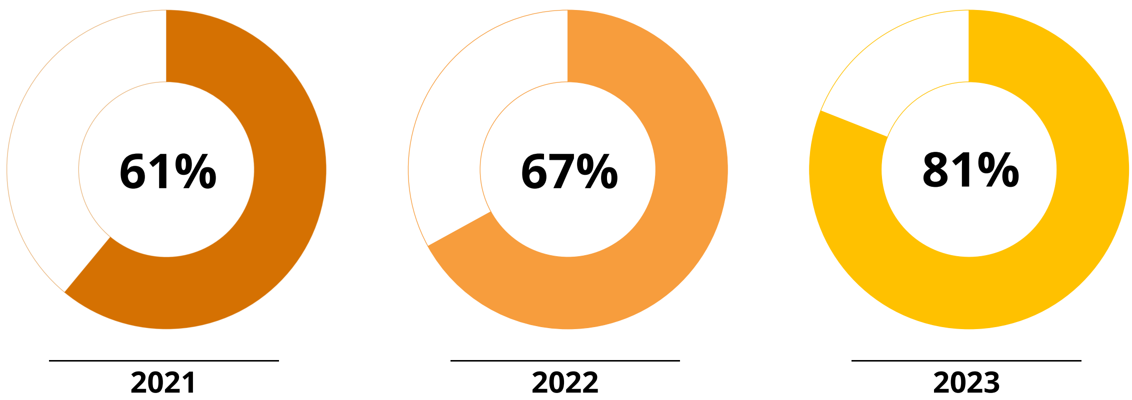
In the current set of regulatory reforms, investors have been empowered. Stewardship responsibilities for all sets of asset managers – mutual funds, insurance companies, AIFs, pension funds – have resulted in greater engagement between companies and their investors. As a result, companies are focused on periodic communication with investors, either through quarterly calls and AGMs, or through their filings with stock exchanges.

The median score in the category of Rights and Equitable Treatment of Shareholders has remained constant at 63 for the past three years. The highest scores have been closer to 90 over the past two years – it was 88 in 2023 and in 2022. While companies are putting in the effort to engage with investors, there is room for improvement. A key among them is better engagement between large stakeholders and the board – especially Independent Directors on the Stakeholder Relationship Committee (SRC) and the Audit Committee.

MANAGING AGMS

COVID has benefited the AGM processes for shareholders, boards, and corporate India. Virtual and hybrid AGMs have made it easier for companies to provide shareholders with webcasts and transcripts of AGMs than previously. Out of the BSE100 companies, 81 companies in 2023 provided evidence of time being allocated to address shareholder concerns and questions either in the minutes of their AGM meeting or in their AGM webcast, up from 61 in 2021. It was just 10 companies in 2019[27].

Exhibit 36: AGMs minutes or webcast that disclosed the questions asked by investors and the board's response to these



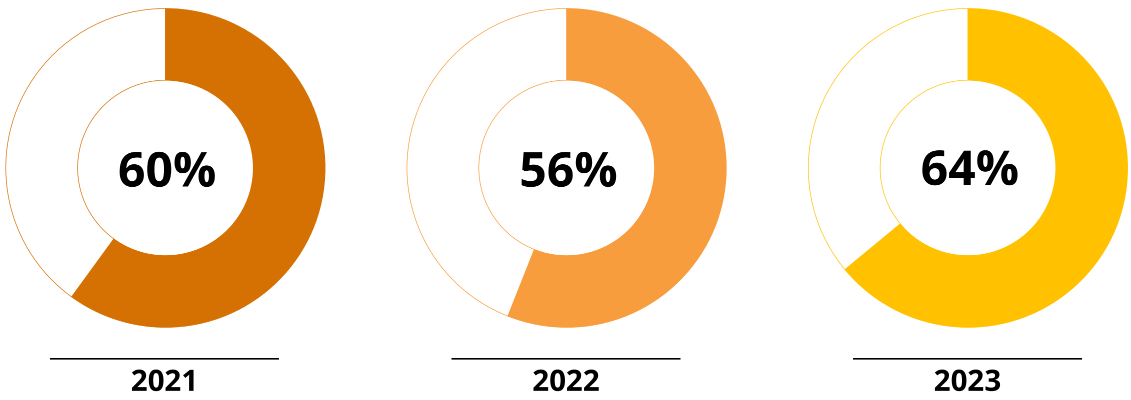
In several companies, shareholder questions were limited to financial statements and the proposed resolutions – a free-flow discussion on the business was not encouraged. Even where there were no restrictions, the virtual format allowed only for a Q&A method, where questions were collated, and responses were given comprehensively towards the close of the AGM[28]. Following this format favours the board over the shareholders and

[27] *Source: https://www.iiasadvisory.com/governance-Scorecard*
[28] *Related research: An investor's guide to shareholder meetings in India - https://bit.ly/3urgZkO*

limits the engagement with shareholders to a question-and-answer session, not a conversation. We expect companies to use the AGM as an opportunity to have a conversation with its shareholders, as much as shareholders participating in the AGM need to ask meaningful questions regarding the company's performance and strategy.

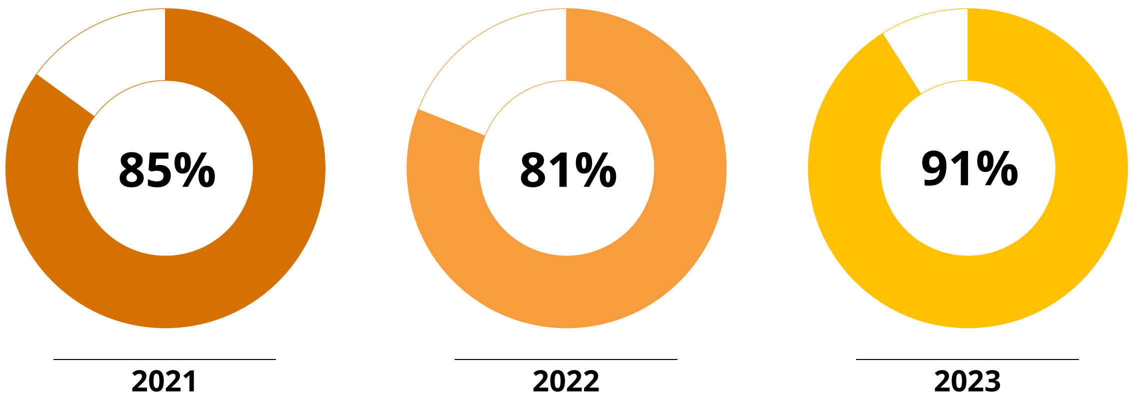
Adoption of virtual and hybrid AGMs also saw enhanced disclosures on attendance of directors and perhaps more directors attending the AGM. Despite the ease of attending AGMs, attendance by all board members for all companies remains challenging. Even so, the attendance levels have improved significantly over the years – against 64 companies in 2023, in 2019 (pre-COVID with physical AGMs), only 13 companies had all their board members attend the AGM (see Section 9 – A five-year look back).

Exhibit 37: AGMs that all board members attended



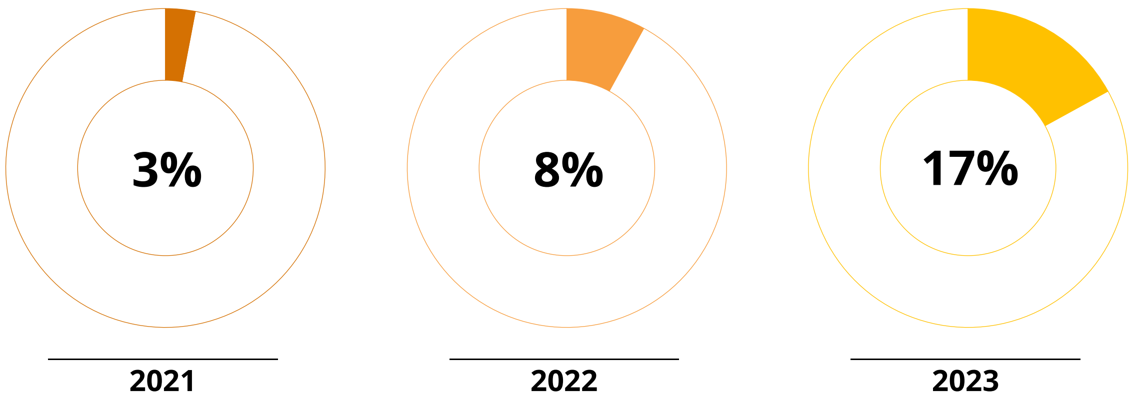
One essential element of an AGM is that shareholders are allowed to ask the auditor questions about the company's financial statements. But AGMs in India are managed by the Chairperson and allowing auditors to directly answer shareholder questions is a rarity. Attendance of auditors is mandatory, yet disclosure on whether auditors attended the AGM has been limited. Because more companies are putting up webcasts of their AGM, the score on this question has improved. Of the BSE100, 91 companies disclosed that their auditors had attended the last AGM.

Exhibit 38: Companies that disclosed that statutory auditors attended the AGM



2022 and 2023 were years in which most auditors completed their first five-year term. While most audit firms were reappointed, a handful of companies chose not to rotate the audit partner. We believe rotating the audit partner every five years will support better audit objectivity while not impacting institutional memory.

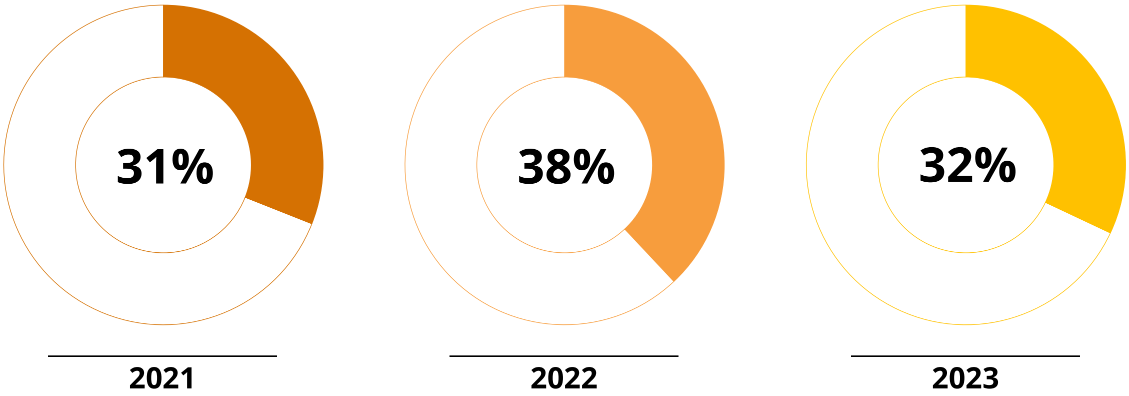
Exhibit 39: Companies where the audit partner has a tenure of over five years



ENGAGING WITH INVESTORS

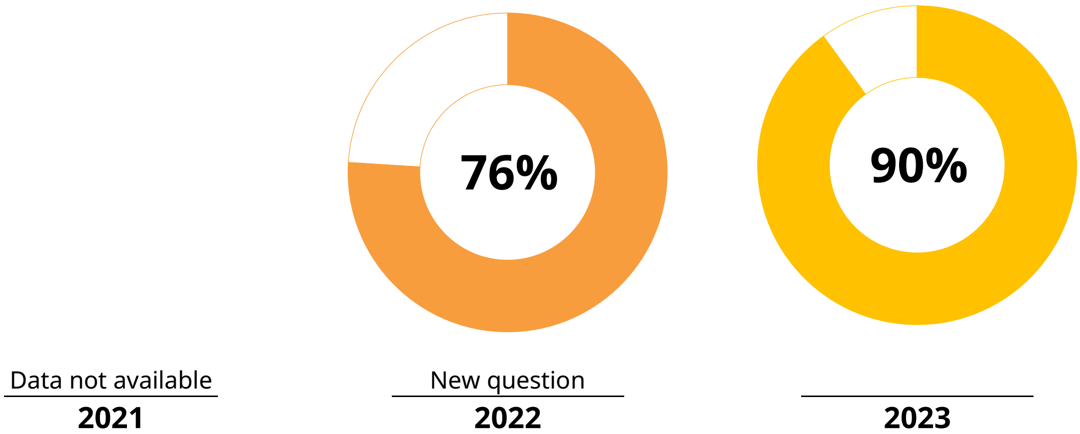
Despite being part of a major index, BSE100 companies continue to remain reticent in engaging with investors. Only 32 of the 100 companies had details of the investor relations team and contact details available. Six companies had no disclosures of a nominated person to handle investor questions and 62 companies, while naming an individual, did not have specific contact details giving just the board line numbers and a generic email address.

Exhibit 40: Companies that disclosed the names and contact details of investor relations person /team on their website



With the start-ups getting listed, investors woke up to a new reality that periodic investor calls need not be on the calendar. However, with higher levels of engagement between investors and companies, and increasing push-back from investors on shareholder resolutions, this has changed. 90 of the BSE100 companies held regular quarterly calls with investors and published the transcripts or recordings of these calls. While investor calls are usually attended by equity analysts and institutional investors, having the transcripts and recordings publicly available allows retail shareholders to access the same level of information.

Exhibit 41: Companies that have regular investors calls and publicly disclose the transcripts or recordings of these calls

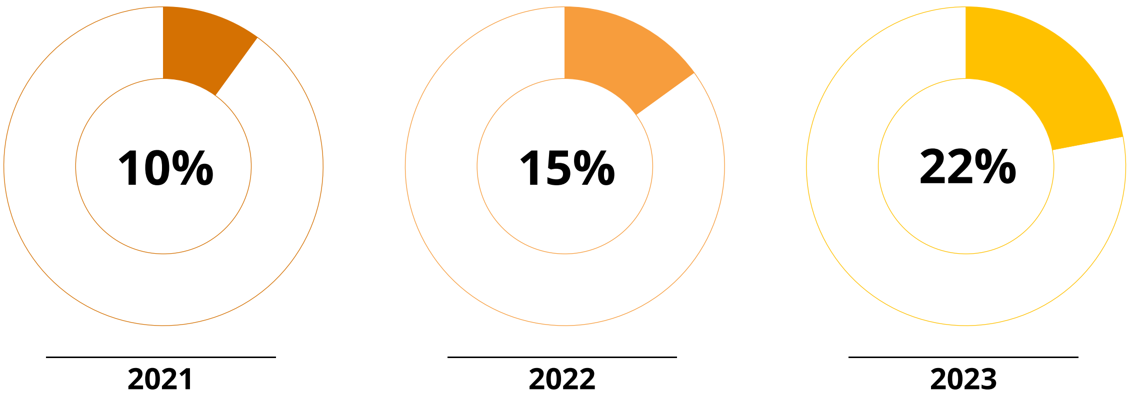


This is a new question following the revision in the scorecard in 2022. Therefore, data for 2021 is not available.

One of the complaints for global investors is access to boards. Rarely are board members accessible to key stakeholders, and this is true for all the BSE100 companies as well. This needs to change – independent directors, especially those on the Audit Committee and the Stakeholder Relationship Committee – must begin interacting with investors and address some of their performance concerns.

A simpler effort is for companies to have an investor grievance policy. While most companies have a standard checklist of dos and don'ts for investors, not many companies have a stated policy that allows investors access to an escalation mechanism in case their grievances are not met. While some companies have begun having an investor grievance policy, most companies have allowed SCORES to be the central portal of addressing investor grievances.

Exhibit 42: Companies that have a publicly available policy to handle investor grievances



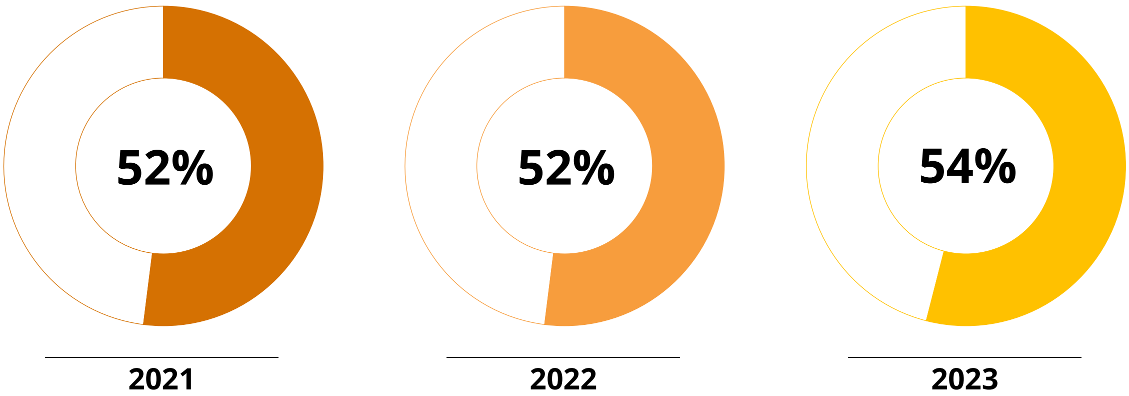
Dividends

Cash hoarding is a characteristic of corporate India. IiAS has consistently published reports raising concerns over the level of cash on company balance sheets. It is in this context SEBI mandated that the top 1000 companies publish a dividend distribution policy.

Having a thoughtful capital allocation policy provides clear guidance to shareholders. However, companies continue to shy away from publishing a targeted payout ratio. In 2023, 54 of the BSE100 companies published a dividend policy that articulated a target payout ratio. Of these 54 companies, there were 18 companies that deviated from their stated target dividend payout ratio without any explanation or further guidance provided to investors.

In India, the dividend payout ratio is superintended by RBI for banks and NBFCs, and the Department of Public Enterprises has defined the considerations that determine the dividend payout ratio for PSUs. These exceptions apart, boards need to step out of the regulatory shadow and define their capital allocation philosophy.

