



Corporate Governance Scores **Increasing Expectations**

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

March 2023

TABLE OF CONTENTS

01	Introduction	1
02	BSE 100 Trends	3
03	LEADERS and The Next Leaders	7
04	SENSEX Vs. BSE 100	9
05	How the score categories differ	12
06	Do markets value governance?	14
07	Governance Themes	16
08	Conclusions	45
09	Scoring Model Changes	46
	Annexure	51

01. INTRODUCTION

As corporate India returned to normalcy post COVID, the focus on building stronger corporate practices has returned. Even while the scores of companies increased during the two years of the pandemic, in 2022, companies faced increased expectations of their governance practices from investors, lenders, and regulators.

Over the years, the regulators focused on strengthening corporate governance norms through tightening regulations around appointment of Independent Directors, and related party transactions; this focus carried through in 2021 and 2022.

Independent Directors continue to bear the flag for protecting minority shareholders and therefore there is a lot more regulatory focus: the appointment and reappointment of Independent Directors must be through a special resolution and must be brought to shareholders within three months of the (re)appointment to the board. This came with broadening the responsibilities of the Nominations and Remuneration Committee (NRC). Similarly, the changes in the related party transactions aimed to bridge regulatory loopholes, especially with transactions through subsidiaries, came with a bigger role for the Audit Committee of the board. With an absolute threshold of Rs. 10 bn, several more transactions now need shareholder approval. While most related party transactions remain largely operational, these did spotlight how often promoter-controlled entities do business with listed companies.

Governance in start-ups has becoming a concern for investors. With most of these companies losing value post-IPO, with their founders and a set of pre-IPO investors having promoter-like rights but none of the restrictions. Market pressures are now compelling these companies to revisit their cash-burn disruptive models and focus on turning profitable.

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: a few questions were added, some removed, some merged, and the scoring key changed for a few others. The threshold for the LEADERSHIP category was also raised to 75 from 70.

Even as expectations of stakeholders have been increasing, Indian companies have been improving their corporate governance practices. This is reflected in the maximum score, which has increased to 82 in 2022 from 80 in 2021. The median score is however, almost unchanged at 61 in 2022 from 62 in 2021, on the back of a tightening of the scoring key.

A consequence of this stringent scoring has been that last year, 20 companies had a score of more than 70, this year it is 16. And the higher LEADERSHIP score threshold, has meant that there are 6 companies in this category this year, against all 20 last year. However, the total number of companies scoring above 60 (GOOD + LEADERSHIP categories) decreased by 5 – to 52 from 57 last year, but still above the half-way mark, suggesting that companies continue to perform well on this scorecard.

Despite choppy markets in 2021 and 2022, our assessment shows that well-governed companies (with a score of 60 or more) continue to show better price performance and lower stock beta at a portfolio level. A few exceptions aside, markets generally reward well-governed companies.

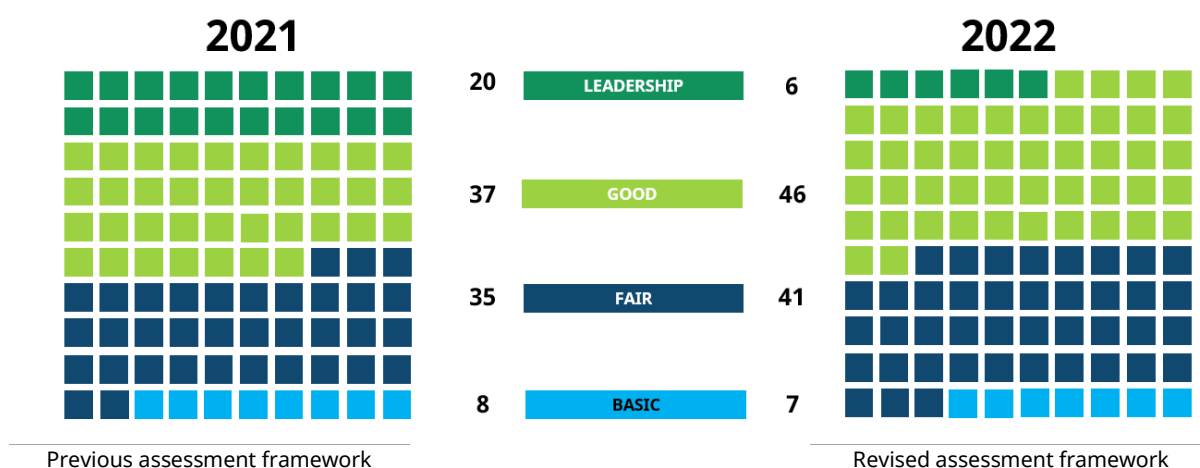
Companies are now moving from G to ESG. The new disclosure requirements under the Business Responsibility and Sustainability Report requires companies to make tangible disclosures on their ESG performance. Given that the data is structured, and the format of disclosure is standardized, the regulator expects to create a set of comparable data that will help companies benchmark themselves against other companies and the stated goals that are relevant in the Indian context.

SEBI has already put out a consultation paper on the Regulatory Framework for ESG Ratings Providers. With several domestic mutual funds having launched ESG funds and stock exchanges creating ESG focused indices, this next phase of development for corporate India has already gathered momentum. IiAS has developed its own proprietary scoring mechanism for companies on their ESG performance, which takes off from the Indian Corporate Governance Scorecard. That model has been tested by investors over two years, allowing us to score Indian companies on their ESG performance.

02. BSE 100 TRENDS

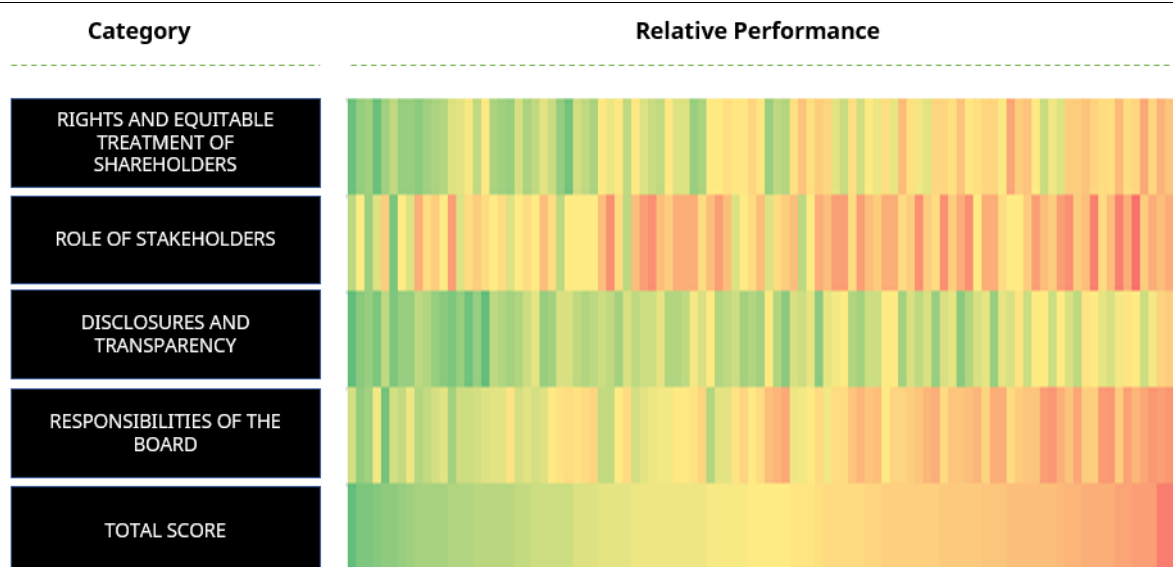
The components of the S&P BSE 100 (BSE 100) index comprise almost 71% of BSE’s market capitalization¹. Therefore, the results of the BSE 100 companies can be considered a proxy of the overall governance standards of Indian listed companies.

Exhibit 1: Distribution of governance scores of BSE 100 companies



This year saw the median score of BSE 100 companies decrease marginally to 61 from 62. There was a decrease of companies in the ‘LEADERSHIP’ Category (6 in 2022 vs. 20 in 2021), primarily due to a change in score thresholds (to 75 from 70). Companies in the ‘BASIC’ category slightly decreased (seven in 2022 vs. eight in 2021). The highest score of BSE 100 companies increased to 82, vis-à-vis 80 for the previous year. The lowest score increased to 43, in 2022 from 38 in 2021.