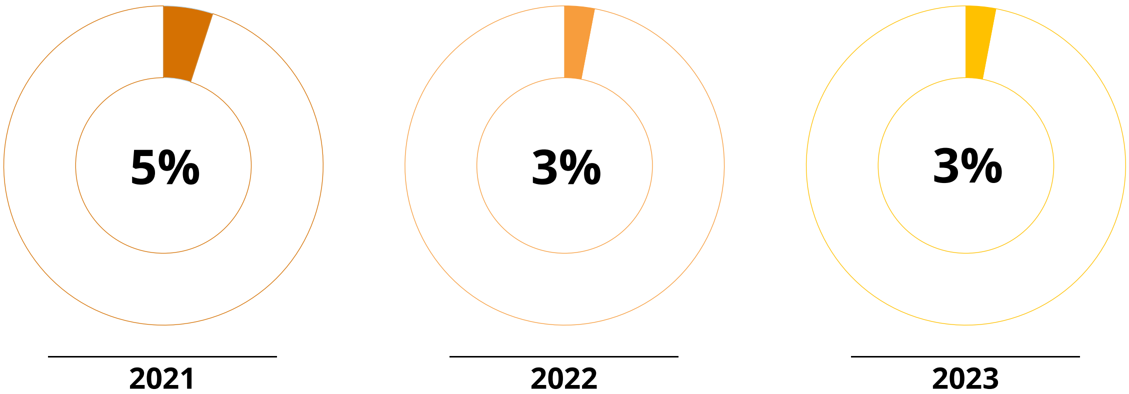
Exhibit 43: Dividend policies that articulate a targeted payout ratio



PUSH-BACK FROM INVESTORS

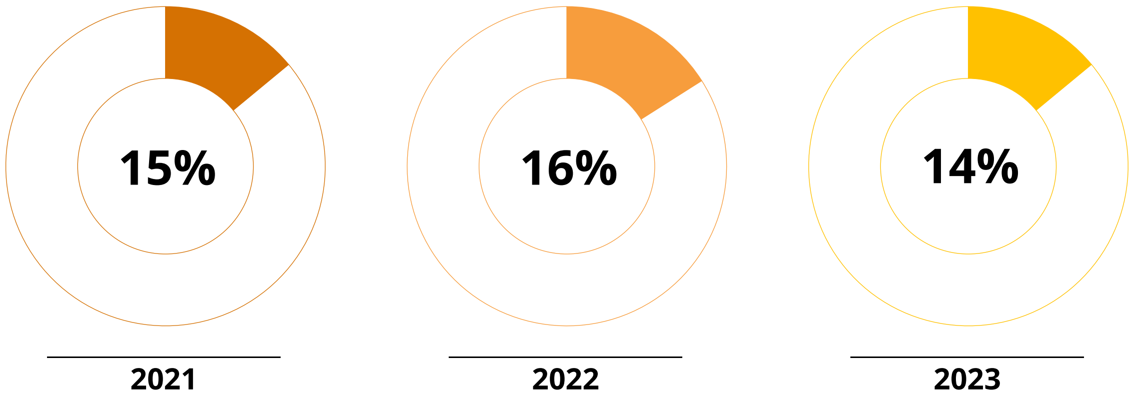
Investors have been increasingly vocal in their disappointment at some aspects of corporate behaviour[29]. The push back on shareholder resolutions has increased, especially in areas of executive remuneration, related party transactions, and board appointments. In 2023 and in 2022, three of the BSE100 companies had their shareholder proposals rejected by shareholders. But a larger number of resolutions are being carried by promoter votes – non-controlling shareholders did not support these resolutions in 14 of the BSE100 companies.

Exhibit 44: Companies that had their shareholder proposals rejected by investors



[29] *Related research: Voting Data and Outcomes for NIFTY 500 in 2022 - https://encr.pw/2tGAv*

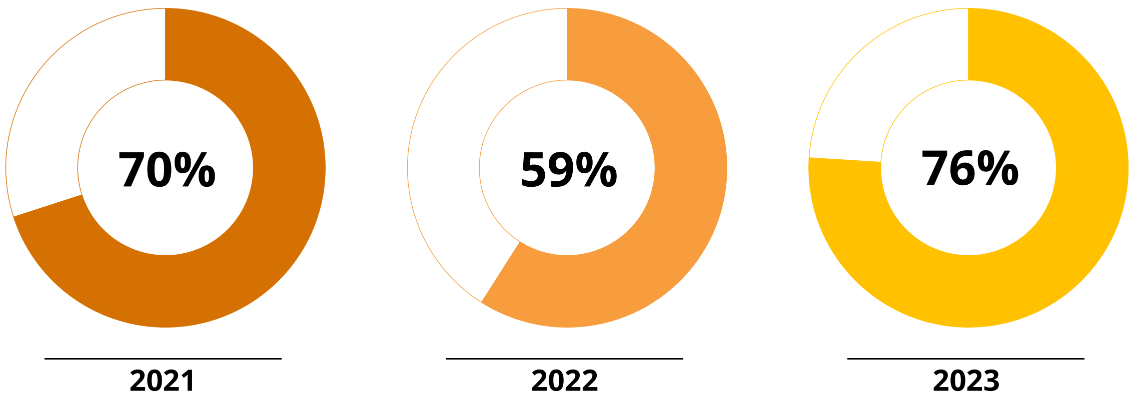
Exhibit 45: Companies that had their shareholder proposals carried by the promoter vote – majority of minority votes did not support the resolution



India is one of the few markets that has specified voting outcomes for shareholder resolutions to be published by category of investors. Given that this is mandatory, barring a few instances, companies are compliant with this regulation.

While disclosing the voting results on shareholder resolutions, companies can reject votes if these are invalid for any reason. Yet, there are few companies that disclose the rationale for rejection / invalidating votes cast by shareholders.

Exhibit 46: Companies where voting details of each shareholder category was disclosed and reasons for invalid votes was articulated



CREATING HOLDING STRUCTURES OR MECHANISMS FOR BETTER CONTROL

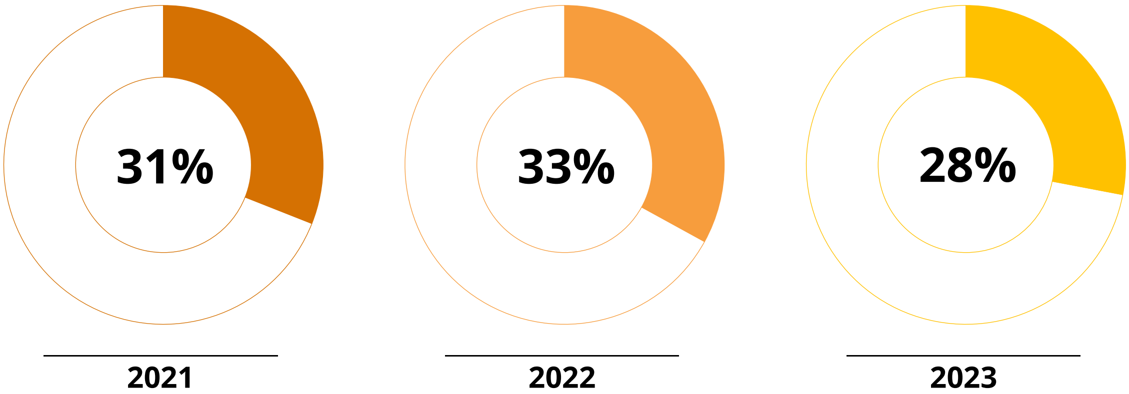
One of the ways in which promoter groups' exert significant control is by structuring the promoters' shareholding. This often happens when both the holding company and the operating subsidiary are listed. While from the investors' perspective, the valuations factor in a holding company discount, it does not account for the promoters' voting rights in the operating subsidiary that is often more than their economic interest.

In other instances, family members not strictly classified as relatives of the promoter group, hold large equity – but are classified as public shareholders. Independent of the regulatory construct that allows such classification, we believe, this limits the ability of the non-promoter group to influence board decisions.

Promoters also often own a share of operating subsidiaries, in which the listed company may own dominant equity. As a result, the promoters participate in the upside of the subsidiary's success, while the downside and growth of the subsidiary become the responsibility of the listed company.

Of the BSE100 index constituents, in 2023, there were 28 such companies where there were structures or mechanisms that had the potential to violate minority shareholders' rights. This is lower than the 33 companies in 2022 because of a change in the index constituents.

Exhibit 47: Companies where there are structures and mechanisms that could violate minority shareholders' rights

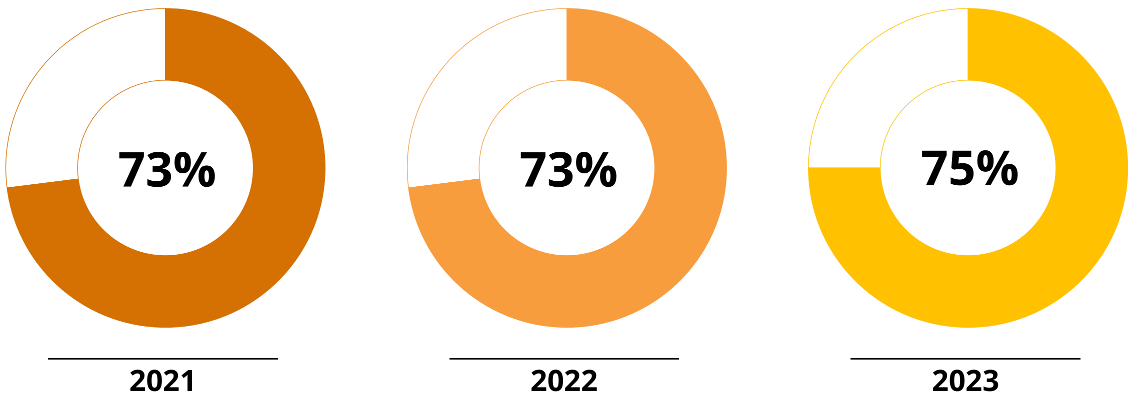


FINANCIAL STATEMENTS AND AUDITORS

FINANCIAL STATEMENT REPORTING

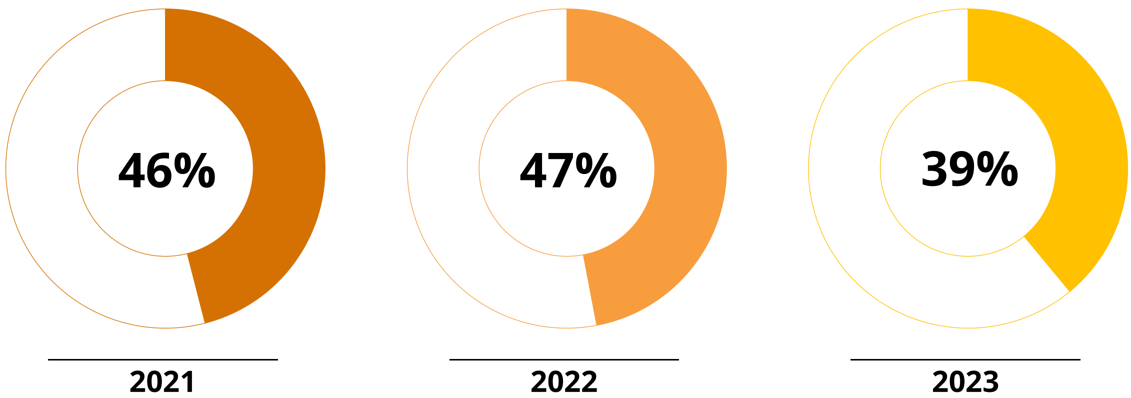
With increased scrutiny over audit quality, auditors are becoming more vocal in their audit reports. Given the size and scale of the BSE100 companies, just 75% of companies have clean audit reports. This number is low. In 2023, a large business group had the financial statements of its listed companies qualified by auditors on account of the allegations made by a US-based short-seller – not all of these are BSE100 index constituents, though. Of the BSE100, 7 companies carried audit report qualifications, while in 18 there were matter of emphasis comments.

Exhibit 48: Companies where auditors have not raised any concerns on financial statements



Disclosure on segmental information has not been comprehensive in most companies. While companies discuss segments in the Management Discussion and Analysis segment of the annual report, the segment reporting information often does not match them. While there are guidelines for what can be construed as a separate segment, there is room for management to apply a certain degree of subjectivity. A good thumb rule would be that if the segments get reported separately to the board for a performance review, these should be considered separate segments and must be mapped into the segment information disclosures in the annual report.

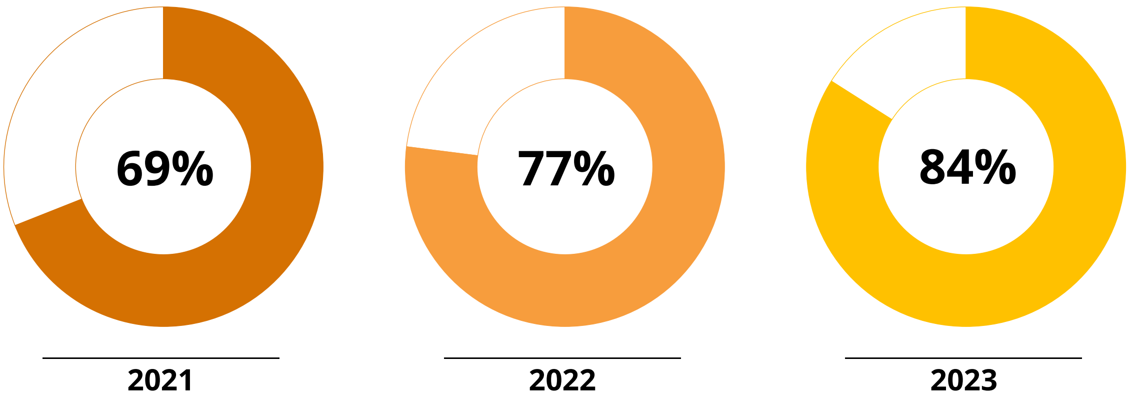
Exhibit 49: Annual reports where segment information is comprehensively disclosed



AUDIT QUALITY

Internal audit is the first line of defence. Companies have internal audit functions, but that these are well-staffed with a clear charter are necessary conditions for their success as a function. Moreover, the internal audit's function maintains independence if it reports directly to the audit committee, rather than to any layer in management. Companies, however, have limited disclosures on their internal audit functions. While some companies have outsourced the internal audit function by getting an external chartered accountant firm to undertake the internal audit, most companies tend to have internal teams. Independent of how the function is executed, having a clearly defined scope or charter, with the intent of protecting the business and its operations is a necessary requirement of the function. The increase in scores in 2023 is on account of better disclosures made by companies. However, the increase in scores in 2022 was on account of a change in index composition.

Exhibit 50: Companies where internal audit function reports directly to the audit committee

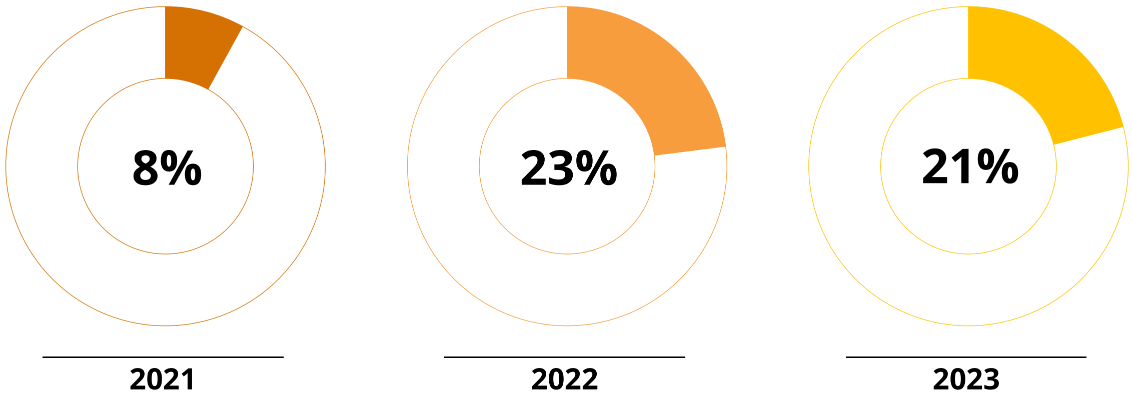


Considered a best practice, audit committees must periodically test for the statutory auditor's independence and audit quality. More so because auditors are no longer reappointed annually – they have five-year terms in case of companies and three-years in case of banks and NBFCs. Yet, periodic disclosures around auditor independence, competence, and experience continue to remain poor. While regulations have pushed for disclosure, most companies continue to provide sparse details on the auditors' background of how they were selected.

An audit regulator has been established, the National Financial Regulatory Authority (NFRA). The NFRA is responsible for recommending accounting and auditing policies and standards, undertaking investigations and imposing sanctions against defaulting audit firms to protect the interests of investors, creditors and others associated with the companies.

Some of NRFA's review reports have made their mark in the audit industry. Moving forward, we expect the establishment of an audit regulator to make a material difference to the audit quality for corporate India.

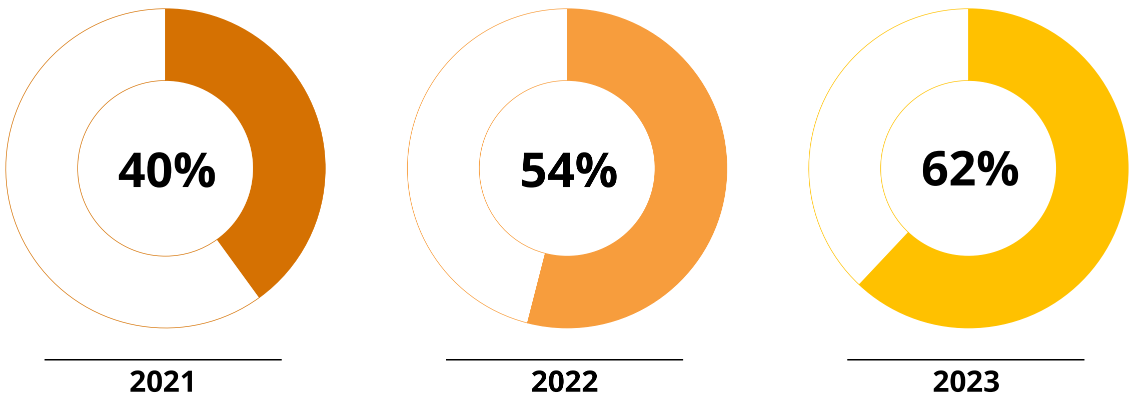
Exhibit 51: Boards that provided information about the independence, competence and experience of the statutory auditors



NON-FINANCIAL DISCLOSURES

Non-financial disclosure is as important as financial disclosure because it allows investors to get a context into the company's performance. More companies are now focused on articulating their non-financial disclosures better, from segment reporting to understanding the challenges and opportunities of the business. Post COVID-19, the focus on disclosure on risk and mitigation has improved. Beyond the black swan event, annual reports now discuss more deeply what internal and external factors impact the business, and the extent the company can undertake mitigation measures.

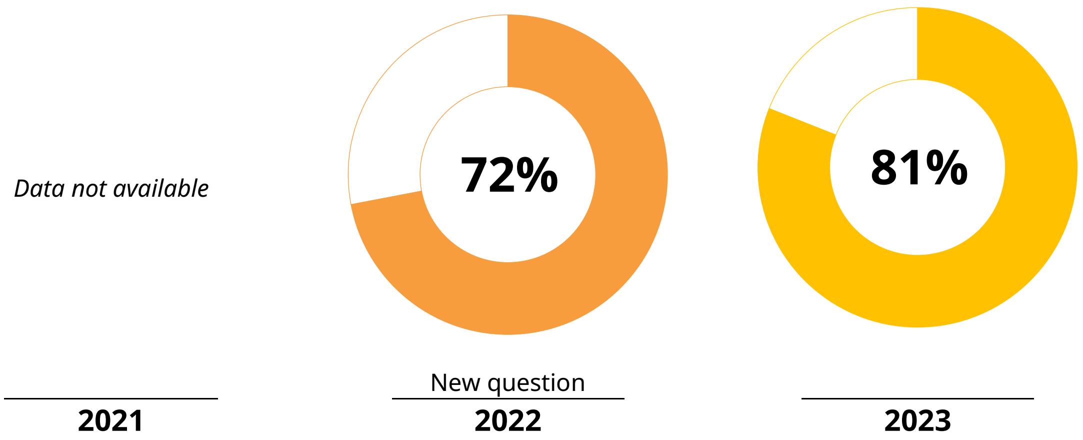
Exhibit 52: Companies that have clearly outlined business risks and mitigation strategies in their annual reports



With funds demanding ESG data, the BSE100 companies have responded by making a more concerted effort to make better disclosures on their sustainability practices. Mandated disclosures from SEBI in the form of the Business Responsibility Report (BRR) and subsequently the Business Responsibility and Sustainability Report (BRSR), mean that companies have become more centered around this issue. One of the early adopters of Integrated Reporting were Tata Steel Limited and Wipro Limited, and encouraged by SEBI, several companies followed suit.

There is a global effort to standardize sustainability reporting under the ambit of the International Sustainability Standards Board, which has embedded the concepts of Integrated Reporting into its global standards. India has decided to mandate the BRSR, which attempts to standardize the reporting on a certain set of core parameters (called the BRSR Core) and requires reasonable assurance (in a phased manner) on key parameters. SEBI expects that this will allow seamless and comparable data to become accessible, which in turn will allow stakeholders to make more informed decisions about their investee companies' sustainability practices. It will also serve as a check on greenwashing.

Exhibit 53: Companies that follow Integrated Reporting or have published a sustainability report



This question was modified in our revision of the scorecard in 2022. Therefore, data for 2021 is not available.

STAKEHOLDER MANAGEMENT

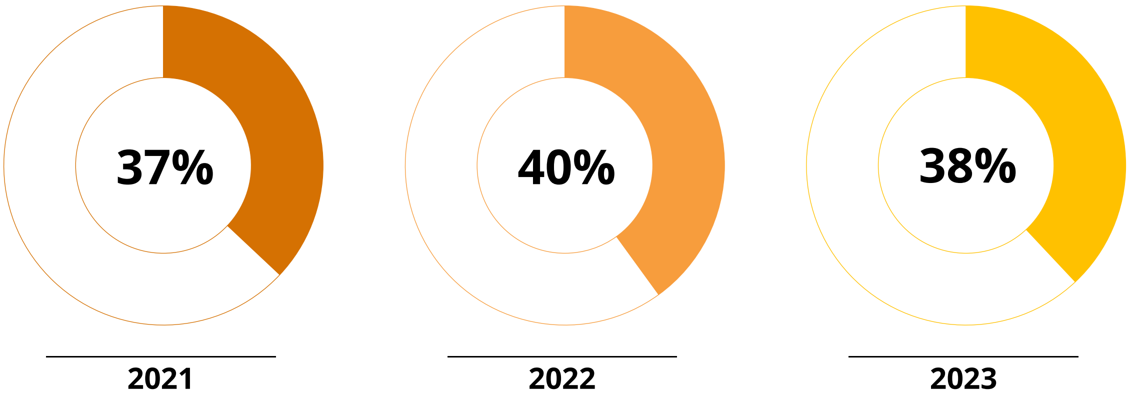
The pandemic questioned whether shareholder primacy trumps corporate citizenship. It is now indisputable that corporations have a larger responsibility towards society, which they cannot dismiss by citing their 2% CSR spend. ESG[30] considerations are now board level issues.

The G20/OECD Principles of Corporate Governance includes the *role of stakeholders in corporate governance* as one of its key principles. The Companies Act, 2013 too, has accorded primacy to stakeholders and not shareholders. To ensure sustainable value, companies must include all stakeholders including investors, employees, creditors, customers, suppliers, and community in their corporate governance agenda.

TREATMENT OF SUPPLIERS

Beginning with state-owned enterprises (PSUs) and down to the private sector, many corporates are yet to build the discipline of paying suppliers on time. During the pandemic, some of the larger companies squeezed their suppliers to manage working capital. In a post-COVID world, not much has changed. 38 of the BSE100 companies have delayed payments to suppliers and / or lenders in 2023, up from 20 in 2019 (the pre-COVID year). Delaying payments to suppliers impacts the suppliers' working capital and cost of borrowing: with supply chains getting more integrated with manufacturing, this will eventually be sub-optimal for large corporates.

Exhibit 54: Companies that delayed payments to suppliers and / or lenders



[30] *Related research: An everyday guide to ESG - https://www.iiasadvisory.com/download-file*

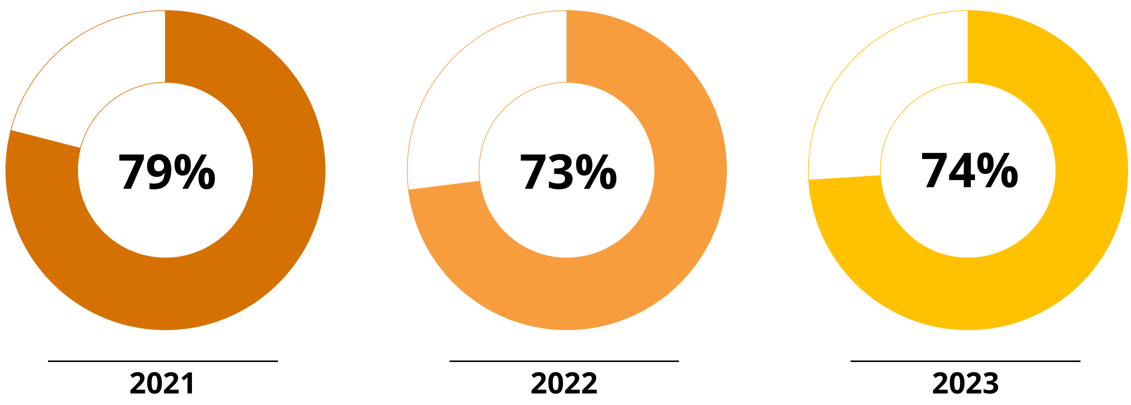
CSR SPENDS

Corporate Social Responsibility is embedded in corporate culture to a large extent. But having it mandatorily imposed through regulations caused an initial backlash. Even so, companies have strived and met the 2% CSR target for the most part. PSUs have waned and waxed on their ability to meet the target spends, some of it driven by the lack of absorption capacity of the large spends by the social sector eco-system.

Despite the challenges of keeping projects on track during COVID-19, corporate India has done well in terms of CSR spends, adding COVID-19 support to employees and the community as part of its expenses.

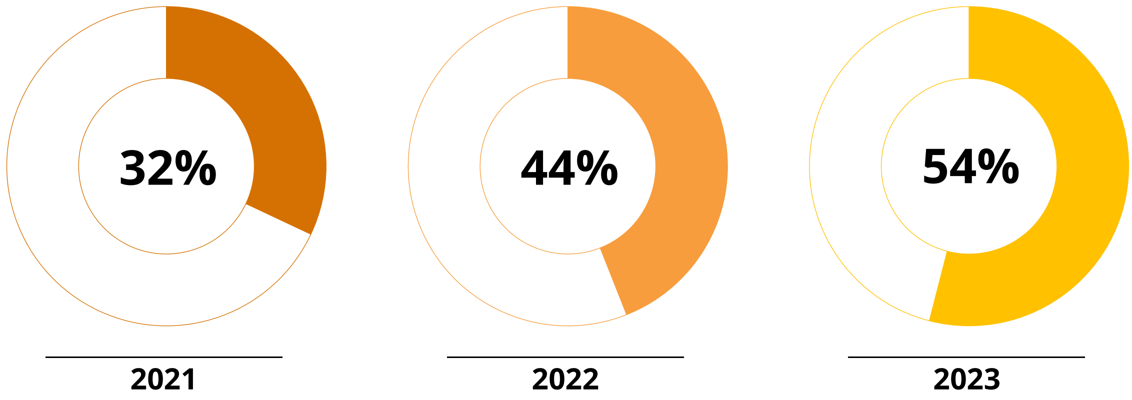
New regulations now allow companies to park the unspent amounts separately. This has removed the pressure from corporate India to annually meet the 2% target. As a result, the number of companies that have spent 2% of past three-years average profits on CSR has reduced to 74 in 2023 from 79 in 2021.

Exhibit 55: Companies spent at least 2% of their past three-year average profits on CSR



From January 2021, regulations require companies with an aggregate annual spend of greater than Rs. 100 mn to undertake an impact assessment on completed projects of size greater than Rs. 10 mn. For companies, CSR is slowly moving from becoming a mandatory requirement, to being used more strategically. Another reason is how the money is being spent.

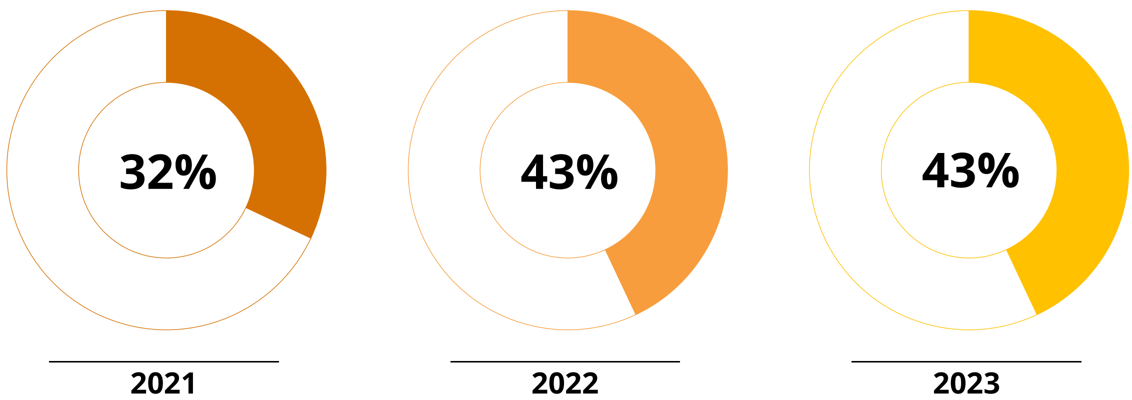
Exhibit 56: Companies that have undertaken an impact assessment of their CSR spends and disclosed the results



WHISTLE-BLOWER MECHANISMS

Having a strong whistle blower policy will ensure that the board becomes aware of errant and illegal behaviour. While corporate policies and codes of conduct spell out what is expected of employees and stakeholders there will always be pockets of bad behaviour. Under such circumstances, having a strong whistle-blower policy allows stakeholders – employees, suppliers, customers – to raise concerns in a confidential manner, without risking retribution. In India, the audit committee is tasked with handling whistle blower complaints. Several companies have decided not to support anonymous complaints, which we believe limits the ability of employees to report complaints. Whistle-blower complaints must also cover all stakeholders and not be limited to employees. Suppliers, customers, and other channel partners may want to raise concern over some of the company's practices or deviant behaviour by a set of employees.

Exhibit 57: Companies with whistle-blower policies that extend to all stakeholders, including employees, customers, and suppliers

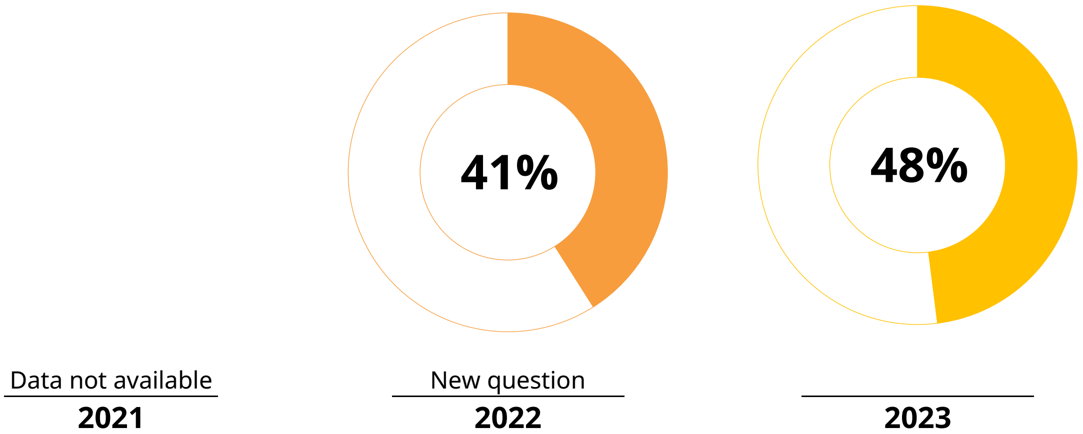


HEALTH AND SAFETY OF EMPLOYEES

Board members across some of the larger groups often comment on how board meetings begin with a discussion over the health and safety of employees – in terms of accidents, fatalities, and measures that the company has taken to prevent these. For the manufacturing sector this is crucial. For the services sector too, health and safety can take several forms over and above physical safety – mental health concerns, prevention of sexual harassment, and others. To this extent, having structured policies and making the required disclosures is necessary – it sets the tone on expectations of behaviour.

Most Indian companies have a policy on prevention of sexual harassment in the workplace (POSH) since it is a mandatory requirement. Yet, several of these policies are not gender neutral. Further, many do have and practice health and safety policies for employees: however, these too are not always publicly disclosed. This prevents stakeholders from understanding the seriousness with which companies approach employees' health and safety. At the same time, it prevents stakeholders from accessing the policy if they have been victims of employee misconduct.

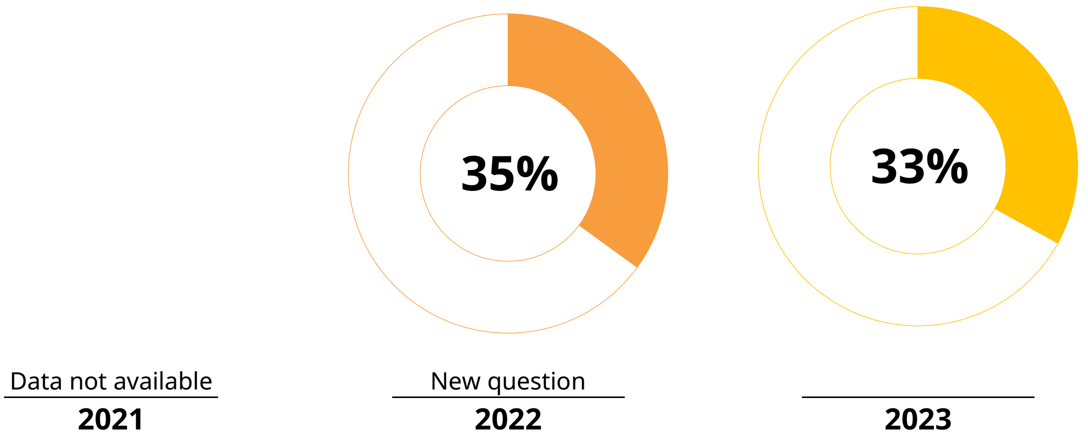
Exhibit 58: Companies with publicly disclosed health and safety policy and reported the incidents under the policy



This is a new question following the revision in the scorecard in 2022. Therefore, data for 2021 is not available.

With the new disclosure requirements under BRSR, more companies have disclosed accidents and fatalities at their facilities. In 2023, there were only 3 companies that had not made the relevant disclosures on the count of accidents and lost time, against 35 in 2022. While most companies tend to have a health and safety policy, their disclosure in public domain continue to remain limited.

Exhibit 59: Companies with publicly disclosed POSH policy and reported the incidents under the policy



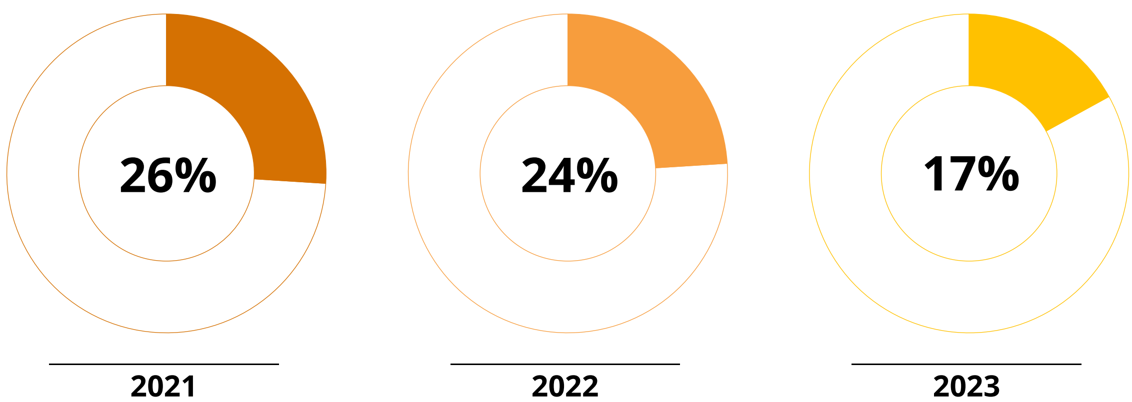
This is a new question following the revision in the scorecard in 2022. Therefore, data for 2021 is not available.