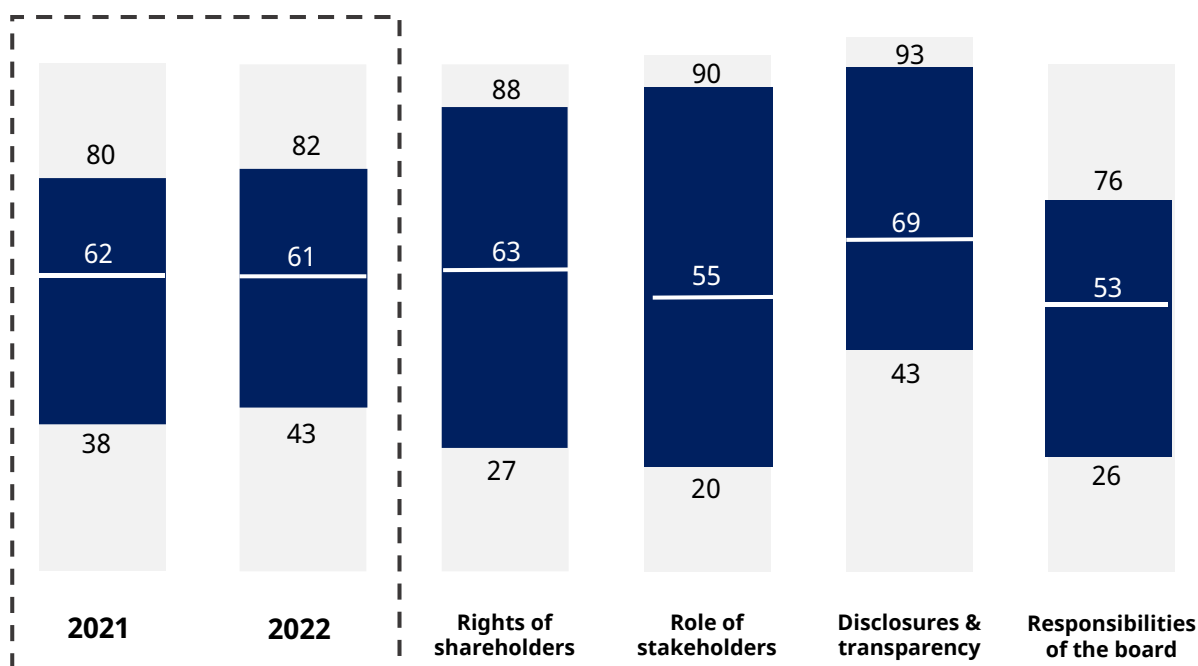
Exhibit 2: Heat map displaying relative performance of BSE 100 companies in 2022 across categories



¹ As on 13 January 2023

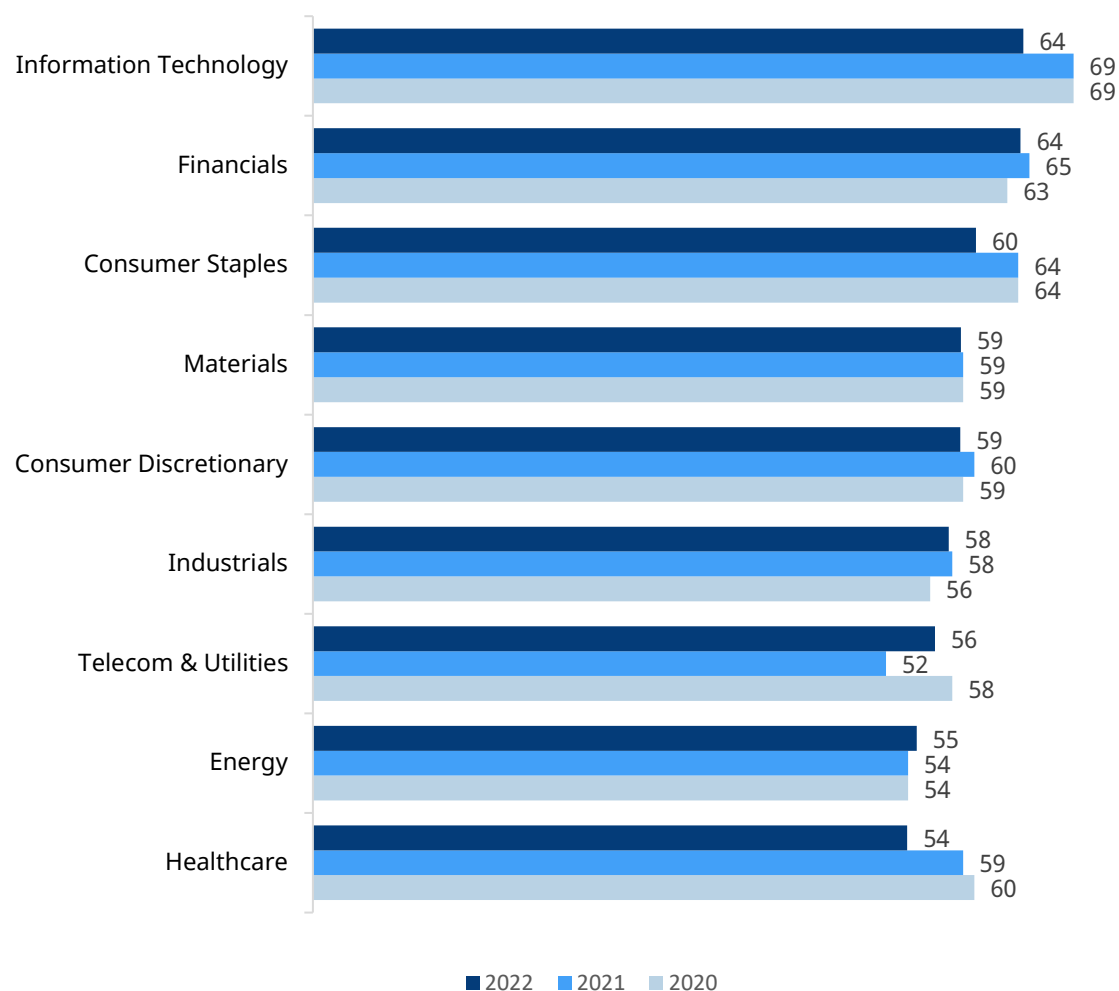
The heat map shows how companies have fared across categories. As can be seen clearly, companies that score well do not necessarily excel in every category. Governance practices need to be well-balanced and have a holistic approach, for stakeholders to build trust.

Exhibit 3: Category wise median, maximum and minimum scores for BSE 100 companies



The median score for BSE 100 companies has decreased to 61 in 2022 from 62 in 2021. Companies continue to score well in the category of disclosures and transparency driven by regulatory requirements. This year, the median score for the category of responsibilities of the board has decreased to 53 from 55 last year, however, the band has narrowed – from 26 at the lower end to 76 at the highest (last year it stood at 13 and 84).

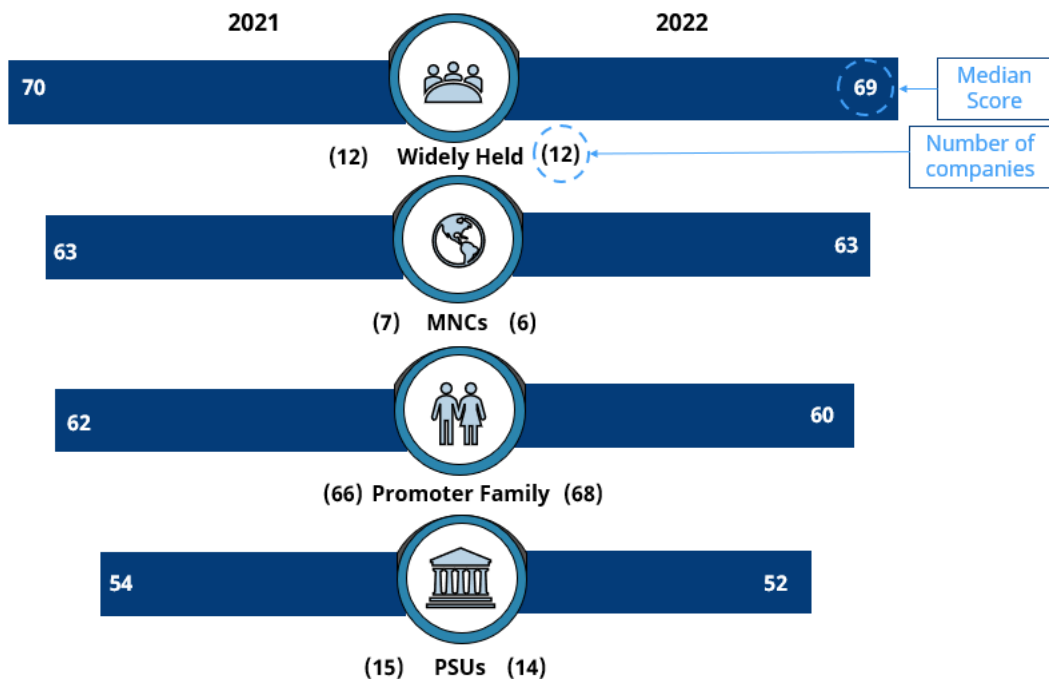
Exhibit 4: Industry wise median scores for BSE 100 companies



Based on industry classification, the telecom & utilities and energy sectors have shown an improvement in their governance scores. The healthcare industry has shown a decline in median scores to 54 in 2022 from 59 in 2021, largely due to certain regulatory actions in the pharmaceutical industry as well as removal of certain pharmaceutical companies from the BSE 100.

From an ownership perspective, promoter-controlled companies account for 68% of the BSE 100 index and therefore influence the median score of the index significantly. MNC and widely held continue to score better than promoter-controlled companies and PSUs.