Companies consider human capital as one of their critical assets. While these companies extol what they have done for employees in their annual reports and sustainability reports, having their policies and relevant disclosures available will allow stakeholders to measure the success of their effort.

ETHICS POLICY AND CODES OF CONDUCT

Having a code of conduct and an ethics policy is important to set the tone of the corporate culture. What is considered unacceptable must be clearly articulated in the company's policies. That being said, the more critical piece for boards to focus on, is its universal and consistent application. For board members – especially, those belonging to the promoter group – there have been instances where the same yardstick of behaviour has not been applied.

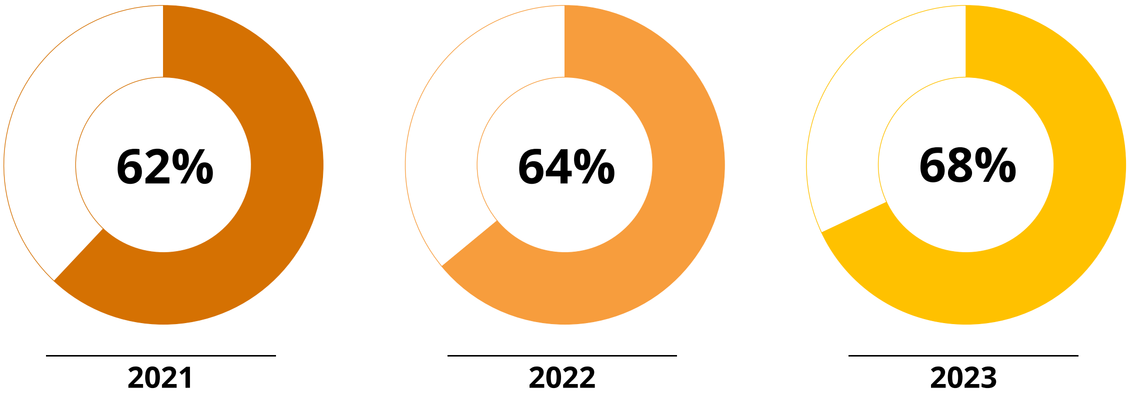
Exhibit 60: Companies that do not have a publicly available ethics policy or a code of conduct



More companies have begun to publicly disclose their codes of conduct and ethics policies. This change in scores on this account is largely driven by the change in index constituents, with a handful of companies beginning to improve their disclosure levels.

Bribery and corruption are concerns in most markets – India being no different. As good corporate citizens, companies must actively prohibit such behaviour. Yet not all the BSE100 companies have explicitly curtailed bribery and corruption through their codes of conduct and ethics policies. Even so, the increase in the number of companies is attributed to better disclosures.

Exhibit 61: Companies that explicitly prohibit bribery and corruption through their codes of conduct and ethics policies

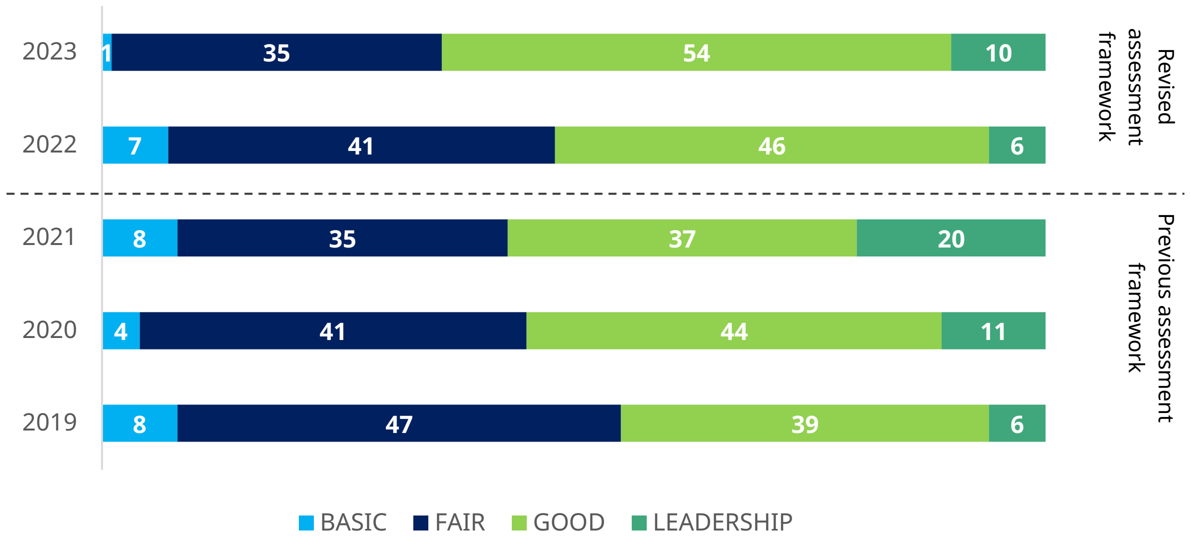


09. A FIVE-YEAR LOOK BACK

Corporate India has come a long way from five years ago. The distribution is now skewed towards companies in the GOOD and LEADERSHIP categories (score of 60 or more). In 2023, 64 companies scored 60 and above, as against just 45 in 2019. Also, companies in the BASIC category have dropped to just 1 in 2023, from the earlier 7 or 8 usual suspects.

This improvement is despite the 2022 revision in the model that reduced the number of questions, streamlined the scoring key, reduced duplications, and increased the bar for the LEADERSHIP category to 75 from the earlier 70. This five-year period also coincides with the stewardship responsibilities mandated by different regulators (SEBI, IRDA, and PFRDA) on the domestic asset management industry. A mix of regulations, increased engagement between companies, and the recognition that markets reward better governance are central to the improving performance of BSE100 index constituents on the Indian Corporate Governance Scorecard.

Exhibit 62: Performance of BSE100 index constituents over the past five years on the Indian Corporate Governance Scorecard



Other than the category of Responsibilities of the Board, the remaining three categories have shown an improvement in overall performance – the highest scores have become higher, and the median scores have improved too. However, the improvement in the category of Responsibilities of the board has been sluggish, which is essentially pulling down overall medians for the BSE100.

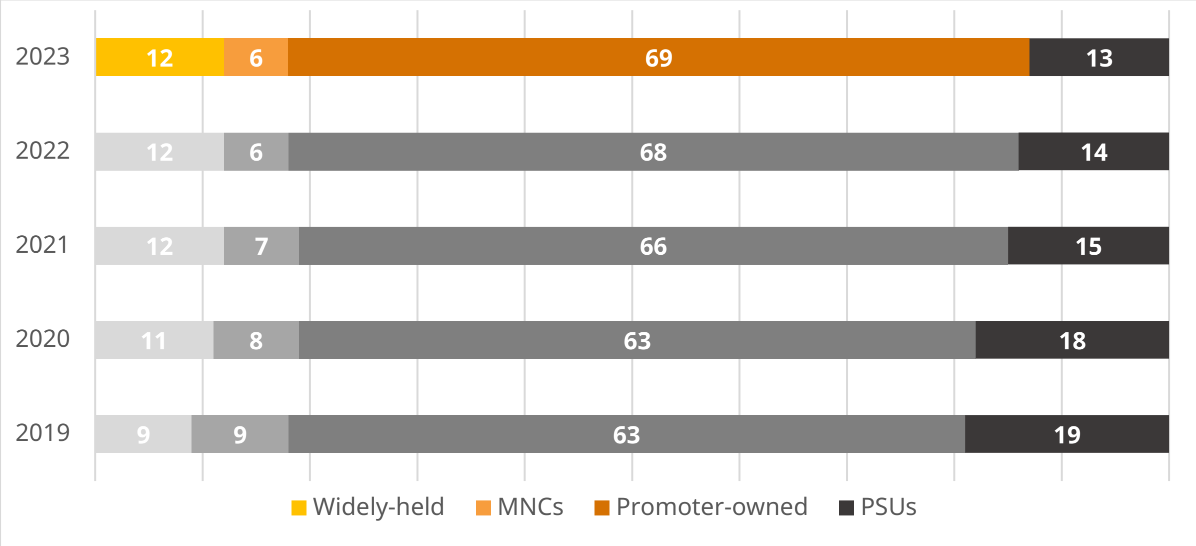
Exhibit 63: Category-wise performance of BSE100 index constituents over the past five years

	2019	2020	2021	2022	2023
I: Rights and equitable treatment of shareholders					
Highest	79	86	86	88	88
Median	53	60	63	63	63
Lowest	30	36	36	27	35
II: Role of stakeholders					
Highest	78	83	83	90	95
Median	50	50	50	55	60
Lowest	17	17	17	20	35
III: Transparency and Disclosure					
Highest	87	87	87	93	93
Median	67	70	70	69	71
Lowest	52	52	50	43	52
IV: Responsibilities of the board					
Highest	84	79	84	76	76
Median	58	58	55	53	55
Lowest	39	21	13	26	31
Total scores					
Highest	79	80	80	82	84
Median	58	61	62	61	63
Lowest	44	39	38	43	49

Source: IiAS Governance Scorecard (iiasadvisory.com)

That markets reward performance is also seen in the changing index composition. PSUs have, for the longest time, trailed the market on governance practices. In several instances, their boards are not compliant with the applicable regulations. As a result, the number of PSUs in the BSE100 index have reduced over the past five years. MNCs too, which score better than the average promoter-controlled company in India, operate differently in emerging markets that they do in their home countries. This behaviour is also reflected in a decline in MNCs within the index composition.

Exhibit 64: Change in BSE100 index constituents over the past five years



Over the past five years, there are 21 companies that have made it to the LEADERSHIP category, but not all have stayed. INFY and WIPRO have stayed in the LEADERSHIP category for all five years. HDFC made it to the LEADERSHIP category for four years, until it was merged with HDFC Bank in 2023.

Exhibit 65: Companies that had a LEADERSHIP score over the past five years

2019	2020	2021	2022	2023
Previous assessment framework			*Revised assessment framework*	
Infosys	Infosys	Infosys	Infosys	Infosys
wipro	wipro	wipro	wipro	wipro
HDFC	HDFC	HDFC	HDFC	*HDFC merged into HDFC Bank in 2023*
	marico	marico	marico	marico
		HDFC Life	HDFC Life	HDFC Life
		mahindra Rise	mahindra Rise	mahindra Rise
	Dr.Reddy's	Dr.Reddy's		Dr.Reddy's
		ICICI Lombard General Insurance		ICICI Lombard General Insurance

2019	2020	2021	2022	2023
Previous assessment framework			*Revised assessment framework*	
	TATA CONSUMER PRODUCTS	TATA CONSUMER PRODUCTS		TATA CONSUMER PRODUCTS
TATA POWER		TATA POWER		TATA POWER
				AXIS BANK
		airtel		
Cipla	Cipla	Cipla		
	Crompton	Crompton		
	HDFC BANK	HDFC BANK		
Hindustan Unilever Limited	Hindustan Unilever Limited	Hindustan Unilever Limited		
		ICICI PRUDENTIAL LIFE INSURANCE		
		kotak Kotak Mahindra Bank		
	TATA MOTORS	TATA MOTORS		
		TATA STEEL		
		TITAN COMPANY		

Note: The above list is not on the basis of scores.

Over the past five years, there has been tremendous strides taken by corporate India on most parameters. However, board independence and executive remuneration remain a concern.

Exhibit 66: Changes since 2019 for the BSE100 index constituents

	2019	2023
Companies with more than 50% board independence (with a tenure of less than 10 years)	25	30
Boards that have separated the roles of Chairperson and CEO	57	68
Companies with at least one Independent Woman Director	97	97
Board with a diversified and comprehensive set of skills	41	62
Companies where all board members have attended at least 75% of the board meetings held over the immediate past three years	60	90
Companies where all board members attended the previous AGM	13	64
Companies where executive pay was in line with revenues and profits over three years	48	38
Companies where CEO's variable pay was at least 50% of overall pay and less than 5% of profits	55	59
Companies that have a publicly disclosed conflict of interest policy for employees	49	69

	2019	2023
Related party transaction policies that prohibit interested directors from participating in discussion and voting	44	56
Companies with whistle-blower policies that extend to all stakeholders, including employees, customers, and suppliers	34	43
Companies that are spending at least 2% of profits on CSR	75	74
Companies that are impact assessments of their CSR spends	32	54

10. CONCLUSION

Over the past five years, India's corporate governance practices have improved. Despite a revision in the scorecard with more stringent benchmarks, companies that have scored 60 and over (GOOD + LEADERSHIP categories) are now 64 out of 100, against just 45 in 2019. The skew has clearly shifted, reflecting better governance practices.

Scores in three of the four categories of assessment have improved, driven mainly by an increase in transparency and disclosure. Indian regulators have often used disclosure as a tool for enforcement; disclosure standards, when compared to several markets, are more stringent for Indian companies. With the BRSR and increased focus on ESG, the availability of non-financial disclosure has increased in 2023. More companies are publishing sustainability reports or are following integrated reporting. Policies and charter documents are now more easily available, and companies have become a bit more accessible.

All these are good practices that investors welcome. Improved transparency will build investor trust.

The overall score in the category of Responsibilities of the Board has decreased over the past five years, a reflection of the continued passiveness of boards in addressing governance issues. Despite the 2024 [31] deadline to refresh the slate of tenured independent directors, progress has slowed. While engagement levels have indeed changed – board meeting attendance and AGM attendance have improved – boards continue to tiptoe around addressing board effectiveness.

Since over 2/3rd of corporate India is family-owned, independent directors have faced little accountability. Investor activism in a handful of companies in the past few years has been in companies where promoters have lost their shareholding dominance. While boards continue to rely on promoter votes to see shareholder resolutions through, they would do well to remember that markets reward good governance.

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[31] *In some cases, this will be 2025 as Companies were given one year up to 1 April 2015 to comply with the requirement of IDs*

11. SCORING MODEL CHANGES MADE IN 2022

After an extensive market consultative process, IiAS has revised the framework for assessment of the Indian Corporate Governance Scorecard. The scorecard now assesses companies on a set of 66 questions against 70. The changes to the scorecard were announced last year and were effective 1 April 2022.

We also revised the grade cut off for the LEADERSHIP category – companies will now have to reach a score of 75 to be considered in this category, against the score of 70.

Exhibit 68: Changes to the framework and revised score categories

Categories	Previous Score Range – for 2020 and 2021	Current Score Range – from 1 April 2022
LEADERSHIP	> =70	**>=75**
GOOD	60 – 69	**60 – 74**
FAIR	50-59	50 – 59
BASIC	<50	<50
Total number of questions	70	**66**

Exhibit 69: Changes to the list of questions

Additions

Question	Score: 0	Score: 1	Score: 2
Does the board have directors with permanent board seats?	The board comprises directors that do not seek periodic shareholder approval for their reappointment / directorship	The board comprises directors that do not seek periodic shareholder approval for their reappointment, but these are representatives of lenders (for companies in financial distress)	All directors are required to be re-elected at regular intervals
Has the company, directors or its key managerial personnel (KMP) fined or penalized by regulatory bodies, stock exchanges in the past 12 months?	There are instances where company, directors or its key managerial personnel (KMP) fined or penalized by regulatory bodies, stock exchanges in the past 12 months	-	There is no evidence of instances company, directors or its key managerial personnel (KMP) fined or penalized by regulatory bodies, stock exchanges in the past 12 months
Is there adequate women representation in the workforce?	<10%; or there is no disclosure on this aspect	>10% and <30%	>30%

Question	Score: 0	Score: 1	Score: 2
Has the Nomination and Remuneration Committee defined performance metrics for executive remuneration?	No, the performance metrics have not been defined	Yes, and the performance metrics have been defined but do not include any ESG related performance targets	Yes, and the performance metrics have been defined and include ESG related performance targets

Deletions

Question	Score: 0	Score: 1	Score: 2
Were any preferential warrants issued to the controlling shareholders in the past one year?	Yes, preferential warrants were issued	Yes, but preferential warrants were issued pursuant to a debt restructuring scheme	No preferential warrants were issued
Did the previous AGM allow sufficient time for shareholder engagement?	There is no evidence of time provided	There was evidence of time being allocated for shareholder engagement in the minutes or the AGM webcast	There was evidence of time being allocated for shareholder engagement in the minutes or the AGM webcast and the details of shareholder engagement/queries were provided
Was shareholder participation facilitated for all shareholders at the previous AGM in the past one year?	No evidence of facilities/opportunities being provided	Yes, shareholders could submit questions in writing before the meeting	Yes, there is evidence of facilities being provided for shareholder participation through video-conferencing or tele-conferencing
Is the company transparent in disclosing financial performance on a quarterly basis in the past one year?	The company has not disclosed financial performance for all the past four quarters	The company has not disclosed either standalone or consolidated financial performance in any one of the past four quarters	The company has disclosed both standalone and consolidated quarterly financial performance for each of the past four quarters
Has the company identified its senior executives and their responsibilities?	The senior executives have not been identified	The senior executives have been identified, but their roles have not been clearly stated	The senior executives have been identified and their roles have been clearly stated
Has the company clearly identified its independent directors in the annual report and on its website?	No, the company has not made any distinction of independent directors in the annual report	-	Yes, independent directors are clearly identified and disclosed in the annual report
Does the remuneration structure for executive directors align pay with performance?	There is no information on variable pay	The executive directors are given variable pay through short-term incentives	Variable pay is given through both short-term and long-term incentives