Exhibit 5: Ownership wise median scores for BSE 100 companies



03. LEADERS ^{2, 3}



The list of companies above is in alphabetical order and not in the order of scores

² 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.

³ HDFC Investments Limited, a subsidiary of HDFC, is one of IiAS several shareholders

THE NEXT LEADERS ^{4, 5, 6, 7}

Crompton



Hindustan Unilever Limited



TATA CONSUMER PRODUCTS

TATA MOTORS

TATA POWER

TATA STEEL



VOLTAS

The list of companies above is in alphabetical order and not in the order of scores. At the previous thresholds of 70, all these companies would have been part of the LEADERSHIP category.

⁴ 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.

⁵ Tata Investment Corporation Limited (TICL), Tata Consumer Products Limited, Tata Motors Limited, Tata Power Limited, Tata Steel Limited, Titan Company Limited and Voltas Limited are all part of the Tata group. TICL is one of IiAS' several shareholders.

⁶ 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.

⁷ HDFC Investments Limited, part of HDFC Bank Limited's promoter group, is one of IiAS' several shareholders.

04. SENSEX VS. BSE 100

The 30 constituents of the S&P BSE SENSEX (SENSEX) accounted for ~44% of total market capitalization on 13 January 2023. In the 2022 study, 73% of the SENSEX companies have scored 60 and above (Leadership and Good category) compared to 80% and 67% in the 2021 and 2020 study respectively. The median score of the SENSEX companies slightly decreased to 67 against the previous year’s median score of 68: despite a change in the scoring methodology, SENSEX companies continue to exhibit a consistent trend in their overall governance practices this year. The highest score by a SENSEX company at 82 as compared to 80 in the previous year.

Exhibit 6: Category-wise scores of SENSEX companies

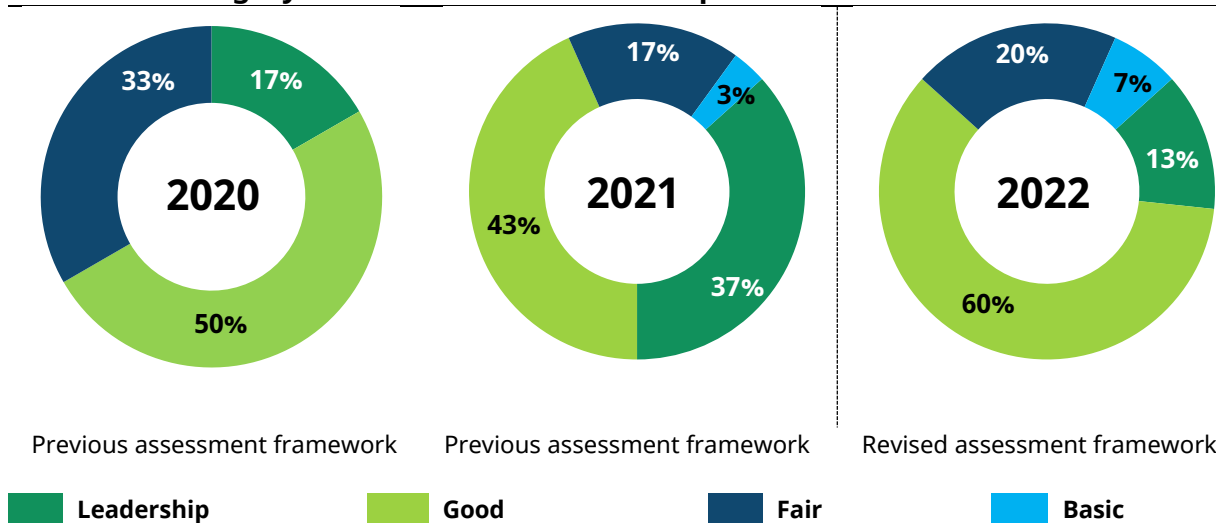


Exhibit 7: Minimum, Maximum and Median scores of SENSEX companies

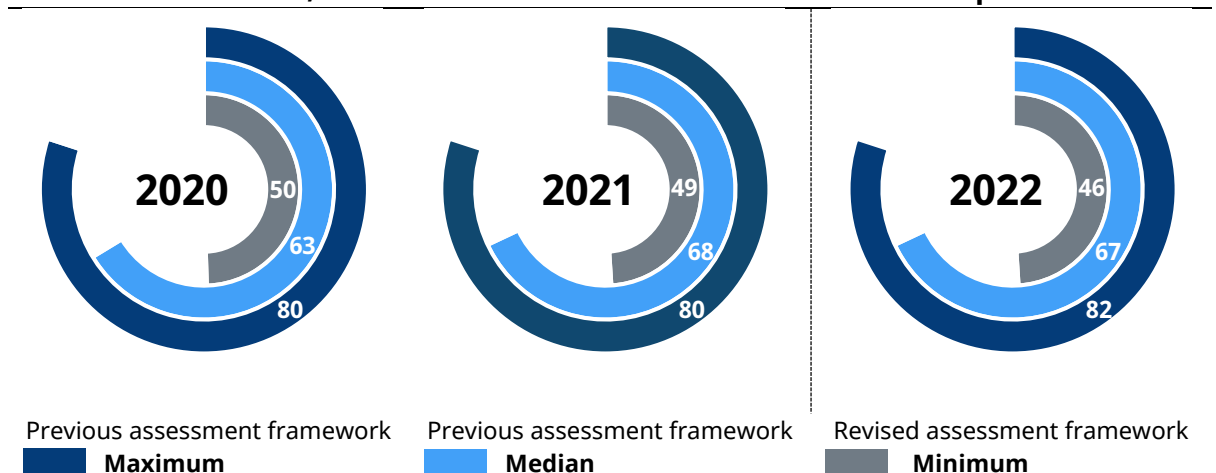
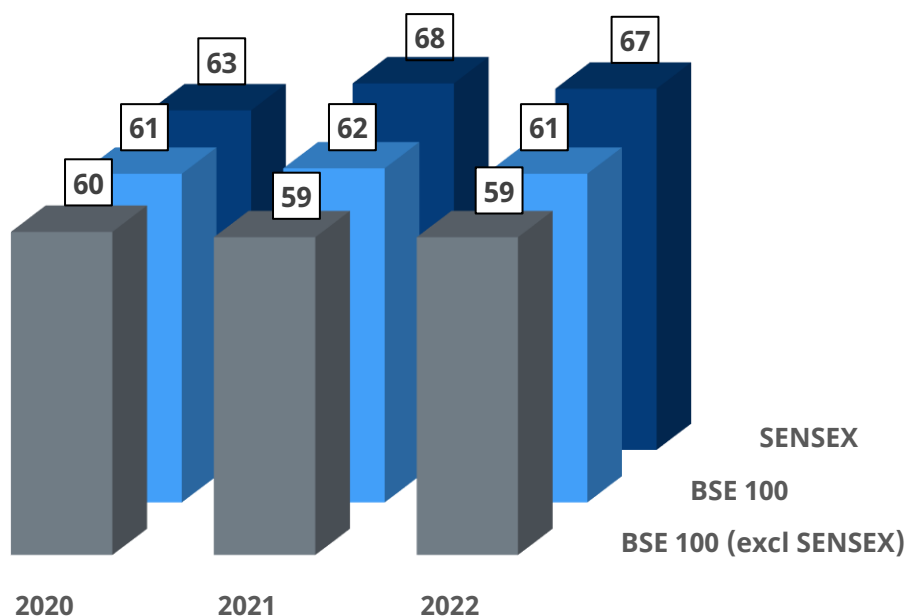


Exhibit 8: Category wise median, maximum and minimum scores for SENSEX companies



The median scores of SENSEX companies in 2022 was 67, vis-à-vis the BSE 100 median scores at 61. The 2022 scores continue to reflect that SENSEX companies are better governed than their BSE 100 peers.