Modifications

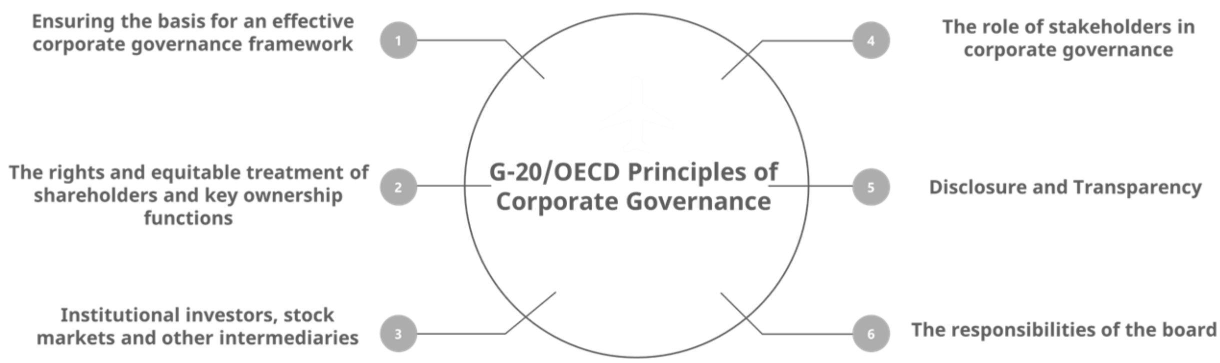
Question	Score: 0	Score: 1	Score: 2
Did all board members and the auditors attend the previous AGM?	Either the Chairperson of the board, or the CEO, or the Chairperson of Audit Committee/Nomination and Remuneration Committee/Stakeholders Relationship Committee or the auditors did not attend the AGM	The Chairperson of the board, the CEO, auditors and the Chairperson of Audit Committee/Nomination and Remuneration Committee/Stakeholders Relationship Committee attended, but not all board members	The entire board and auditors attended
Has the company transacted in a manner prejudicial to the interests of minority shareholders in the past three years?	Yes, the company has entered into transactions or taken actions which could be prejudicial to the interests of minority shareholders	-	No, the company did not undertake any transactions or taken actions which could be prejudicial to the interests of minority shareholders
Is the company committed towards developing stakeholder relationships?	The company does not hold investor calls on a quarterly basis or the transcript/recording is not publicly disclosed by the company	Yes, the company holds quarterly investor calls, and the transcript/recording of such calls is disclosed by the company	Yes, the company holds investor calls on a quarterly basis, the transcripts or recordings of such calls are disclosed on the company website; and the SRC engages with investors on a regular basis
Does the company have publicly disclosed policies and/or mechanisms to address the health, safety, and welfare of employees?	The policies are not publicly disclosed, and the company has not provided information on the number of employee accidents or there have been labour fatalities on account of accidents in the workplace	The policies are publicly disclosed, or the company has provided information on the number of employee accidents	The company has provided information on the number of employee accidents and has publicly disclosed its health and safety policies
Does the company have publicly disclosed policies and/or mechanisms to prevent sexual harassment at workplace?	The policy has not been publicly disclosed and the company has not provided information on the number of sexual harassment incidents	The policy is publicly disclosed or the company has provided information on the number of sexual harassment incidents	The company has provided information on the number of sexual harassment incidents and has publicly disclosed its prevention of sexual harassment policy
Is the company transparent in disclosing non-financial information?	The company has not disclosed meaningful information on non-financial parameters	The company has not published an integrated report/sustainability report but information on some non-financial parameters has been disclosed	The company has published an integrated report/ sustainability report

Question	Score: 0	Score: 1	Score: 2
Has the company articulated a dividend policy for its shareholders?	Dividend policy does not have a target payout ratio	The policy is publicly available and specifies a target payout ratio, but there have been deviations from the policy, without any clear rationale in the past three years	The policy is publicly available, specifies a target payout ratio; and there have not been any deviations from the policy in the past three years or the rationale for deviation has been clearly provided
Does the board have gender diversity?	None of the women directors are independent	At least one woman director is independent, but women comprise less than 30% of the board	At least 30% of the board comprises women, of which at least one is an independent director
If the company has a stock option scheme, is the exercise price of the stock options fixed at a discount to market price?	Only options granted to board members were discounted, or the stock options were granted to senior leadership on more favourable terms than the rest of the employee pool	Discount given on stock options to all employees, but vesting was either fully or partly tenure based	The stock options were exercised at market price or, if these were exercisable at a discount to market price, then vesting was based on the accomplishment of pre-disclosed performance targets
Does the company have a succession plan for its directors and senior leadership?	There is no disclosure of succession plan for directors and senior leadership	There is a succession plan for directors and senior leadership	There is a succession plan for both directors and senior leadership and a detailed framework for succession planning is disclosed

ANNEXURE A: EVALUATION FRAMEWORK

The evaluation framework is built around the G20/OECD Principles of Corporate Governance (G20/OECD Principles)[32], which are the globally accepted benchmark for corporate governance. While applying the G20/OECD Principles, consideration was given to issues relevant in the Indian context and the regulatory framework prescribed by Indian regulators and oversight bodies.

G20/OECD Principles of Corporate Governance



The principles capture the essential elements of corporate governance:

- **Principle I:** Ensuring the basis for an effective corporate governance framework:
  The corporate governance framework must help promote transparent and fair markets, and the efficient allocation of resources.
- **Principle II:** The rights and equitable treatment of shareholders and key ownership functions:
  The corporate governance framework must identify basic shareholder rights and provide equitable treatment of all shareholders.
- **Principle III:** Institutional investors, stock markets and other intermediaries:
  The corporate governance framework must disclose and minimize conflicts of interest of market participants.
- **Principle IV:** The role of stakeholders in corporate governance:
  The corporate governance framework must encourage active co-operation between companies and their stakeholders.
- **Principle V:** Disclosure and transparency:
  The corporate governance framework must facilitate disclosure of material information to aid in informed decision-making.
- **Principle VI:** The responsibilities of the board:
  The corporate governance framework must ensure effective supervision by the board and enhance the board accountability to stakeholders

[32] http://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf

The G20/OECD Principles of Corporate Governance:

have been adopted as one of the Financial Stability Board's (FSB) Key Standards for Sound Financial Systems serving FSB, G20 and OECD members

have been used by the World Bank Group in more than 60 country reviews worldwide

serve as the basis for the Guidelines on corporate governance of banks issued by the Basel Committee on Banking Supervision

The scorecard requires the evaluation to be conducted only on publicly available data. Sources of information will primarily include official company documents on the company website and stock exchange filings. For a few specific questions, the verification sources may even include regulatory orders and media reports.

The questions in the Scorecard have been grouped into four categories – each category corresponding to one of the principles recognised in the G20/OECD Principles as a measure of good corporate governance:

Rights and equitable treatment of shareholders
- Quality of shareholder meetings
- Related party transactions
- Investor grievance policies
- Conflicts of interest

Role of stakeholders in corporate governance
- Business responsibility initiatives
- Supplier management
- Employee welfare
- Investor engagement
- Whistle-blower policy

Disclosures and transparency
- Ownership structure
- Financials
- Company filings
- Risk Management
- Audit integrity
- Dividend payouts and policies

Responsibilities of the board
- Board and committee composition
- Training for directors
- Board evaluation
- Director remuneration
- Succession planning

The Scorecard has been developed considering four of the six G20/OECD Principles (Principle II, IV, V, and VI), which focus directly on the company's governance practices. G20/OECD Principles I and III have been kept outside the purview of the model as they deal with the overall regulatory environment and the role of market participants in corporate governance – factors which are not in the control of the company.

The underlying principles behind the Scorecard are listed as follows:
- The Scorecard must be able to provide a true and fair assessment of governance practices.
- The Scorecard should reflect globally recognized good governance practices.
- The Scorecard should factor in the Indian construct. However, to the extent possible, it should be universally applicable even for companies outside the Indian markets.
- The Scorecard should be constructive and encourage companies to adopt better practices beyond minimum compliance.
- The Scorecard should be reliable and have appropriate checks and balances to ensure credibility of the assessments.

CAVEAT
As all evaluation frameworks do, the methodology of the Indian Corporate Governance Scorecard also has its own limitation. A high score on the scorecard is not an indicator of current or future financial performance, or stock price performance. The scores also do not indicate the permanency of governance practices: a company's governance practices may improve or deteriorate from the date of the scoring. The scorecard is based on publicly available information, which has its limitations and cannot predict corporate behaviour – especially during contentious or divisive situations.

To ensure that the Scorecard is easily comprehensible and applied consistently, detailed scoring keys and guidance notes have been developed for each question.

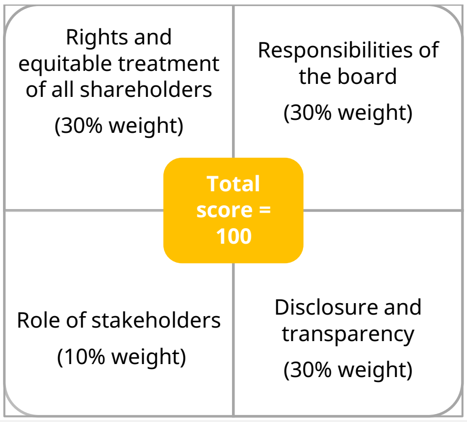
FAQs

Questions	Responses
What type of companies can be evaluated by the scorecard?	The metrics used in the scorecard can be universally applied to all companies. However, given that the scorecard relies only on publicly available data, external assessments will be relevant mostly for listed companies.
Is the scorecard applicable to small/recently listed companies?	The scorecard takes the view that listing on the stock exchanges casts a public obligation to adopt good corporate governance practices. Thus, the fact that companies may be only recently listed or may be small in size are not legitimate reasons to lower the measurement thresholds of the governance scorecard.
Who fills in the scorecard?	The scorecard can be used by all market participants to evaluate companies. While filling up the questionnaire, the assessor needs to refer to the guidance notes included as part of the scoring model. However, this score can only be used by participants for internal evaluation – it cannot be used publicly unless validated.
When can the company use the score publicly?	The company can only use the score publicly if it has been validated by a task-force comprising corporate governance experts appointed by an authorized body.

ANNEXURE B: METHODOLOGY

The scorecard comprises a total of 70 questions. These questions are divided into four categories corresponding to the respective G20/OECD principles. Each category has a different number of questions that address the relevant issues related to the specific G20/OECD principle. The weightages assigned to each category are based on the number of questions in the category and the relative importance of the questions in that category in the Indian corporate governance framework.

It was determined that the quality of corporate governance practices referred to in each question should be recognised on three levels:



SCORECARD MATRIX

- **2 points:** If the company follows global best practices for that element of corporate governance
- **1 point:** If the company follows reasonable practices or meets the Indian standard for that element of corporate governance
- **0 point:** If the company needs to improve in that element of corporate governance

Some questions do require a more limited 'yes'/'no' response. In such cases, 2 points are awarded for a positive response and zero points for a negative response. If information is not observable through publicly available relevant information, the question will not be awarded any points.

Some questions may also provide for a 'not applicable' option. If the assessors select this option, the question will be excluded while applying the scoring formula.

Each question has a detailed response key which underlines the best practice. The assessors need to strictly adhere to what is mentioned in the response key for scoring on each question.

CATEGORY WEIGHTS

Category	Number of questions	Maximum attainable score	Category weight (%)
Rights and Equitable Treatment of shareholders	16	32	30
Role of stakeholders	10	20	10
Disclosure and Transparency	21	42	30
Responsibilities of Board	19	38	30
TOTAL	**66**		**100**

To arrive at a final score for a company, the assessors need to:

a. Add the scores for all responses under a category and divide it by the maximum attainable score for the category. This may need to account for questions which are not applicable for the company.
b. Multiply the ratio so obtained by the total category weight to give a weighted score for that category.
c. Sum all weighted scores across all four categories. The final score will be rounded off to the nearest integer.

$$\textbf{Category Score} = \frac{\text{Aggregate score of all questions under category}}{\text{(Number of applicable questions in category x 2)}} \times \text{Category Weight}$$

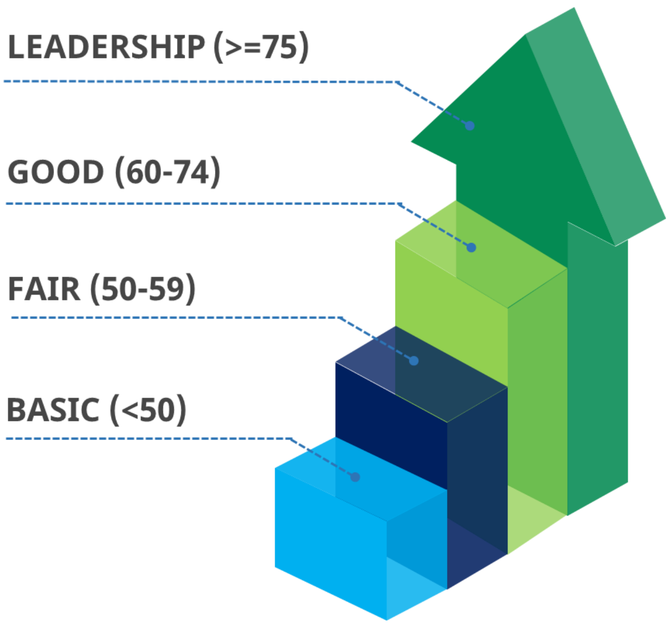
$$\textbf{Total Score} = \text{Category Score}_1 + \text{Category Score}_2 + \text{Category Score}_3 + \text{Category Score}_4$$

SCORING EXAMPLE

Category	Total score (A)	Maximum attainable score (B)	Category weight (%) (C)	Weighted score (A/B)*C
Rights and equitable treatment of shareholders	30	32	30	28
Role of stakeholders	12	20	10	6
Disclosure and transparency	38	42	30	27
Responsibilities of board	28	38	30	22
FINAL SCORE				**83***

** Rounding-off to be performed only at the final score level*

Based on the final score, companies will be grouped into the following buckets:



ANNEXURE C: LIST OF COMPANIES

The list of BSE100 (on 31 October 2023) companies covered under the study is given below:

Sr. No.	Scrip Code	Symbol	Company Name
1	500410	ACC	ACC Ltd.
2	512599	ADANIENT	Adani Enterprises Ltd.
3	532921	ADANIPORTS	Adani Ports and Special Economic Zone Ltd.
4	533096	ADANIPOWER	Adani Power Ltd.
5	500425	AMBUJACEM	Ambuja Cements Ltd.
6	508869	APOLLOHOSP	Apollo Hospitals Enterprise Ltd.
7	500477	ASHOKLEY	Ashok Leyland Ltd.
8	500820	ASIANPAINT	Asian Paints Ltd.
9	540611	AUBANK	AU Small Finance Bank Ltd.
10	540376	DMART	Avenue Supermarts Ltd.
11	532215	AXISBANK	Axis Bank Ltd. [33]
12	532977	BAJAJ-AUTO	Bajaj Auto Ltd.
13	500034	BAJFINANCE	Bajaj Finance Ltd.
14	532978	BAJAJFINSV	Bajaj Finserv Ltd.
15	500490	BAJAJHLDNG	Bajaj Holdings & Investment Ltd.
16	541153	BANDHANBNK	Bandhan Bank Ltd.
17	532134	BANKBARODA	Bank of Baroda
18	500049	BEL	Bharat Electronics Ltd.
19	500493	BHARATFORG	Bharat Forge Ltd.
20	500547	BPCL	Bharat Petroleum Corporation Ltd.
21	532454	BHARTIARTL	Bharti Airtel Ltd.
22	500825	BRITANNIA	Britannia Industries Ltd.
23	511243	CHOLAFIN	Cholamandalam Investment and Finance Company Ltd.
24	500087	CIPLA	Cipla Ltd.
25	533278	COALINDIA	Coal India Ltd.
26	500830	COLPAL	Colgate Palmolive (India) Ltd.
27	539876	CROMPTON	Crompton Greaves Consumer Electricals Ltd.
28	500096	DABUR	Dabur India Ltd.
29	532488	DIVISLAB	Divi's Laboratories Ltd.
30	532868	DLF	DLF Ltd.
31	500124	DRREDDY	Dr. Reddy's Laboratories Ltd.
32	505200	EICHERMOT	Eicher Motors Ltd.
33	500469	FEDERALBNK	Federal Bank Ltd.
34	532155	GAIL	GAIL (India) Ltd.
35	532424	GODREJCP	Godrej Consumer Products Ltd.
36	500300	GRASIM	Grasim Industries Ltd.
37	517354	HAVELLS	Havells India Ltd.
38	532281	HCLTECH	HCL Technologies Ltd.
39	500180	HDFCBANK	HDFC Bank Ltd. [34]
40	540777	HDFCLIFE	HDFC Life Insurance Company Ltd. [35]
41	500182	HEROMOTOCO	Hero MotoCorp Ltd.
42	500440	HINDALCO	Hindalco Industries Ltd.
43	500696	HINDUNILVR	Hindustan Unilever Ltd.