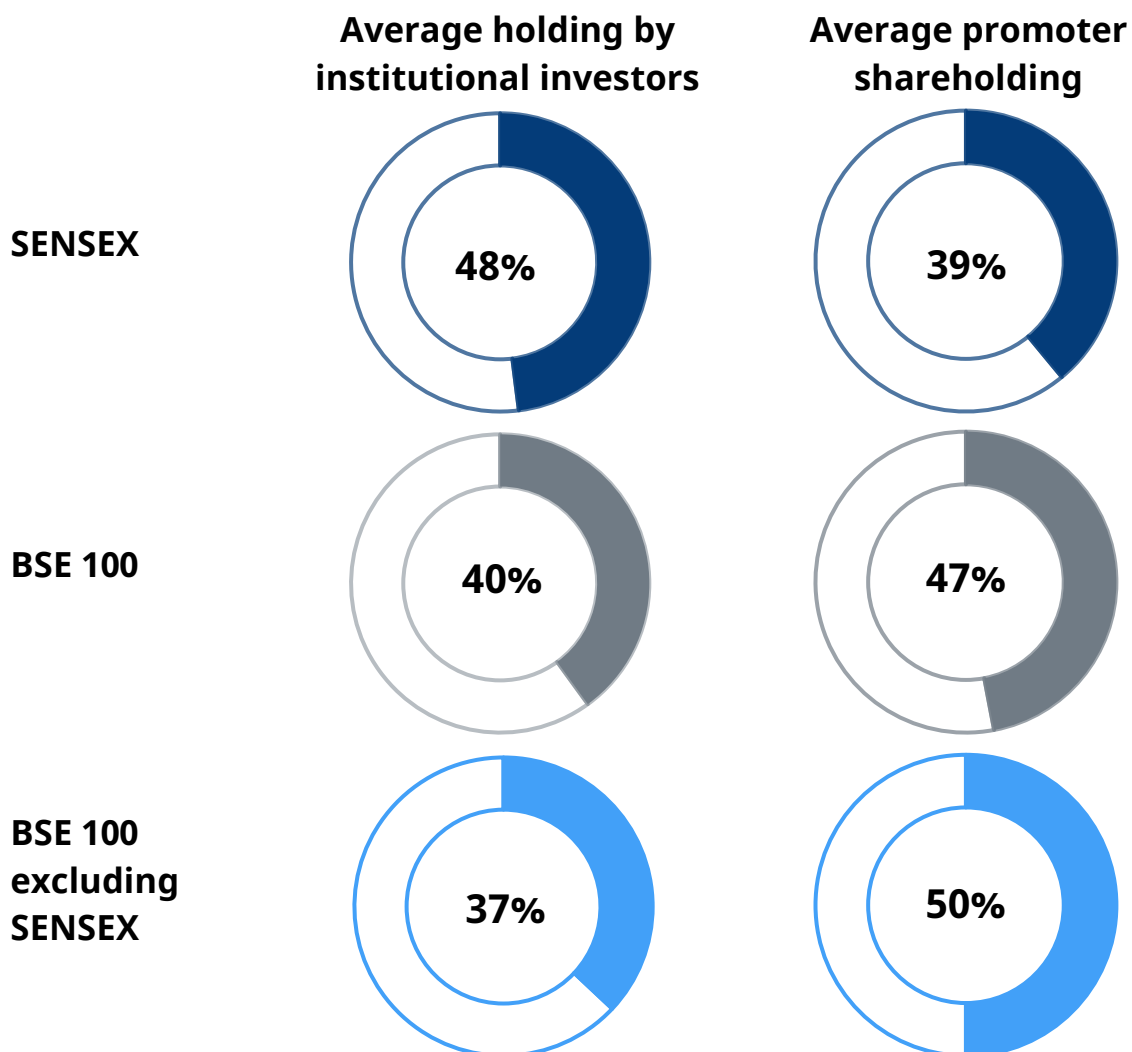
Exhibit 9: Median scores of SENSEX vs. BSE 100



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. Lower promoter equity effectively means that companies are vulnerable to shareholder vote and therefore ensuring strong governance structures becomes critical.

Exhibit 10: Shareholding pattern - SENSEX vs. BSE 100



05. HOW THE SCORE CATEGORIES DIFFER

There are clear trend lines across the four different score categories. Institutional investments in the LEADERSHIP companies tends to be higher than the rest, which also means that promoter shareholding tends to be lower. 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.

Exhibit 11: Shareholding of companies across score categories

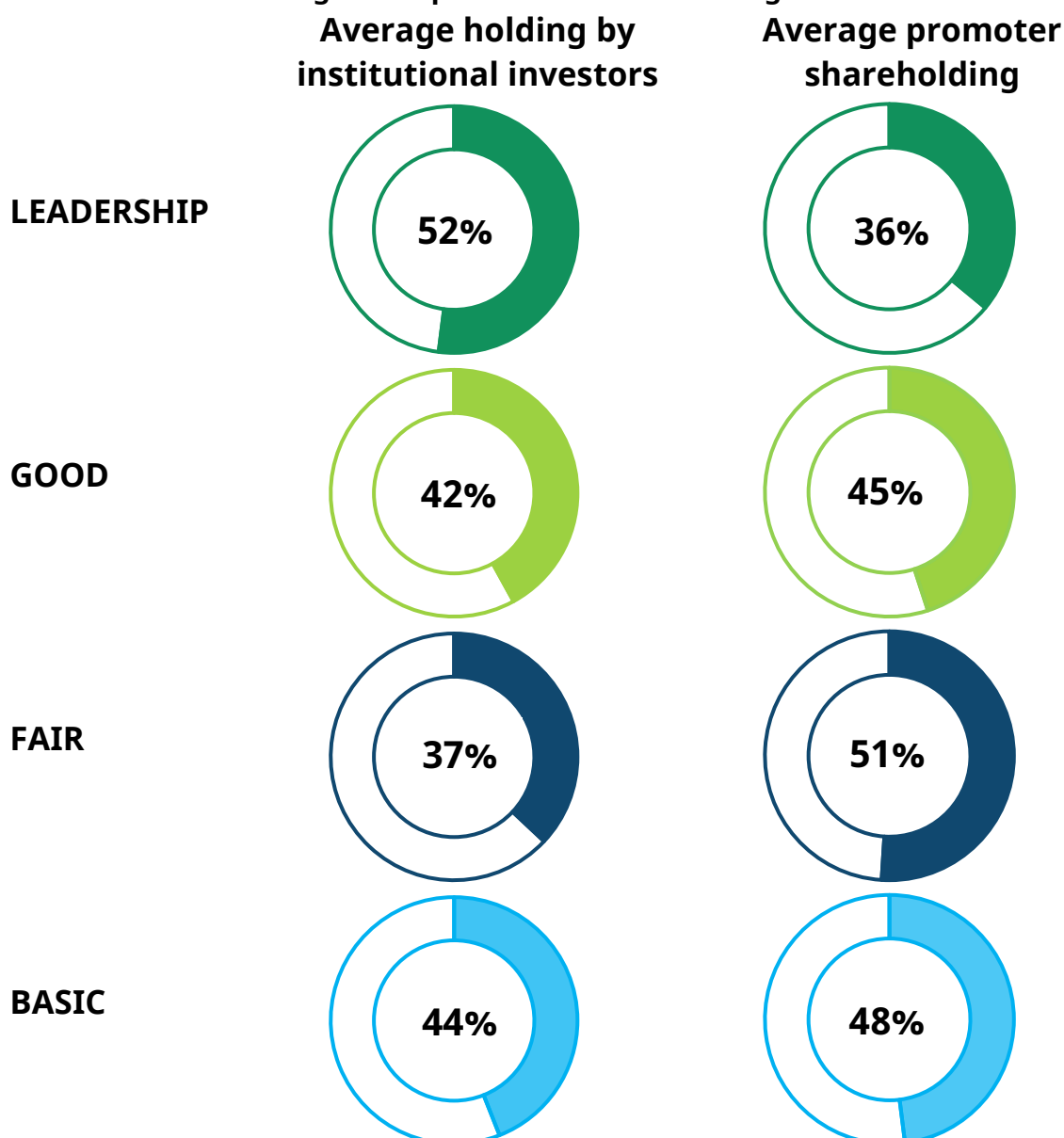
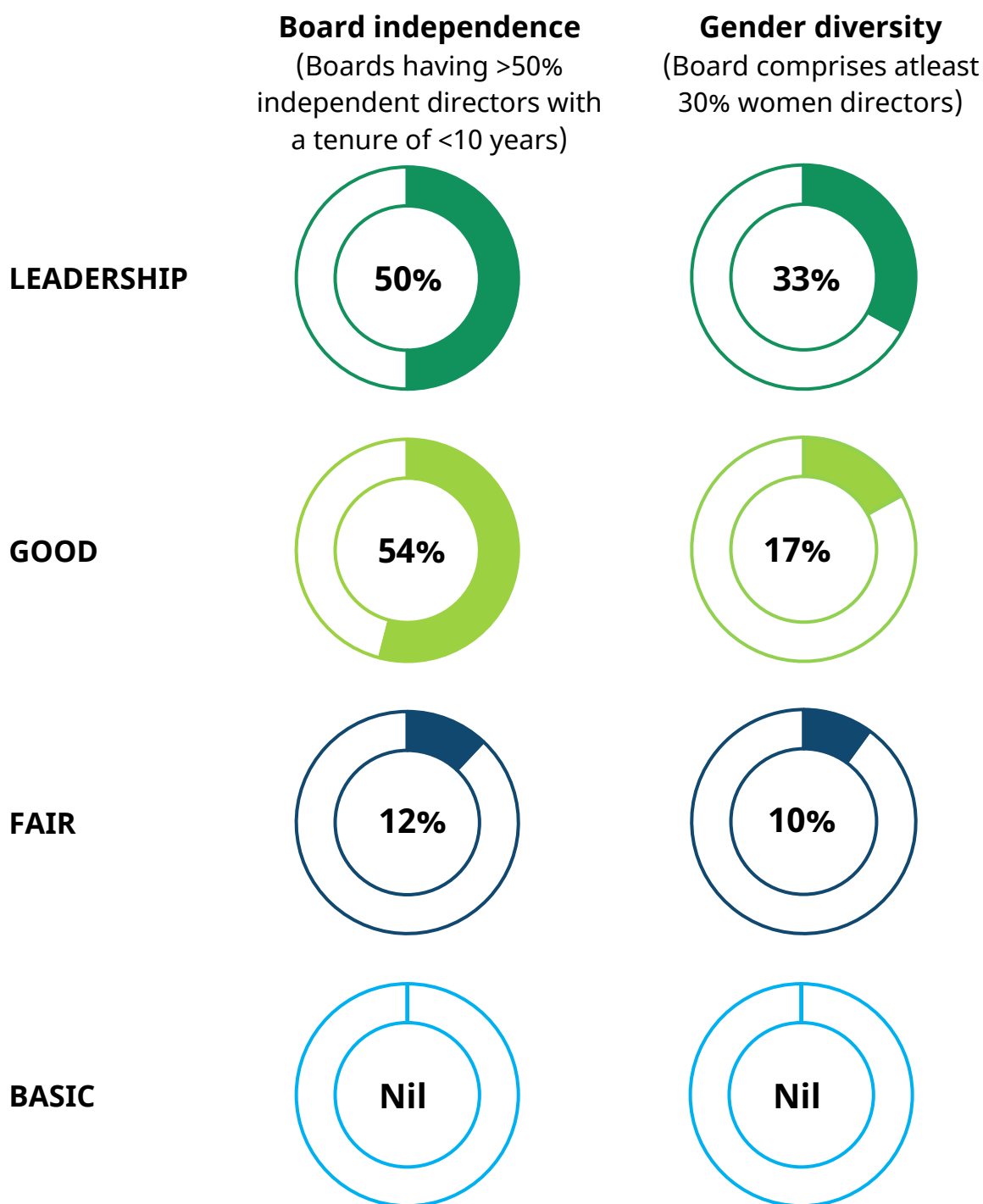