[33] *Axis Bank is one of IiAS' several shareholders*
[34] *HDFC Bank Limited is one of IiAS' several shareholders.*
[35] *HDFC Life Insurance Company Limited is a subsidiary of HDFC Bank Limited. HDFC Bank Limited is one of IiAS' several shareholders.*

Sr. No.	Scrip Code	Symbol	Company Name
44	532174	ICICIBANK	ICICI Bank Ltd[36]
45	540716	ICICIGI	ICICI Lombard General Insurance Company Ltd[37]
46	540133	ICICIPRULI	ICICI Prudential Life Insurance Company Ltd[38]
47	500850	INDHOTEL	The Indian Hotels Co. Ltd. [39]
48	530965	IOC	Indian Oil Corporation Ltd.
49	542830	IRCTC	Indian Railway Catering And Tourism Corporation Ltd.
50	532187	INDUSINDBK	IndusInd Bank Ltd.
51	532777	NAUKRI	Info Edge (India) Ltd.
52	500209	INFY	Infosys Ltd.
53	539448	INDIGO	InterGlobe Aviation Ltd.
54	500875	ITC	ITC Ltd.
55	500228	JSWSTEEL	JSW Steel Ltd.
56	533155	JUBLFOOD	Jubilant Foodworks Ltd.
57	500247	KOTAKBANK	Kotak Mahindra Bank Ltd. [40]
58	500510	LT	Larsen & Toubro Ltd.
59	540005	LTIM	LTIMindtree Ltd.
60	500257	LUPIN	Lupin Ltd.
61	500520	M&M	Mahindra & Mahindra Ltd.
62	531642	MARICO	Marico Ltd.
63	532500	MARUTI	Maruti Suzuki India Ltd.
64	543220	MAXHEALTH	Max Healthcare Institute Ltd.
65	526299	MPHASIS	Mphasis Ltd.
66	500790	NESTLEIND	Nestle India Ltd.
67	532555	NTPC	NTPC Ltd.
68	500312	ONGC	Oil & Natural Gas Corporation Ltd.
69	532827	PAGEIND	Page Industries Ltd.
70	523642	PIIND	PI Industries Ltd.
71	500331	PIDILITIND	Pidilite Industries Ltd.
72	532898	POWERGRID	Power Grid Corporation of India Ltd.
73	500325	RELIANCE	Reliance Industries Ltd.
74	543066	SBICARD	SBI Cards and Payment Services Ltd.
75	540719	SBILIFE	SBI Life Insurance Company Ltd.
76	500387	SHREECEM	Shree Cement Ltd.
77	511218	SHRIRAMFIN	Shriram Finance Ltd.
78	500550	SIEMENS	Siemens Ltd.
79	503806	SRF	SRF Ltd.
80	500112	SBIN	State Bank of India
81	524715	SUNPHARMA	Sun Pharmaceutical Industries Ltd.
82	532540	TCS	Tata Consultancy Services Ltd. [39]
83	500800	TATACONSUM	Tata Consumer Products Ltd. [39]
84	500408	TATAELXSI	Tata Elxsi Ltd. [39]
85	500570	TATAMOTORS	Tata Motors Ltd. [39]
86	500400	TATAPOWER	The Tata Power Co. Ltd. [39]

[36] *ICICI Prudential Life Insurance Company Limited, a subsidiary of ICICI Bank Limited, is one of Institutional Investor Advisory Services India Limited's (IiAS) several shareholders.*

[37] *ICICI Prudential Life Insurance Company Limited, a fellow subsidiary of ICICI Lombard General Insurance Company Limited, is one of Institutional Investor Advisory Services India Limited's (IiAS) several shareholders.*

[38] *ICICI Prudential Life Insurance Company Limited is one of IiAS' several shareholders.*

[39] *The Indian Hotels Company Limited, Tata Consultancy Services Tata Consumer Products Ltd, Tata Elxsi Ltd, Tata Motors Ltd, The Tata Power Co Ltd, Tata Steel Ltd, Titan Company Limited, Trent Ltd, Voltas Ltd. as part of Tata group. Tata Investment Corporation Limited and Tata Consultancy Services Limited are a part of the Tata group. Tata Investment Corporation Limited holds equity shares in IiAS.*

[40] *Kotak Mahindra Bank Limited in one of IiAS' several shareholders.*

Sr. No.	Scrip Code	Symbol	Company Name
87	500470	TATASTEEL	Tata Steel Ltd. [39]
88	532755	TECHM	Tech Mahindra Ltd.
89	500114	TITAN	Titan Company Ltd. [39]
90	500251	TRENT	Trent Ltd. [39]
91	540762	TIINDIA	Tube Investments of India Ltd.
92	532538	ULTRACEMCO	UltraTech Cement Ltd.
93	532432	MCDOWELL-N	United Spirits Ltd.
94	512070	UPL	UPL Ltd.
95	540180	VBL	Varun Beverages Ltd.
96	500295	VEDL	Vedanta Ltd.
97	500575	VOLTAS	Voltas Ltd. [39]
98	507685	WIPRO	Wipro Ltd.
99	505537	ZEEL	Zee Entertainment Enterprises Ltd.
100	543320	ZOMATO	Zomato Ltd.

Changes in the BSE100 composition in 2023 over the 2022 study

	Scrip Code	Symbol	Company Name
Additions	533096	ADANIPOWER	Adani Power Ltd.
	500850	INDHOTEL	Indian Hotels Co. Ltd.
	543220	MAXHEALTH	Max Healthcare Institute Ltd.
	540762	TIINDIA	Tube Investments of India Ltd.
	532432	MCDOWELL-N	United Spirits Ltd.
	540180	VBL	Varun Beverages Ltd.
	543320	ZOMATO	Zomato Ltd.
Deletions	542066	ATGL	Adani Total Gas Ltd.
	524804	AUROPHARMA	Aurobindo Pharma Ltd.
	533150	GODREJPROP	Godrej Properties Ltd.
	500104	HINDPETRO	Hindustan Petroleum Corporation Limited
	500010	HDFC	Housing Development Finance Corporation Limited
	534816	INDUSTOWER	Indus Towers Ltd.
	500271	MFSL	Max Financial Services Ltd.

ANNEXURE D: SCORECARD QUESTIONNAIRE

The questions and response keys are numbered. Th scoring matrices are colour coded given in the row below and should be interpreted as under:

Governance practice needs improvement **Score 0**	**Governance practice is reasonable** **Score: 1**	**Governance practice is closer to global standards** **Score: 2**

	Parameters	Response key	
Category I: Rights and equitable treatment of shareholders [Questions: 16; Weightage: 30%]			
1.	Has the company taken steps to ensure that the basic rights of shareholders are clear and unequivocal?	Assessors need to check for additional steps taken by the company to help shareholders exercise their franchise. Possible steps that may be taken by companies to go beyond the regulatory directives include: • listing out all shareholder rights in company documents, OR • conducting shareholder education programs on their rights, OR • disclosing the process to be followed by shareholders while exercising their rights, OR The list is only indicative of possible scenarios and is not meant to be exhaustive. Any good practice adopted by the company, beyond regulatory measures, to ensure easy facilitation of shareholder rights must be considered while scoring on this question.	
	There is evidence of violation of existing law	No specific steps taken by the company beyond compliance with the law	Company has taken steps to educate shareholders on their basic rights or has implemented measures to facilitate the exercise of shareholder rights
2.	Can a minority shareholder, with less than 10% stake, propose an agenda item in a shareholder meeting?	Companies Act 2013 requires the right to be provided to shareholders only if they collectively have more than 10% voting rights. The assessor needs to check if the company has specified a lower threshold in any of its publicly available documents. If no evidence is found in any of the publicly available documents, the threshold will be deemed to be fixed at 10% and no points will be awarded. Since, in the Indian context, all shareholders can propose a candidate on the board, resolutions pertaining to director appointments will not be considered for this question.	
	No, shareholders, in aggregate, need to hold at		Yes, the company has taken steps to ensure that even shareholders who hold less

	Parameters	Response key	
	least 10% stake to propose agenda items		than 10% stake (in aggregate) can propose any agenda item
3.	Was there any evidence of combining multiple matters or issues in a single resolution?	While it is not possible to list out all possible scenarios where resolutions are clubbed together, the following list may be used as a guiding reference by the assessor: • Appointment and remuneration resolutions being combined in a single resolution • Appointments of several directors/auditors being combined in one single resolution instead of separate ones for each director • Equity and debt raising resolutions being combined in a single resolution • Mortgage and borrowing resolutions being combined in a single resolution The list is only indicative of possible scenarios and is not meant to be exhaustive. The assessors may need to use their own judgement to determine if the company has clubbed critical issues under one resolution. A look back period of one year will be considered for this question.	
	Yes, there is evidence of multiple resolutions being clubbed together	Yes, only one resolution was clubbed	No, all matters were presented to shareholders through separate resolutions
4.	Does the board have directors with permanent board seats?		
	The board comprises directors that do not seek periodic shareholder approval for their reappointment / directorship	The board comprises directors that do not seek periodic shareholder approval for their reappointment, but these are representatives of lenders (for companies in financial distress)	All directors are required to be re-elected at regular intervals
5.	Did the company provide proxy and e-voting facility for all shareholder meetings in the past one year?	The assessors need to check if the process for appointing proxies and authorized representatives is clearly stated in the shareholder meeting notice (not applicable for Postal Ballots). The proxy nomination form must be attached with the notice or uploaded separately on the website. Further, the company must provide shareholder the opportunity to vote electronically through the depository platforms. The e-voting instructions must be clearly articulated in the meeting notice. A look back period of one year will be considered for this question.	
	Such facilities were not provided for all AGMs, EGMs and Postal Ballots	Such facilities were provided for all AGMs, EGMs and Postal Ballots, but not provided for Court Convened Meetings	Such facilities were provided for all shareholder meetings
6.	Did all board members and the auditors attend the previous AGM?	The attendance details of directors must be recorded in the minutes or outcome of the AGM. If the minutes/outcome are not available (and there is no other documented evidence for director attendance), companies will not score any points on this question.	

	Parameters	Response key	
		A company will score maximum points on this question only if all the directors (board members as on the date of the AGM) and auditors attended the AGM. Note: The annual report of the company only states the director attendance at the previous AGM and not the latest AGM. For example, the FY16 annual report will list out attendance details for the FY15 AGM. Hence the attendance data in the annual report will not be considered.	
	Either the Chairperson of the board, or the CEO, or the Chairperson of Audit Committee/Nomination and Remuneration Committee/Stakeholders Relationship Committee or the auditors did not attend the AGM	The Chairperson of the board, the CEO, auditors and the Chairperson of Audit Committee/Nomination and Remuneration Committee/Stakeholders Relationship Committee attended, but not all board members	The entire board and auditors attended
7.	Within how many months of the fiscal year end was the last AGM held?	The timeline for the AGM may be computed as: T = Date of AGM - FYE FYE = 31 March, for companies with a March year-end FYE = 31 Dec, for companies with a Dec year-end FYE = 30 Sep, for companies with a Sep year-end FYE = 30 Jun, for companies with a Jun year-end IF, T < 4 months, score 2 IF, 4 months < T < 6 months, score 1 IF, T > 6 months, score 0 The date of the AGM is to be checked from the shareholder meeting notice or from the AGM outcome documents.	
	More than six months after the fiscal year end	Within four-six months of the fiscal year end	Within four months of the fiscal year end
8.	Do the charter documents of the company give additional rights to certain shareholders?	Based on the details available, the assessors need to classify the additional rights, if any, into three buckets: • Board nomination rights: Right to appoint nominees (up to two directors) on the board • Transaction related right: These include right of first refusal and tag-along rights • Control related rights: These include the right to veto board decisions, right to appoint Chairperson, right to appoint multiple (>2) board members, and the right to decide remuneration of key executives (in addition to what is approved by other shareholders) The assessor also needs to check for clauses which allow the controlling shareholder to exercise disproportionate voting power (in any form). Notwithstanding, if rights are given to lenders/creditors pursuant to a debt restructuring scheme or is included as	

	Parameters	Response key	
		enabling provision in case of defaults, the assessors must take that into consideration before scoring.	
	The latest charter documents are not available or they give control related rights to certain non-controlling shareholders or give disproportionate voting power (in any form) to the controlling shareholders	The latest charter documents are available and certain non-controlling shareholders only get board-nomination rights or transaction related rights	The latest charter documents do not have any clauses which give additional rights (in any form) to any non-controlling shareholder or give disproportionate voting power (in any form) to the controlling shareholders
9.	Does the company have a policy requiring all related party transactions (RPTs) to be dealt only by independent non-conflicted board members?	Details for this question are generally available in the company's code of conduct, related party transaction policy or in the charter documents. If there is no evidence available, the company will not score any points on this question. To score maximum points on this section, the company must clearly state that all interested directors will abstain from both discussing and voting on concerned issues.	
	No, or the policy is not disclosed	Yes, but the decision on whether the director must abstain is left to the discretion of the Chairperson or the board	Yes, there is a policy for abstention from the decision-making process (including discussions)
10.	Does the company have in place a system, including policies and procedures, to facilitate disclosures of conflicts of interest by stakeholders?	The assessor must check for the possible areas of conflict: • Board cross linkages • Executive directors in Nomination and Remuneration Committee • Controlling shareholders/executive directors in the Audit Committee • Association (directly/indirectly) with competitors • Association with key suppliers/vendors • RPTs with entities associated with directors and senior executives The list is only indicative and the assessors may need to use their own judgement while scrutinizing structures which may result in a conflict of interest.	
	No, or the policies are not disclosed	Yes, the policies clearly list out the process for stakeholders to disclose their conflicts of interest but does not cover suppliers and vendors	Yes, the policy clearly lists out the process for all stakeholders to disclose their conflicts of interest
11	Has the company transacted in a manner prejudicial to the interests of minority shareholders in the past three years?	Prejudicial transactions will include any RPT which: • Is not at arm's length pricing, or • Is not on commercial terms, or • Amounts to more than 10% of revenues, but is not fully disclosed (nature, frequency, materiality, quantum and pricing terms) to stakeholders, or • Is not managed as per the RPT policy To score points on this question, a company must disclose its RPTs publicly. Evidence of such transactions may be obtained through media reports, shareholder meeting notices, annual report, investor transcripts, and minutes of meetings.	

	Parameters	Response key	
		If any of the RPT resolutions in the past three years were defeated or were voted against by a majority of minority shareholders, the assessors will need to take that into consideration while scoring. If there is no clear evidence, the company will score maximum points on this section.	
	Yes, the company has entered into transactions or taken actions which could be prejudicial to the interests of minority shareholders	-	No, the company did not undertake any transactions or taken actions which could be prejudicial to the interests of minority shareholders
12	Does the company pay out disproportionately high royalty to its group entities?	Royalty payouts include payments for transfer of technology, and usage of trademark/brand name. For this question, only royalty payouts to the promoter group will be considered (payments made to government entities or royalty paid on account of franchisee agreements will be excluded). Royalty pay-outs will be considered disproportionate as per the profit threshold or royalty growth threshold: Profit threshold: Royalty must be less than 20% of net profits in each of the past three fiscal years Growth threshold: Growth in royalty must be less than growth in profits in the past three fiscal years. For example, if an assessment is being conducted anytime in FY17, the following formula is to be used: $G_{Roy/Profits} = \frac{(\text{FY16 value - FY14 value})}{\text{FY14 value}}$ A company will score maximum points only if the profits threshold is met and $G_{Profits} > G_{Roy}$.	
	Yes, the royalty payout is high compared to net profits and growth in profitability	Yes, the royalty payout is either high compared to net profits or growth in profitability	No, the royalty payouts were not disproportionate
13	In the past, has the company (or its subsidiaries) provided financial assistance to promoter entities which had to be written off or unlikely to be recovered?	The assessors need to check for loans given or investments made in promoter entities (specified in the related party transactions section of the annual report). The company will score maximum points in this question if no such financial assistance had to be written-off or provided for in the financial statements in any of the past three years. This question will not be applicable for companies which have not extended any financial assistance in the past three years and there have been no instances of write-offs during this period.	

	Parameters	Response key	
	Yes, some loans/investments have been written off or classified as doubtful		No loans/investments have been written off or classified as doubtful
14	Has the company been transparent while undertaking any M&A, restructuring, or slump sale?	This question covers only those actions for which shareholder approval was required. The company needs to publicly disclose the independent fairness opinion and valuation reports on the transaction before presenting it to shareholders for their vote. If the transaction is with a third party (which is not a related party), and company has confirmed that the consideration is based on a negotiated price, one point may be given even if no fairness opinion/valuation report is provided. Apart from valuation, if the company has not provided critical strategic details on the restructuring, the assessors will need to take a closer look and use their subjective opinion to decide on the scoring based on the transparency levels.	
	No, there have been instances where the fairness opinion was not disclosed for a transaction	Yes, but only to a limited extent - it has always disclosed the fairness opinion, but has not disclosed the independent valuation report for some transactions	Yes, the company has always conducted and publicly disclosed the fairness opinion and the independent valuation report
15	Does the company have a policy to publicly disclose the reasons for pledging of shares by the controlling shareholders?	Indian companies generally disclose the quantum of shares pledged by the promoters. But for greater clarity, they also need to provide a rationale for pledging. A company will score maximum points on this question if the reasons for creation of fresh pledges in the past twelve months are publicly available.	
	No, the reasons for pledging are not disclosed publicly	-	Yes, the company has provided reasons for pledging of shares by the controlling shareholders
16	Is there evidence of structures or mechanisms that have the potential to violate minority shareholder rights?	The assessors will need to check for: • Pyramidal holding structures, which results in disproportionate voting power of the promoter • Opaque holding structures where the ultimate beneficial ownership cannot be fully ascertained • Cross holdings between the company and entities of its promoter group • Companies which have many inactive or non-functional subsidiaries/Joint Ventures/associate companies • Companies which have established many subsidiaries/Joint Ventures/associate companies with promoter entities with no clear rationale The list is only indicative and the assessors may need to use their own judgement while scrutinizing structures which could violate minority shareholders' rights.	
	Yes, there is evidence of a structure/mechanism that	-	No, there is no evidence of any structure/mechanism that

	Parameters	Response key	
	could violate minority shareholders' rights		could violate minority shareholders' rights
Category II: Role of stakeholders [Questions: 10; Weightage: 10%]			
17	Is the company committed towards developing stakeholder relationships?	The assessor must check for the latest composition of the SRC. The review will consider any new appointments and resignations from the SRC after the last annual report. If the SRC composition in the company website lists the name of any director who, as per stock exchange filings, has resigned from the board, the committee composition will adjust accordingly (by excluding such directors). The meeting frequency will be reviewed based on the number of SRC meetings in the previous fiscal year (as stated in the annual report). To score maximum points on this question, the company must provide at least two of the following references to their stakeholder engagement process in the company documents: • Stakeholder rights • Stakeholder grievance redressal • Stakeholder communication	
	The company does not hold investor calls on a quarterly basis or the transcript/recording is not publicly disclosed by the company	Yes, the company holds quarterly investor calls, and the transcript/recording of such calls is disclosed by the company	Yes, the company holds investor calls on a quarterly basis, the transcripts or recordings of such calls are disclosed on the company website; and the SRC engages with investors on a regular basis
18	Does the company have publicly disclosed policies and/or mechanisms to address the health, safety, and welfare of employees?	To measure the robustness of the policies, the assessor needs to check if: • There is a stated commitment by the company to adopt measures and processes that focus on the prevention of occupation-related injuries, accidents and illnesses • The company provides health, safety and sexual harassment trainings to its employees • The safety and health policies cover the company's suppliers and vendors • The sexual harassment policy lists out details on the reporting, redressal and enquiry process In addition, to score maximum points, the company must report the number of employee accidents and sexual harassment cases each year to stakeholders – and the three-year trend should have a declining trajectory.	
	The policies are not publicly disclosed and the company has not provided information on the number of employee accidents or there have been labour fatalities on account of accidents in the work place	The policies are publicly disclosed or the company has provided information on the number of employee accidents	The company has provided information on the number of employee accidents and has publicly disclosed its health and safety policies