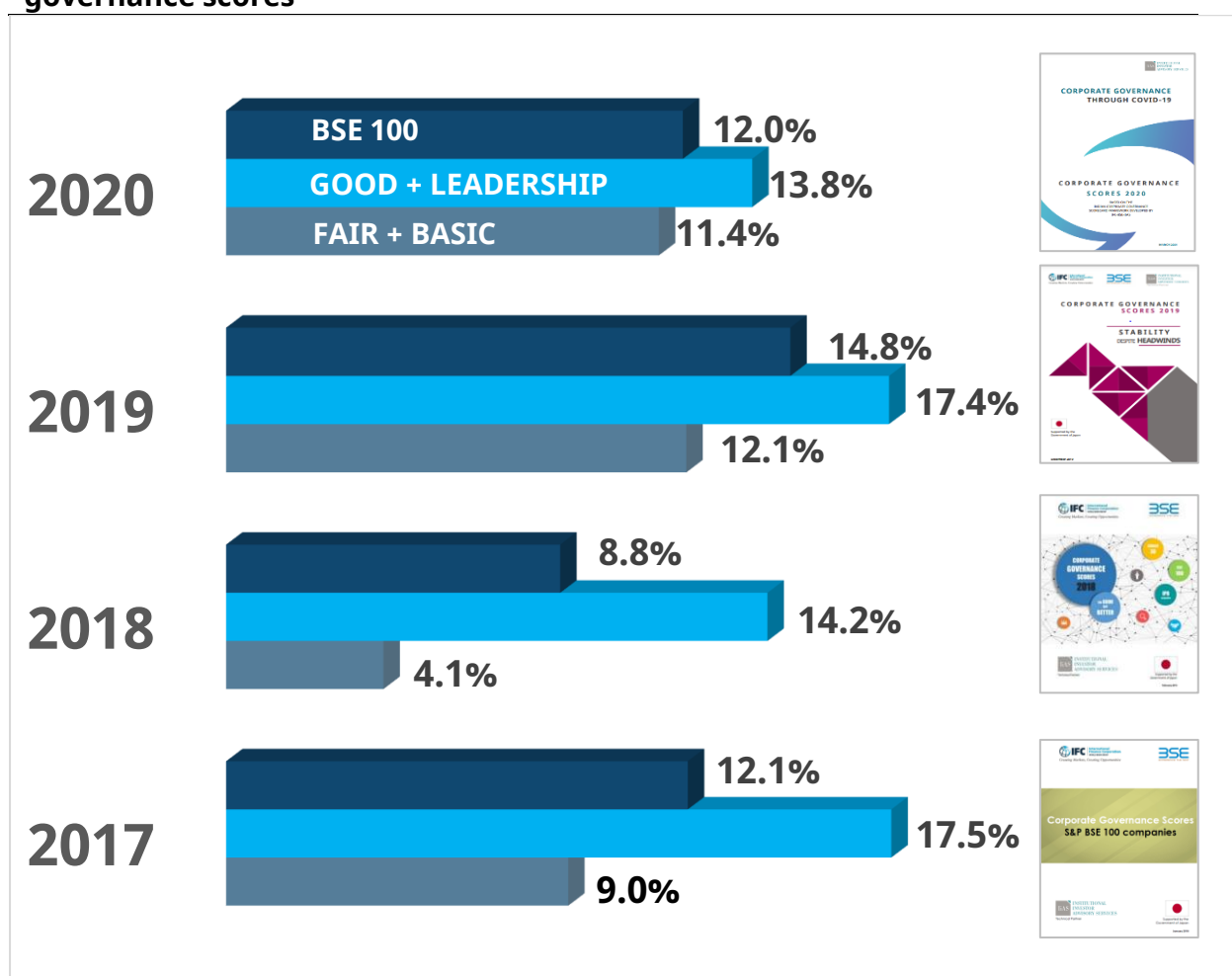
Exhibit 12: Board structures of companies across score categories



06. DO MARKETS VALUE GOVERNANCE?

Our analysis shows that markets do 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 over a period of time than those that are not so well-governed (score of less than 60). This has been tested for the companies we scored in 2017, 2018, 2019 and 2020. While there may be exceptions (some well-governed companies not delivering strong price performance and vice-versa), at a portfolio level the conclusions have been consistent: markets reward companies that are well-governed. Further, the stock beta for well governed companies has been lower in 2018, 2019 and 2020 than the not so well-governed companies.

Exhibit 13: Median stock price CAGR of BSE 100 companies based on their governance scores



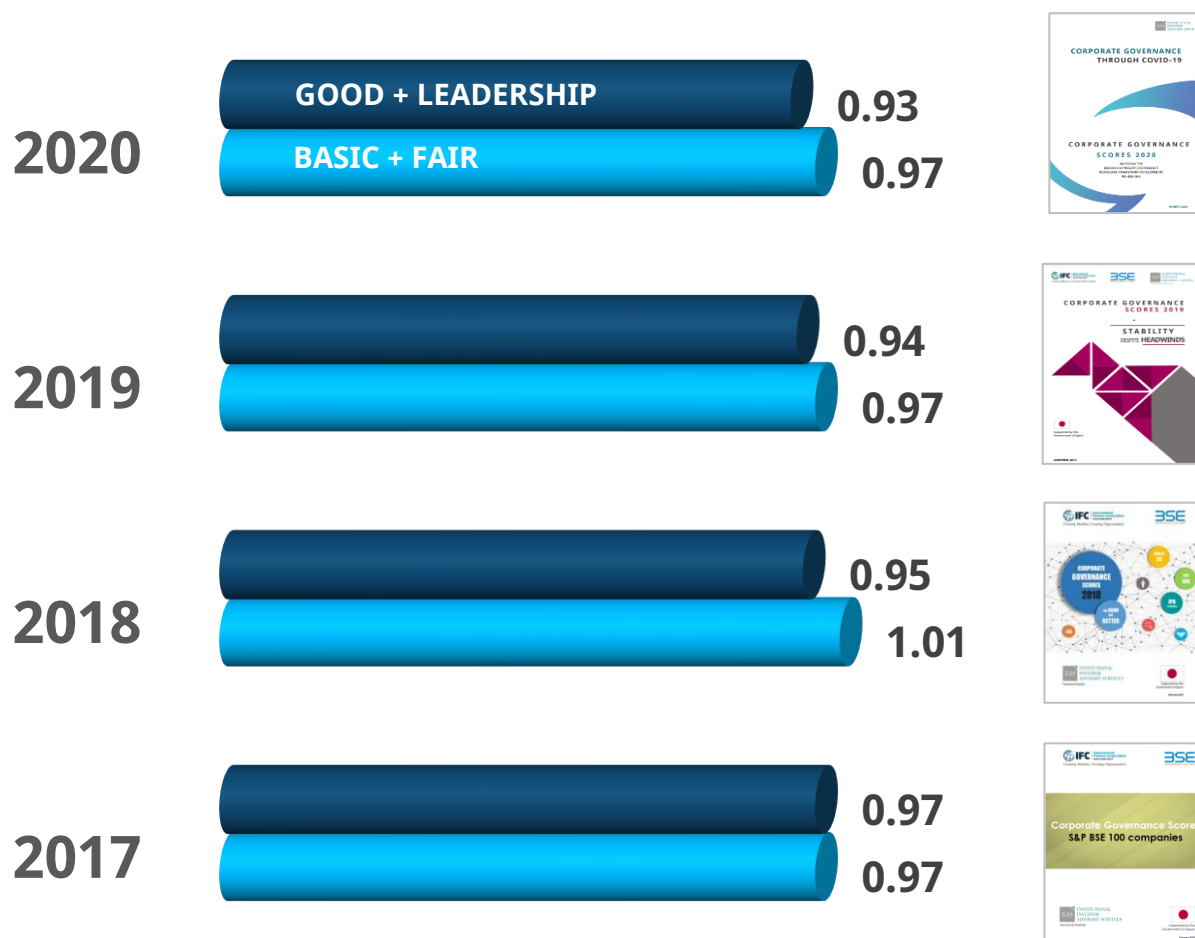
2017: Stock price performance analyzed from 2 January 2017 to 30 December 2022