	Parameters	Response key	
19	Does the company have publicly disclosed policies and/or mechanisms to prevent sexual harassment at workplace?		
	The policy has not been publicly disclosed and the company has not provided information on the number of sexual harassment incidents	The policy is publicly disclosed or the company has provided information on the sexual harassment incidents	The company has provided information on the number of sexual harassment incidents and has publicly disclosed its prevention of sexual harassment policy
20	Does the company have in place policies and practices which explain its supplier/contractor selection and management processes?	The assessor must establish if the company has clearly articulated policies for supplier/contractor management and selection. A good supplier/contractor selection policy must include: • Supplier Accountability • Code of conduct and Ethics policies for suppliers • Environmental Protection and Human Rights Policies for suppliers • Health and Safety policies for suppliers A good supplier/contractor management policy must include: • Supplier Audit • Supplier Improvement programs • Supplier trainings and education programs • Supplier Empowerment The above list is only indicative and the assessors must use their own judgement to determine if the policies are effective and meaningful.	
	Policies are not publicly available	Policies are publicly available either for supplier/contractor management or selection	Policies are publicly available for supplier/contractor management and selection
21	Has the company demonstrated commitment to protect the rights of its lenders, creditors, and suppliers?	The company's commitment to protect the rights of lenders, creditors and suppliers is being measured by the timeliness of repayment of financial obligations. The look-back period for this question is three years (FY21, FY20 and FY19). The assessor must check the independent auditors' report and the notes to the annual financial statements to establish whether the company has made any delayed repayments to its lenders, creditors or suppliers over the past three years. The latest credit rating report, if available, may also be referred to while scoring on this question. For this question, repayments are being used as a proxy for stakeholder commitment. The assessors must take into account any liquidity constraints (which results in conversion of debt to equity) and other obvious violations (for example, media reports of running sweat shops) before scoring.	
	The company has made delayed repayments to lenders	The company has made timely repayments to lenders, but	Payments are made on time and there is no evidence of

	Parameters	Response key	
		has made delayed repayments to suppliers or to other creditors	late payments to lenders, suppliers or to other creditors
22	Does the company demonstrate a commitment to strong ethical practices and is clearly anti-corruption and anti-bribery?	The assessor will need to establish if the company has disclosed an ethics policy/code of conduct. Ideally, the policy must cover most of the following: • Core values of the company • Ethical standards expected from employees and directors • Dealing with conflicts of interest • Dealing with third parties • Compliance with laws and regulations • Protection of assets and information management • Disciplinary action in case of failure to adhere to the ethics code In addition, the policy must clearly state that the company is against bribery and corruption in any form. The assessor may also consider if the company is a signatory to a well-known global anti-corruption framework or code of ethical conduct while scoring on this question. In case there is any known violation of the policy or instances where the company has been accused of bribery or corruption, or ethical violations, the company will not score any points.	
	No ethics policy evident or publicly available	Ethics policy is publicly available but it does not mention anti-corruption or anti-bribery measures	Ethics policy is publicly available on website and the policy mentions the company is against any form of corruption or bribery
23	Does the company demonstrate its commitment to being a good corporate citizen?	The assessor must evaluate if the CSR related spending disclosed by the company in its annual report is above 2% of average net profit over the last three years. If the company has experienced losses on average over the past three years and still spend on CSR, the assessor may assign maximum points for this question.	
	The company has not spent any amount on CSR in the past one year	The company has spent on CSR, but the CSR spend is less than 2% of average profits for the last three years	The company's CSR spend is at least 2% of average profits for the last three years
24	Does the company have processes in place to implement and measure the efficacy of its CSR programs?	A company will obtain maximum points on this question if it has: • Formed a CSR committee with minimum three directors, of which one must be independent • Disclosed areas of CSR spending • Conducted an impact assessment of its CSR programs and disclosed the results to stakeholders Impact assessment studies must include details on: • Coverage of the CSR programs • Beneficiary profile • Economic benefits for the company and for the beneficiaries (if applicable) The above list is not exhaustive and assessors must use their	

	Parameters	Response key	
		judgement in determining whether the impact assessment studies convey meaningful information to external stakeholders.	
	The company does not have a CSR committee or the areas of CSR spending have not been disclosed	The company has a CSR committee and the areas of CSR spending have been disclosed, but the company has not disclosed details on CSR impact assessment	The company has a CSR committee, the areas of CSR spending have been disclosed, and the company has disclosed details on CSR impact assessment
25	Does the company have policies and processes in place to handle investor grievances?	The assessors first need to check for an investor grievance policy. For some companies, this policy is a separate document and for others, it is part of the code of conduct or business responsibility report. While reviewing the policy, the assessors need to check if the company has: • Named the individual/team to whom the complaint needs to be addressed • Established an ombudsperson to deal with the complaints • Listed out a process to be followed by the company for handling investor complaints • Provided a grievance escalation mechanism The assessor must also consider the percentage of unresolved investor complaints at the end of each quarter before scoring on this question.	
	The company does not have a policy or the policy is not disclosed publicly	There is a policy for handling investor grievances, but it does not provide any grievance escalation mechanism	There is a policy for handling investor grievances, which provides details on the grievance escalation mechanism
26	Does the company have an effective whistle-blower mechanism for stakeholders to report complaints and suspected or illegal activities?	For a whistle-blower policy to be considered effective, the assessor must check if the policy provides details on: • Range and nature of issues covered under the policy • Procedure to report any incident, including all available reporting channels • Steps to be taken for resolving reported issues • Expected investigation timeline • Measures adopted to protect the anonymity of whistle-blowers For the whistle-blower mechanism to be considered effective, it must cover all stakeholders (including customers, vendors and suppliers). A company will score maximum points on this question only if most of the above details are available.	
	There is no disclosed mechanism or policy	There is an effective whistle-blower policy for employees, but it does not cover external stakeholders	There is an effective whistle-blower policy which covers all stakeholders, including employees, customers, vendors and suppliers
Category III: Transparency and Disclosure [Questions: 21; Weightage: 30%]			
27	Does the company have a policy for determining and disclosing material information?	The assessors need to check if the company has clearly articulated a policy defining parameters which determine a material event or information. To score maximum points on this question, the following items	

	Parameters	Response key	
		need to be disclosed in the materiality policy: • criteria for determination of materiality of events/ information • events that shall be deemed to be material automatically • timeline to disclose material information In addition, there must be no evidence of the company having made no/delayed disclosures on material events in the past three years.	
	There is no policy or the policy is not publicly disclosed	There is a policy for determining and disclosing material information, but there have been cases in the past three years where the disclosures have not been timely	There is a policy for determining and disclosing material information and the company has made timely disclosures in the past three years
28	Have there been any concerns on the financial statements in the past three years?	To score maximum points on this question, the independent auditors' report must have an unqualified opinion on the financial statements and there should be no emphasis of matter. Management response to the qualifications and matter of emphasis, if any, must be considered before scoring on this section. The assessors may take a subjective call, depending on the severity of the issue and the adequacy of the clarifications provided by the company. This is applicable to both standalone and consolidated financial statements.	
	Auditor has issued a qualified opinion or the financial statements have been restated or the auditor has resigned due to differences in accounting opinion	Auditor has raised an emphasis of matter	Auditor has issued an unqualified opinion without any matter of emphasis
29	Is the company transparent in disclosing segmental information?	The assessor must check the company's annual reports and quarterly financial filings for information on the company's segments. The assessors may need to use their judgement to decide if all relevant segments have been covered. Financial information on segments include segment revenues and profits. Other segmental Information will be considered comprehensive if at least two of the below points are covered in the company's segmental reporting: • Demand drivers for each segment • Risks factors for each segment • Business strategies for each segment • Key initiatives taken by the company • Capacity utilization for each segment The company may operate in a single business segment, but multiple geographical segments, in which case, the above information must be covered for the geographical segments.	

	Parameters	Response key	
		If the company does not have any reportable segments, and sufficient detail is available for that single segment, a maximum score may be given.	
	The company has not disclosed financial information on some business segments	The company has disclosed financial information on all business segments, but other segment related information is not comprehensive	The company has disclosed comprehensive information on all business segments
30	Is the company transparent in disclosing non-financial information?	The assessor must check the company's annual reports and for information on non-financial disclosures. Information will be considered meaningful if the below points are covered as part of the company's non-financial disclosures: • Industry growth and performance • Environmental issues • Business model: key strengths and weaknesses • Business strategy • Capacity and capacity utilization To score maximum points on this question, all the above non-financial parameters must be disclosed in sufficient detail by the company.	
	The company has not disclosed meaningful information on non-financial parameters	The company has not published an integrated report/sustainability report but information on some non-financial parameters has been disclosed	The company has published an integrated report/ sustainability report
31	Does the company provide comprehensive disclosures on its foreseeable risks?	The assessor must check relevant company documents to identify if the company has developed and disclosed an effective risk management framework. To be considered detailed and score maximum points, the risk management framework must disclose both the foreseeable risks that the company is likely to experience in the course of its business as well as mitigating factors that have been implemented to manage the risks.	
	The company does not have a risk management framework or it is not disclosed	There is a disclosed risk management framework which outlines the risks but no mitigation measures are provided or they are generic	Both risks and mitigation measures have been clearly outlined
32	Has the company developed and disclosed a comprehensive related party transaction (RPT) policy?	A related party transaction policy is required to be disclosed under the Companies Act, 2013 and SEBI LODR regulations. To score maximum points on this question, the related party transaction policy must be publicly disclosed by the company. Further, the policy must be comprehensive, mandatorily including the following points: • Definition on ordinary course of business • Definition on materiality of transactions • Requirement of the external auditors to review material RPTs	

	Parameters	Response key	
	The company does not have an RPT policy or has not disclosed it	The company has an RPT policy as required under regulations but it is not comprehensive	The company has a comprehensive RPT policy
33	Did the company provide timely, accessible and comprehensive information for all shareholder meetings in the past one year?	The assessor must check details for all shareholder meetings held over the last one year. To score maximum points on this question, the information for shareholder meeting must be: • Timely: the notice is made public at least 21 days prior to the meeting date (30 days for postal ballot) • Accessible: the company has put up the notice (and other relevant documents) on the stock exchanges (with a time stamp) and on the company website • Comprehensive: Sufficient information was available for shareholders to make an informed decision The assessor must judge comprehensiveness on a case by case basis by checking if the resolutions presented over the past one year were transparent and had adequate details for shareholders to exercise their judgement.	
	The company does not have an RPT policy or has not disclosed it	The company has an RPT policy as required under regulations but it is not comprehensive	The company has a comprehensive RPT policy
34	Are the detailed minutes or transcripts of the previous AGM publicly available?	Minutes will be considered reasonably detailed if they include the following: • Attendance record of each director and the external auditors • Issues discussed by shareholders The company will only score maximum points in this section if it has provided the entire meeting transcript or if the link to the meeting webcast is available on the company website.	
	The company has not disclosed meeting minutes within 7 days of the meeting or they are not detailed	The company has disclosed the meeting minutes and they are reasonably detailed	The entire transcript or webcast of the meeting is publicly available
35	Did the company disclose voting results for each shareholder category for all resolutions proposed in the past one year?	To score maximum points, the company must disclose the voting details of each shareholder category, as well as the reasons for rejection of invalid votes. Shareholder voting categories include 'promoters', 'institutional shareholders', and 'other shareholders'. The criteria on invalid votes will not be applicable for companies where the scrutinizer’s report specifically mentions that there were no invalid votes for the resolutions.	
	Voting details of each shareholder category were not disclosed (within 48 hours) for some or all resolutions	Voting details of each shareholder category were disclosed for all resolutions, but the reasons for rejection of invalid votes were not disclosed	Voting details of each shareholder category were disclosed, along with the reasons for rejection of invalid votes

	Parameters	Response key	
36	Is the company transparent in disclosing its shareholding pattern?	The assessors need to go check if the quarterly filings contain information on: • Promoter shareholding • Institutional shareholding (FII and DII) • Other public shareholding • Names of entities which hold more than 1% stake A one year (four quarters) lookback is to be considered for this question. A company will score maximum points on this question if it has disclosed the quarterly shareholding pattern and names of its top ten shareholders in its latest annual report.	
	The shareholding pattern is not disclosed on a quarterly basis or the latest annual report does not list out the top 10 shareholders	Either the quarterly shareholding pattern filings have not been made or the latest annual report does not list out the top 10 shareholders	The quarterly shareholding pattern filings have been made and the latest annual report lists out the top 10 shareholders
37	Is the shareholding of individual board members and key managerial personnel (KMP) disclosed in the latest annual report?	A company will score maximum points on this section if it has disclosed shareholding details for its board members and KMP (both the number of shares and the percentage of holding) in its latest annual report.	
	The shareholding has not been disclosed for the board members, nor for KMPs	Shareholding for either board members or KMPs has been disclosed	Shareholding for board members as well as KMPs has been disclosed
38	Has the company articulated a dividend policy for its shareholders?	The assessors need to scan the company website and annual reports to determine the existence of a dividend policy. To score maximum points on this question, companies need to specify a target payout/retention ratio (or any other meaningful metric). In addition, the policy must have been approved by shareholders. If there are any deviations from the policy, without any clear rationale, the assessors will need to scrutinize the matter closely before scoring.	
	Dividend policy does not have a target payout ratio	The policy is publicly available and specifies a target payout ratio, but there have been deviations from the policy, without any clear rationale in the past three years	The policy is publicly available, specifies a target payout ratio; and there have not been any deviations from the policy in the past three years or the rationale for deviation has been clearly provided
39	Is the information on the company website comprehensive and accessible?	To test for comprehensiveness of information, the assessors need to check if the company website contains all the disclosures as required under the prescribed regulations. The links provided must be working and all documents listed must be available. In addition, they must be accurate and up-to-date	
	The information is not accessible or is inaccurate	Information is accessible and accurate, but is not comprehensive	Information is accessible, accurate, and comprehensive

	Parameters	Response key	
40	Does the company have a dedicated investor relations team/person whose contact details are publicly available?	To score maximum points on this question, the company must provide both an email address and a phone number of the designated person/team on its website. Generic board-line numbers will not be considered	
	No details provided on any nominated team/person	The names of the individuals are disclosed, but no contact details are available	The names of the individuals are disclosed and their contact details available on the website
41	Does the company provide any information about the independence, competence and experience of the external auditor?	The company must provide a statement on its auditor selection process. Details on the process must cover the evaluation criteria for determining auditor independence. In addition, the company must provide information about the competence and experience of the auditor. If this information is not provided by the company, the assessors need to check the auditors' website and determine if it provides meaningful information. To score maximum points on this question, the company must proactively disclose all the relevant details.	
	The company has not disclosed any details on the auditors and such information is not publicly available	The company has not disclosed any details on the auditors, but such details are publicly available on the auditors' website	The company has disclosed the details on the competence and experience of the auditor and has also provided an evaluation criteria for determining auditor independence
42	Has the company periodically rotated its auditors (firm and partner)?	For this question, the assessor need to calculate the tenure of the audit network, which means that the aggregate tenure of audit firms within a network will considered as the total tenure of the auditor. For example, if audit firm A and audit firm B are both part of the same network and they have a tenure of 5 years and 7 years respectively, the total tenure will be computed as 12 years. When there are multiple auditors, the assessors need to consider the tenure of the auditor with the longest association. In companies, which are spin-offs from a larger company, the assessor needs to take a subjective call on whether the tenure will include when the company was being audited as a division of a larger company (prior to the spin-off into a separate company).	
	Audit firm tenure > 10 years	Audit firm tenure < 10 years but audit partner > 5 years	Audit firm tenure < 10 years and audit partner < 5 years
43	Does the latest annual report contain a statement confirming the company's compliance with the regulatory requirements on corporate governance?	To score maximum points on this question, the company must provide reasons for the non-compliance (if any) along with the steps it is taking to comply. The company will also score maximum points if it has stated that it has complied with all regulatory requirements. Despite the company's statement, if there is evidence to believe	

	Parameters	Response key	
		that the company may not have complied with all the laws/regulations, the assessors will need to take that into consideration before scoring.	
	There is no statement regarding compliance with regulatory requirements on corporate governance	There is a statement, but no reasons (or generic reasons) have been provided for non-compliance (if any), neither have the steps taken for compliance in the future been outlined	There is a statement and the detailed reasons have been provided for non-compliance (if any), along with the steps taken for compliance in future periods
44	Has the company disclosed the experience of each board member and senior executives?	The experience details must cover the following: • The areas in which the individual has relevant domain knowledge and expertise • The number of years of working experience A company will score maximum points on this question if such details are shared both for its board members and its senior executives (which include those referred to in Q47).	
	Neither for board members, nor for senior executives	Only for board members, but not for senior executives	For both board members and senior executives
45	Has the company, directors or its key managerial personnel (KMP) fined or penalized by regulatory bodies, stock exchanges in the past 12 months?		
	There are instances where company, directors or its key managerial personnel (KMP) fined or penalized by regulatory bodies, stock exchanges in the past 12 months	-	There is no evidence of instances company, directors or its key managerial personnel (KMP) fined or penalized by regulatory bodies, stock exchanges in the past 12 months
46	Does the company fully disclose the process and criteria used for appointing new directors?	A company will score maximum points on this section if it has provided details on: • how candidates are identified (whether the name was proposed by the promoter, board or any other shareholder) • The criteria based on which the candidature of directors are evaluated	
	Neither the process nor the criteria are disclosed	Either the process or criteria are disclosed	Both the process and criteria are disclosed
47	Does the company disclose details on its training, development and orientation programs for directors?	Disclosures are considered detailed if there is information on: • who is required to undergo the program • core modules covered under the program • who conducts the program	
	No, there is no disclosure in the public domain	A detailed framework is not disclosed or there is no information on the training programs conducted in the previous year	A detailed framework is disclosed, along with details on the training programs for the year
Category IV: Responsibilities of the board [Questions: 19; Weightage: 30%]			
48	Are all directors fully engaged in company matters and	For each director, the average attendance needs to be computed based on the data available in the previous three	

	Parameters	Response key	
	committed to corporate governance?	annual reports. Attendance through video-conferencing/telecon is taken into consideration. Attendance of directors who have been on the board for less than three years will be excluded for this question. For example, if the assessment is being conducted in FY17, the average attendance for each director will be computed as follows: $A_{3YR} = \dfrac{\text{No. of meetings attended in FY14+FY15+FY16}}{\text{Total no. of meetings held in FY14+FY15+FY16}}$ A company will score maximum points only if, for all directors, $A_{3YR} = 1$. In addition, assessors must also look for statements made by the company (and its directors) about its governance practices to ascertain their commitment to corporate governance.	
	There are some directors with less than 75% average attendance in board meetings in the past three years	All directors have at least 75% average attendance in board meetings in the past three years	All directors have 100% attendance in board meetings in the past three years and there is evidence of commitment to corporate governance in company documents and director statements
49	Does the board meet sufficiently to exercise due diligence?	The number of board meetings need to be verified from the latest annual report. The company will score maximum points if the board has met more than four times in the previous year.	
	The board met less than four times in the past year	The board met four times in the past year	The board met more than four times in the past year
50	Is there separation of roles between the Chairperson and the CEO?	The most recent board membership needs to be checked by the assessors while scoring on this section. The review will consider any new appointments and resignations in the Chairperson/CEO role after the last annual report. For this question, the assessor will test for independence of the Chairperson. Merely the company's classification of the Chairperson being an independent director is not sufficient. Vintage directors – those with a tenure of over 10 years – are not considered independent for the purpose of this evaluation. Therefore, a Chairperson with a tenure of more than 10 years on the board will not be considered independent and the scoring will be adjusted accordingly.	
	The roles are not separated or the Chairperson is an executive director	The roles are separated, but the Chairperson is a non-executive non-independent director	The roles are separated and the Chairperson is independent
51	Does the board have sufficient skills, competence and expertise?	The assessor must check for the latest composition of the board. The review will consider any new appointments and resignations from the board after the last annual report.	

	Parameters	Response key	
		To score maximum points on this question, the members of the board must have at least 10 years of working experience and collective knowledge on: • Legal • Financial • Marketing • General Management • Supply chain/operational • Specific Industry Dynamics A board with at least three sets of identifiable skills will be considered to have sufficient breadth of expertise. Exceptions for directors with less than 10 years of working experience: If a director is also part of the founding group of the company, the company will not be penalized as per option 1 of the scoring key.	
	There is a director with less than 10 years of aggregate working experience (refer exceptions) or there is no non-executive director with prior working experience in the major industry the company operates	At least one non-executive director has prior working experience in the major industry the company operates, but there is insufficient breadth of expertise	At least one non-executive director has prior working experience in the major industry the company operates and the board has sufficient breadth of skills
52	Does the board have gender diversity?	The assessor must check for the latest composition of the board. The review will consider any new appointments and resignations from the board after the last annual report. To score maximum points on this question, the company needs to appoint professional women directors on the board who have not had affiliations with the promoter family.	
	None of the women directors are independent	At least one woman director is independent, but women comprise less than 30% of the board	At least 30% of the board comprises women, of which at least one is an independent director
53	Is there adequate women representation in the workforce?		
	<10%; or there is no disclosure on this aspect	>10% and <30%	>30%
54	Does the company have adequate independent representation on the board?	Independent representation is considered adequate if the board independence norms (as per Companies Act 2013 and SEBI LODR) are satisfied. Companies with an executive/promoter Chairperson must have at least 50% directors as independent and other boards must have at least 33% directors as independent. Independent representation is better-than-adequate when: • Independence norms are satisfied • More than 50% of the board is independent (after classifying vintage directors, with a tenure of more than 10 years, as non-independent) • There is a policy/ process to annually affirm the continuing independence of independent board members	

	Parameters	Response key	
		The assessor must check for the latest board composition. The review will consider any new appointments and resignations from the board after the last annual report.	
	Independent representation is below regulatory requirements	There is adequate independent representation as per regulatory requirements	There is better-than-adequate independent representation and for directors with a tenure of more than 10 years, there is a process to affirm the continuing independence of the directors
55	Do the board committees have adequate independent representation?	The size for board committees must be as per regulations and independence norms must be met (as per Companies Act 2013 and SEBI LODR). To score maximum points on this question, the assessor needs to check if the requirements for all four committees required under regulation – audit, NRC, stakeholder relationship and corporate social responsibility, are met. Further, the audit committee and the NRC must have a balanced and non-conflicted mix of directors. This would mean: • The audit committee must have more than three directors • There is no executive director in the NRC • No independent director in the audit committee and NRC has a tenure of more than 10 years on the board	
	Either size or independence norms for committees required under regulations are not met	Both the size and independence norms for committees required under regulations are met	Both the size and independence norms for all committees required under regulation are met and the audit committee and nomination and remuneration committee only comprise non-conflicted members
56	Is the audit committee effective in its composition and its meeting frequency?	While reviewing the experience of audit committee members, the assessor needs to check if: • Members have an educational background/relevant professional certification in finance or accounting; or • Members have worked as CEO, CFO or as any other senior officer with financial oversight responsibilities While the number of audit committee meetings will be listed out in the last annual report, the current composition of the audit committee must be considered while scoring on this question. The audit committee charter may either be available as a separate document or it may be embedded in the annual report of the company. An effective audit charter must include: • Roles and responsibilities of the audit committee • Powers of the audit committee • Composition of the audit committee	
	The audit committee met less than four times in the past year or none of the directors	The audit committee met at least four times in the past year and at least one director has sufficient accounting/	The audit committee has a clear charter that is publicly available, has met more than four times in the past year and

	Parameters	Response key	
	meet eligibility criteria for audit committee members	financial expertise but an audit charter is not available	all directors have sufficient accounting/ financial expertise
57	Does the company have a strong and robust internal audit framework?	To score maximum points on this question, the company needs to establish a robust internal audit function. This would mean that: • The internal audit team must report to the audit committee directly • There must be an internal audit charter publicly available, which will include most of the following details: -Accountability and scope of work -Independent and objectivity of the team -Composition of the internal audit team -Training programs imparted of the internal audit team -Management support for internal audit function The internal audit charter may either be available as a separate document or it may be embedded in the annual report of the company.	
	No disclosures on internal audit framework	No disclosures on internal audit framework but the internal audit function reports to the audit committee	The internal audit function reports to the audit committee directly and there are detailed disclosures on internal audit charter
58	Were all resolutions proposed by the board to shareholders in the past one year accepted?	The assessor needs to check the stock exchange filings to find out how shareholders voted on all resolutions proposed by the board in the past one year. A company will score maximum points if: • All resolutions proposed in the past one year were passed; and • In all such resolutions, more than 50% of minority shareholders voted FOR the resolution	
	Some resolutions were defeated	No resolutions were defeated, but for some resolutions, majority of minority shareholders voted against	All resolutions in the last one year were accepted by majority of minority shareholders
59	Is there evidence to show that the company, directors or its key managerial personnel (KMP) have violated normally expected ethical/ behavioral norms?	The assessors need to go through annual reports, court rulings, regulatory orders, investigation reports to find evidence of transgressions. A web search may also be used for this purpose. A three-year lookback period (from the date of assessment) is to be considered. Only those violations that are established/proved by a statutory or regulatory authority must be considered. Based on the evidence available, the assessors then need to classify the violations (if any) into two buckets: • Administrative/Procedural: These are technical violations, for which a standard penalty is prescribed in the regulatory framework • Severe: These are more severe offences which may have a material impact on the company The assessors may need to use their judgement for classifying the offences based on materiality, frequency, quantum, level of involvement and other similar metrics. The scores will accordingly be adjusted based on the scoring key.	

	Parameters	Response key	
	The company/directors/KMP have been penalized by any regulatory authority in the past three years	There have only been some procedural or administrative violations	No, neither the company nor its directors nor its KMPs have been fined or penalized by any regulatory authority in the past three years
60	Has the Nomination and Remuneration Committee defined performance metrics for executive remuneration?	The assessors need to check the annual reports and the appointment terms of directors to determine the variable pay mix. Short term incentives will include commission, performance bonus, and other similar instruments. Long term incentives will include stock options, restricted stock units, stock appreciation rights, and other similar instruments. If the appointment terms include a variable pay component, but if variable pay was not paid to a director in the last three years, it will be assumed that there is no variable pay incentive for the director. The final scoring will depend on whether all executive directors have individual variable pay components. Promoter directors (who are not eligible for long-term incentives) will not be penalized for not having a long-term incentive component in their salary structure, because of legal restrictions in India.	
	No, the performance metrics have not been defined	Yes, and the performance metrics have been defined but do not include any ESG related performance targets	Yes, and the performance metrics have been defined and include ESG related performance targets
61	Has executive director(s) pay been aligned to company performance in the last three years?	The assessors must calculate the growth in aggregate executive directors' pay, company's profits and revenues over a three-year period. The data will be available in the latest annual report of the company. For example, if an assessment is being conducted anytime in FY17, the following formula is to be used for each of the metrics: $$V_{Rev/Pr/Rem} = \frac{(\text{FY16 value - FY14 value}) * 100}{\text{FY14 value}}$$ A company will score maximum points only if: $V_{Rem} < V_{Rev}$ and $V_{Rem} < V_{Pr}$ The aggregate remuneration will be considered only for directors who have been present on the board for each of the three years. If there are resignations and appointments during this period, such directors will be excluded from this analysis.	
	Three-year growth in aggregate pay is higher than growth in profits and growth in revenues	Either of the above two conditions are triggered	Three-year growth in aggregate pay is in line/ lower than growth in profits and growth in revenues

	Parameters	Response key	
62	If the company has a stock option scheme, is the exercise price of the stock options fixed at a discount to market price?	Discounted stock options may be given in various forms: • Where the exercise price of the option is the face value of the share • Where the exercise price of the option is fixed at a specified discount to the market price of the share • Through restricted stock units and other similar instruments A company will score maximum points if all the options granted in the past one year had an exercise price which was equal to the market price on the date of grant. This question is not applicable for companies which did not grant any stock options in the past one year.	
	Only options granted to board members were discounted, or the stock options were granted to senior leadership on more favourable terms than the rest of the employee pool	Discount given on stock options to all employees, but vesting was either fully or partly tenure based	The stock options were exercised at market price or, if these were excisable at a discount to market price, then vesting was based on the accomplishment of pre-disclosed performance targets.
63	Is the CEO compensation commensurate with the company's size and performance?	Variable pay includes both short term and long term incentives. The data will be available in the latest annual report of the company. For example, if an assessment is being conducted anytime in FY17, the following formulae are to be used: $R1 = \frac{(\text{FY16 short-term pay} + \text{FY16 long-term pay}) * 100}{\text{FY16 total pay}}$ $R2 = \frac{\text{FY16 total pay} * 100}{\text{FY16 profits}}$ IF, $R1 > 67\%$ and $R2 < 5\%$, score 2 IF, $R1 > 50\%$ and $R2 < 5\%$, score 1 IF, $R1 < 50\%$ or $R2 > 5\%$, score 0 For loss-making companies, the assessor must consider multiple factors including comparison with peers, correlation of pay versus the performance of the company, among others.	
	Variable pay is less than 50% of overall pay or overall pay of the CEO is more than 5% of net profits	None of the two above conditions are triggered	Variable pay is more than 67% of overall pay and overall pay is less than 5% of net profits
64	Does the company have a succession plan for its directors and senior leadership?	The assessor must check all relevant company documents to identify if the company has developed a succession plan for its directors and senior leadership. The intent of the question is to identify if the board discusses succession planning in its meetings and if it has an internal plan to arrange a smooth transition.	

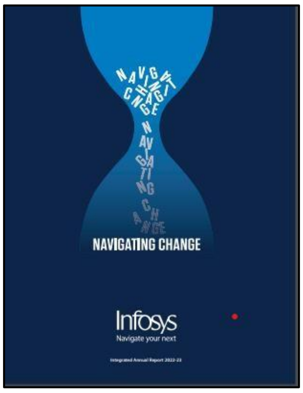
	Parameters	Response key	
		To score maximum points on this question, the assessor must determine if the company has disclosed the existence of a succession plan for both directors and senior management, even if granular details are not publicly disclosed.	
	There is no disclosure of succession plan for directors and senior leadership	There is a succession plan for directors and senior leadership	There is a succession plan for both directors and senior leadership and a detailed framework for succession planning is disclosed
65	Is the board evaluation policy and process in place and effective?	The assessor needs to check if the disclosures on board evaluation cover: • who is evaluated (individual directors, entire board, committees) • who evaluates (nomination committee, external consultant) • how the evaluation is conducted (criteria) A company will score maximum points on this question only if, in addition to the disclosures on all the three areas, there is an impact assessment conducted which lists out measures for board improvement.	
	No evaluation system in place or inadequate disclosures about board evaluation	There is a board evaluation system in place but no impact assessment is provided	A robust system for evaluation is publicly disclosed and there is an impact assessment which leads to a board improvement plan
66	Are board committees evaluated separately?	A company will score maximum points on this question if: • It has carried out a separate evaluation for its board committees • It has disclosed the criteria used for evaluating its committees	
	No evaluation system in place or inadequate disclosures about board evaluation	There is a board evaluation system in place but no impact assessment is provided	A robust system for evaluation is publicly disclosed and there is an impact assessment which leads to a board improvement plan

ANNEXURE E: MENTIONS IN ANNUAL REPORTS

The list outlines references to the Indian Corporate Governance Scorecard made by companies in their recent annual reports.

HDFC Life Insurance Company Limited

"Featured in the 'Leadership' list of the Indian Corporate Governance Scorecard 2022 published by IiAS."

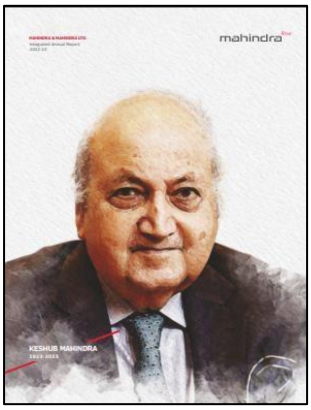


Infosys Limited

"Recognized in the LEADERSHIP category in the Indian Corporate Governance Scorecard Assessment by Institutional Investor Advisory Services (IiAS) for the seventh year in a row"

Marico Limited

"Your Company has been recognized underthe 'LEADERSHIP' category of the S&P BSE Listed Companies for a third consecutive year on the "IFC-BSE-IiAS Indian Corporate Governance Scorecard", a study conducted by the Institutional Investor Advisory Services India Limited."

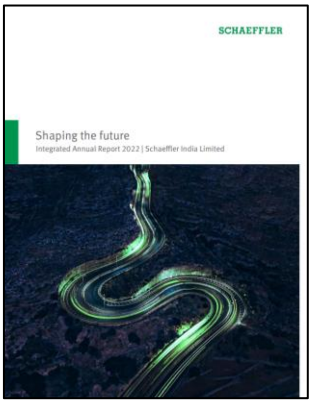


Mahindra & Mahindra Limited

"Ranked amongst the top six for Leadership in Corporate Governance by the Institutional Investor Advisory Services India Limited (IiAS)."

Wipro Limited

"Placed in the LEADERSHIP category in theIndian Corporate Governance assessment that IIAS undertook as of December 31, 2022, for the 5th consecutive year."



Schaeffler India Limited

"We continued to remain leaders in governance as indicated in the corporate governance scorecard published by IiAS."[41]

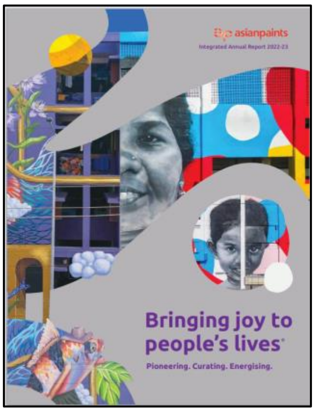
Crompton Greaves Consumer Electricals Ltd

"Crompton is amongst the only ten companies to be recognised under the "Next Leaders" category by the Institutional Investor Advisory Services (IiAS)"

[41] *Schaeffler India Limited is not part of the BSE100. It was independently evaluated by IiAS, for which IiAS has received fees.*

HDFC Bank Limited

"Bank was placed in the 'Good' category by Institutional Investor Advisory Services India Limited (IIAS) in the Indian Corporate Governance Scorecard (2022)"



Asian Paints Limited

"Graded as 'Good' in Governance Score by Institutional Investor Advisory Services."

DISCLAIMER

The evaluation provided in this report has been carried out by IiAS based on the IFC-BSE-IiAS Corporate Governance Scorecard. The information contained herein is derived largely from publicly available data as available on the date of this report, but we do not represent that the information contained herein is accurate or complete and it should not be relied on as such. IiAS shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not be taken as the basis for any voting or investment decision or construed as legal opinion or advice. The user assumes the entire risk of any use made of this information and is responsible for complying with all local laws, rules, regulations, and other statutory or regulatory requirements. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. IiAS reserves the right to make modifications and alterations to this document as may be required from time to time. However, IiAS is under no obligation to update or keep the information current. Please note that this document is based on publicly available data for the financial year ended 31 December 2023 and shall be valid only for the said financial year, subject to there being no material change in the company's corporate governance practices, or there being no event that changes our assessment. Neither IiAS nor any of its affiliates, group companies, directors, employees, agents, or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the report. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. All layout, design, original artwork, concepts and other Intellectual Properties, remain the sole property and copyright of IiAS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of IiAS. Any use of the document is subject to Indian laws and courts exclusively situated in Mumbai, India.

CAVEAT

Even the best corporate governance frameworks do not guarantee that companies will always adhere to good corporate governance practices. This assessment is based on latest available publicly available information, and it will not be able to accurately predict the extent to which the documented practices are followed. It may also well be that a company may change its behaviour following a change in internal or external factors. Further, while it is expected that highly companies will create greater long-term stakeholder value, the evaluation results must not be used to predict future stock price or financial performance.

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ABOUT IiAS

About Institutional Investor Advisory Services India Limited (IiAS)

Institutional Investor Advisory Services India Limited (IiAS) is an advisory firm, dedicated to providing participants in the Indian market with independent opinion, research and data on corporate governance and ESG issues and currently issues voting recommendations on shareholder meetings of about 1,070 companies.

IiAS provides bespoke research and assists institutions in their engagement with company managements and their boards. It runs two cloud-based platforms, SMART to help investors with undertaking and reporting on their stewardship activities and ADRIAN, a repository of resolutions and institutional voting pattern.

IiAS with the International Finance Corporation (IFC) and BSE Limited, has developed a Corporate Governance Scorecard for India to evaluate company's governance practices and market benchmarks. More recently, IiAS has extended its analysis to ESG. IiAS is now a signatory to UN supported PRI, is empanelled as an ESG Rating Provider with AMFI and provides Second Party Opinions on green bond issuances.

IiAS has equity participation by Aditya Birla Sunlife AMC Limited, Axis Bank Limited, Fitch Group Inc., HDFC Bank Limited, ICICI Prudential Life Insurance Company Limited, Kotak Mahindra Bank Limited, RBL Bank Limited, Tata Investment Corporation Limited, UTI Asset Management Company Limited and Yes Bank Limited.

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