2018: Stock price performance analyzed from 2 January 2018 to 30 December 2022

2019: Stock price performance analyzed from 2 January 2019 to 30 December 2022

2020: Stock price performance analyzed from 2 January 2020 to 30 December 2022

Exhibit 14: Median stock Beta⁸ of BSE 100 companies based on their governance scores (lower is better)



2017: Stock Beta performance analyzed from 2 January 2017 to 30 December 2022
 2018: Stock Beta performance analyzed from 2 January 2018 to 30 December 2022
 2019: Stock Beta performance analyzed from 2 January 2019 to 30 December 2022
 2020: Stock Beta performance analyzed from 2 January 2020 to 30 December 2022

⁸ Beta is calculated on daily stock price return with the BSE 100 index as the benchmark

07. GOVERNANCE THEMES

BOARD EFFECTIVENESS

The board of directors are 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' were 53 in 2022: although not strictly comparable given the change in methodology, the scores were 55 in 2021 and 58 in both 2020 and 2019. The lowest score in this category was 26 in 2022, against 13 in 2021 and 21 in 2020, while the highest score was 76 in 2022 (84 in 2021 and 79 in 2020).

The scores in 2022 are not strictly comparable to those in previous years on account of a recalibration of questions. The 2022 scorecard benchmarks gender diversity on boards as a share of board composition – against an absolute count earlier – and also asks for disclosures on gender diversity in the workforce. Executive remuneration continues to plague the overall scores with only a handful of Nomination and Remuneration Committees disclosing the performance metrics / targets that drive their decision on variable pay for executive directors. Overall CEO pay levels and increased continue to remain a challenge, although a bit muted in 2022 as post-COVID performance pick-ups improve overall alignment of pay vs performance.

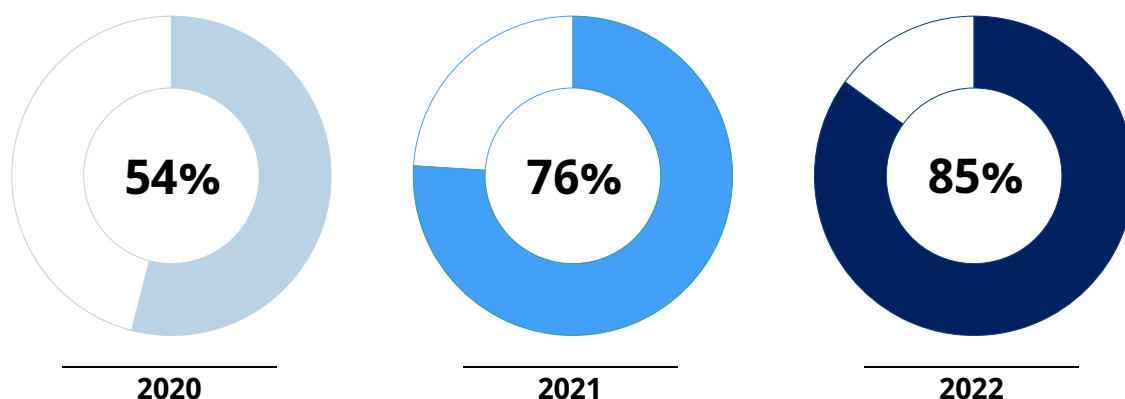
BOARD ENGAGEMENT LEVELS

Having been forced to embrace technology through the two years of COVID-19, directors appear to be more accepting of virtual meetings in 2022. The attendance levels of board members have increased with 13 of the 100 companies having 100% attendance over three years⁹, of all board members in all board meetings – against just 2 in 2021. The consistent push-back from investors on director reappointments where attendance levels have been low, is possibly another reason for better discipline in attending board meetings.

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.

⁹ The assessment does not consider directors that are no longer on the board.

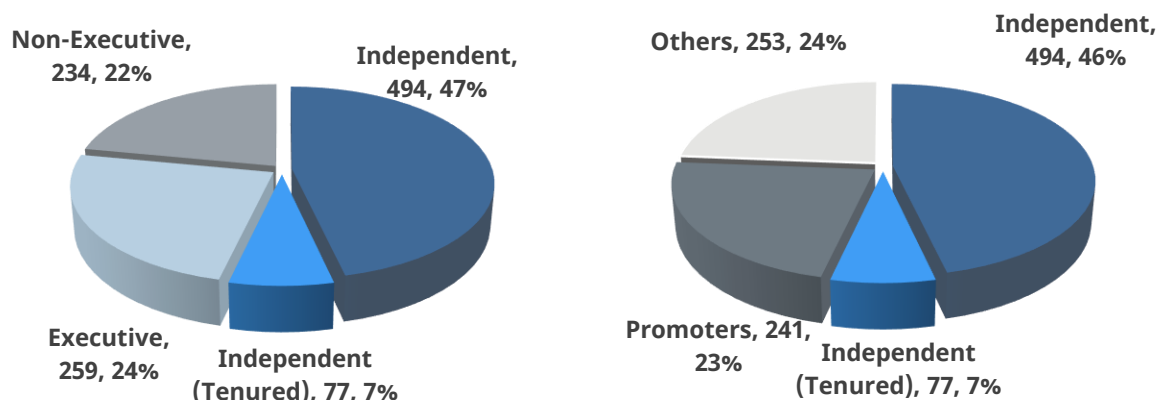
Exhibit 15: Companies of which all board members have attended at least 75% of the board meetings held over the immediate past three years



BOARD INDEPENDENCE

Even as boards have been more engaged in 2022, the board composition itself has been changing. The grandfathering of the independent directors' previous tenure will be complete in 2024, and gearing up to that deadline, boards have been refreshing their slate of directors – trying to balance stability and institutional memory with the need for different and objective thinking. On 31 December 2022, of the 1,064 directorships of the BSE 100, 54% of the directors are independent directors¹⁰ – just a little over 7% being tenured Independent Directors (with a tenure exceeding 10 years). This is an improvement over the past year – on 30 October 2021, independent directors comprised 51% of all directorships, of which 9% were tenured Independent Directors.

Exhibit 16: Board composition of the BSE 100 companies on 31 December 2022



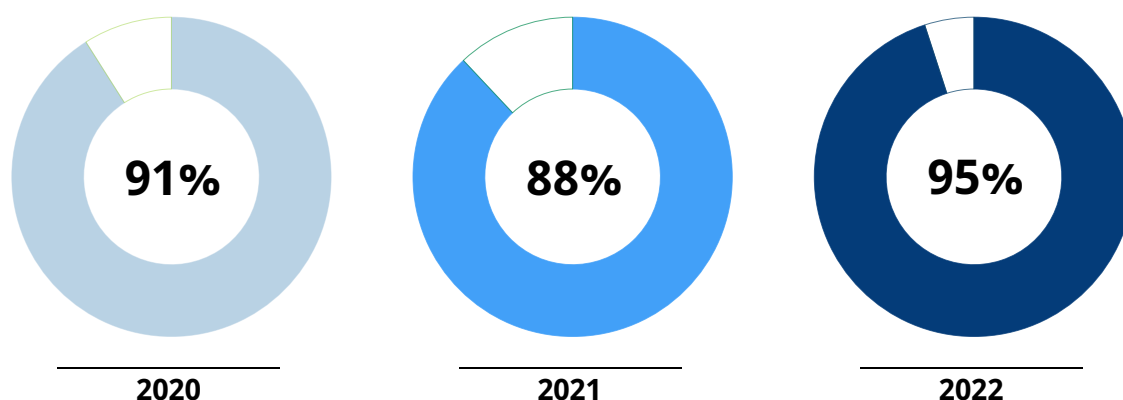
- *IiAS classified Independent Directors with a tenure of more than 10 years as non-independent. These have been shown separately as tenured Independent Directors.*
- *Promoters include those part of the promoter family, and nominees of controlling shareholders.*
- *Others include professionals that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

Most PSUs continue to remain non-compliant with even the minimum regulatory standards. A few PSU boards have less than the minimum number of independent

¹⁰ Source: PRIME Database, IiAS research

directors, with a few not even having an independent director. This has been a concern over the past several years, but regulatory enforcement on 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. However, in the case of board composition norms, the rules apply uniformly, but PSUs do not meet the prescribed standards. The increase in board compliance in FY22 is largely on account of index changes – several PSUs have exited the BSE 100.

Exhibit 17: Companies that have adequate representation of Independent Directors



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.

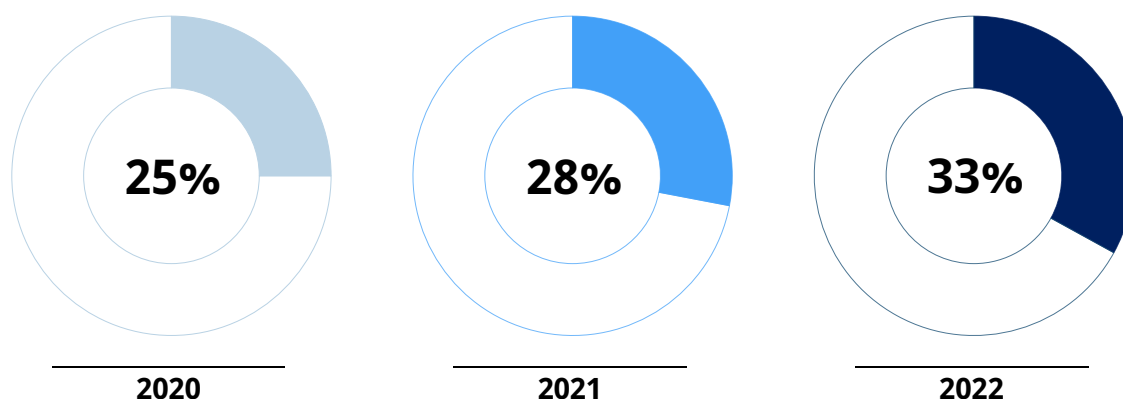
While global best practices are that independent directors must comprise at least half the board, Indian regulations determine the board composition based on the Chairperson – if the Chairperson is an executive director or a promoter, then at least half the board must comprise Independent Directors, otherwise, the threshold drops to a third. Board composition tends to remain more compliance driven. Because promoters or their nominees tend to chair boards, half the board comprises independent directors in the regulatory sense.

From 2024, previous tenures of Independent Directors will no longer be grandfathered. Corporate India seems cognizant of this and as a result, the number of tenured Independent Directors in the BSE 100 index constituents has already reduced to 7% on 31 December 2022 from 9% on 31 October 2021.

79% of the BSE 100 index constituents had Independent Directors comprise 50% or more of the total board composition on 31 December 2022. However, reclassifying tenured Independent Directors (board tenure of 10 years or more) as non-Independent, this number drops to 51%¹¹.

¹¹ Source: PRIME Database, IiAS Research

Exhibit 18: Board compositions that have more than the regulatory requirement for Independent Directors (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 themselves in. These are usually times when the company's performance is not 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 far more difficult battle than simply voting against a director's reappointment¹².

It is in this context that IiAS' revision of the scorecard now addresses this through its inclusion as new parameter. In our current assessment, of the BSE 100, boards of 30 companies have promoters that have board permanency.

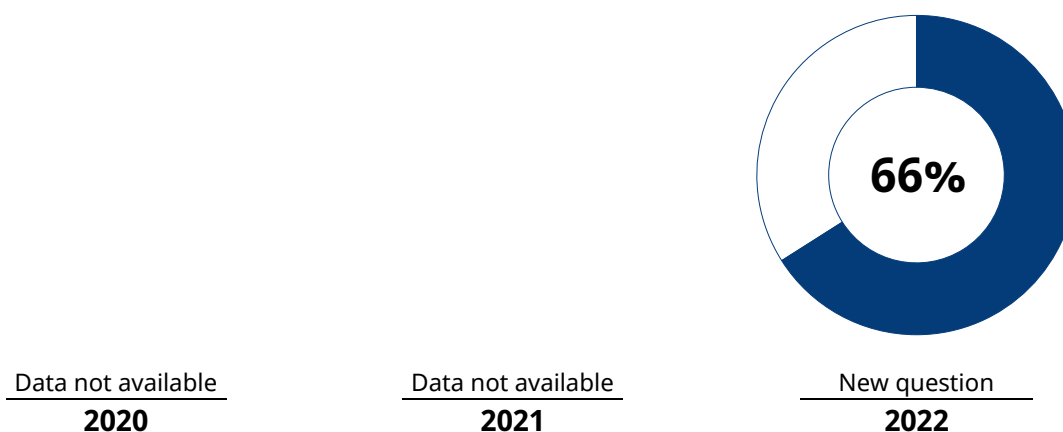
SEBI too has recognized this and in its February 2023 Consultation Paper on Strengthening Corporate Governance at Listed Entities by Empowering Shareholders¹³;

¹² Related research: Board permanency creates leverage for promoters -: <https://bit.ly/3XRPIwu>

¹³ SEBI's consultation paper can be accessed here: <https://bit.ly/3KyzdZw>

the new rules propose to mandate that such directors seek shareholder approval every five years.

Exhibit 19: Companies that have all board members seeking periodic shareholder approval



This is a new question and therefore data for 2021 and 2020 is not available.

SPECIAL RIGHTS TO A SET OF INVESTORS

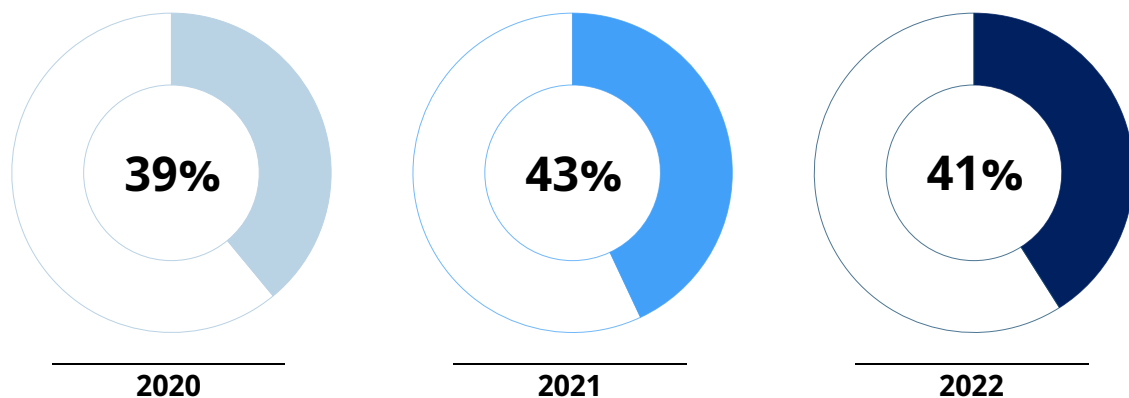
Promoters and pre-IPO investors (usually private equity) sometimes have rights that are disproportionate to their shareholding. For promoters, it may be in the form of board permanency, a board chair position that is embedded in the Articles of Association, or board nomination rights without any shareholding thresholds. In case of 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 BSE 100 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.

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 a periodic shareholder approval is not sought.

SEBI recognizes that some of these special rights can be misused and can become detrimental to the interest of non-controlling shareholders. As a result, in its February 2023 Consultation Paper on Strengthening Corporate Governance at Listed Entities by Empowering Shareholders¹³, it proposes to mandate that such rights be brought to shareholder for a periodic approval.

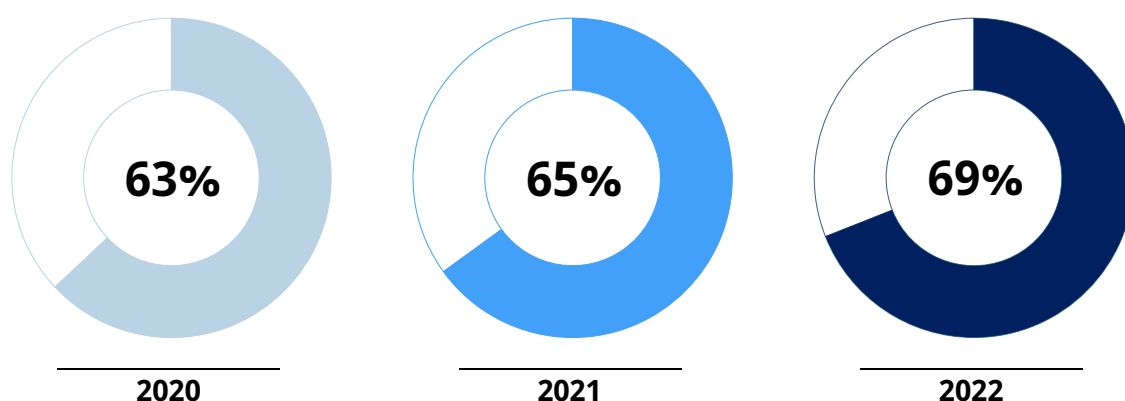
Exhibit 20: Companies where charter documents do not give any special rights to a set of stakeholders



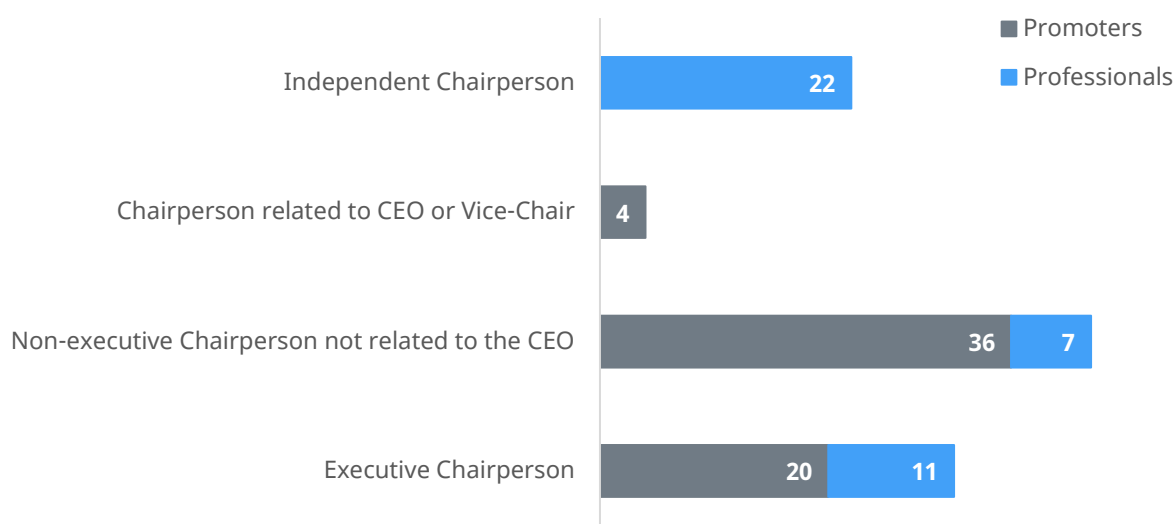
SEPARATING THE ROLES OF THE CHAIRPERSON AND CEO

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 CEO¹⁴ in listed companies. This was done with an intention to separate the power centres and ensure 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. Despite this announcement, the number of companies in the BSE 100 that have separated the two roles has only been increasing - from 57% in 2019 to 69% in 2022. Of these 69 companies, just 4 companies have Chairpersons that are related to the Executive Vice-Chairperson and / or the Managing Director.

¹⁴ *Managing Director and CEO are being used inter-changeably in this report*

Exhibit 21: BSE 100 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 22: The Chairpersons of BSE 100 companies on 31 December 2022**Notes:**

- 8 of the 22 Independent Chairpersons have a board tenure in excess of 10 years.
- 10 of the 11 companies that have a non-promoter executive Chairperson are state-owned enterprises (PSUs)
- Promoters include promoter representatives (example: parent company representation in MNCs)
- 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

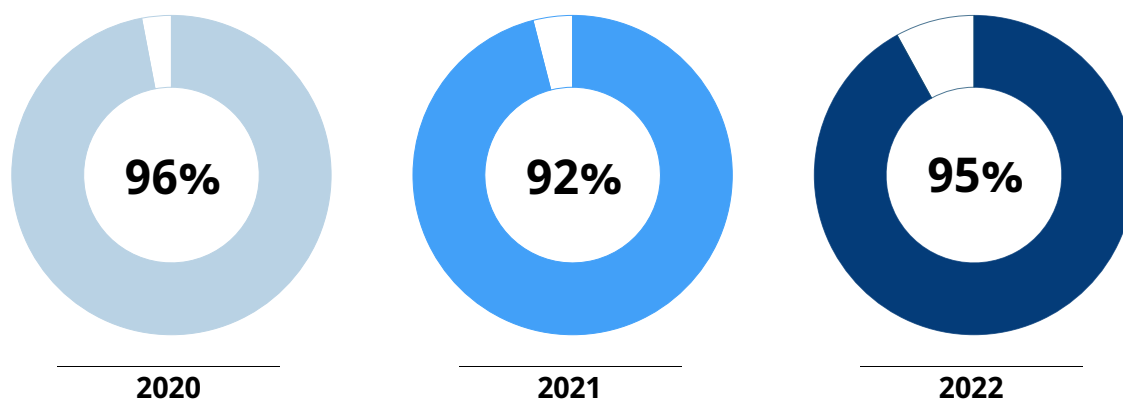
BOARD DIVERSITY

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 1000 companies have at least one-woman Independent Director and second

asking companies to publish the skills that each director possesses¹⁵. 95% of the BSE 100 companies have met the requirement for Independent woman Director.

Exhibit 23: Companies with at least one Independent Woman Director



Gender diversity is the easiest form of measurable diversity¹⁶. Women held about 18% of board seats in the BSE 100 on 31 December 2022, of which about 13.6% were held as Independent Directors¹⁰. While Corporate India has used the regulatory push to increase the number of women on boards, the count has stagnated over the past 24 months.

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 2022, the median board representation of women in the BSE100 was a little over 16%.

This year, IiAS has 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.

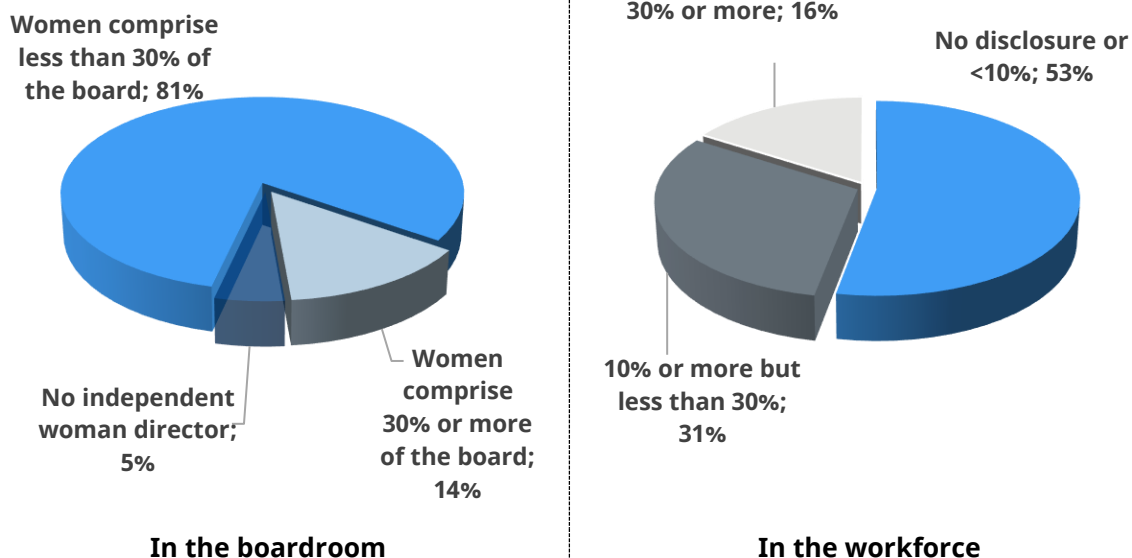
IiAS has also added a question on gender diversity in the workforce. 84 of the BSE 100 companies have claimed to be equal opportunity employers¹⁷; yet, more than half of the top 100 companies have either not disclosed gender diversity in the workforce, or women form less than 10% of the workforce.

¹⁵ Related research: Corporate India; Women on Boards 2022 - <https://bit.ly/3YObOHQ>

¹⁶ Assumes gender to be binary

¹⁷ Source: Annual reports, sustainability reports, website disclosures

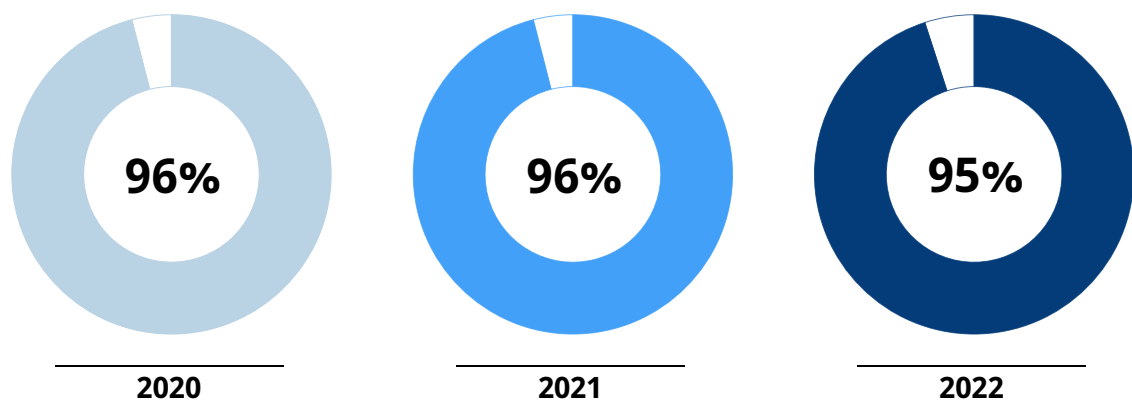
Exhibit 24: Gender diversity in BSE 100 companies



For a robust board construction, 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 individuals¹⁸. To comply, several companies have disclosed a laundry-list of skills of each director, extolling their experience. But what boards need to do is have a cohesive plan on where the company is going and what skills the board will need to take it there¹⁹.

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, non-executive promoters bring that competence. It is time that boards now 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.

Exhibit 25: Boards with non-executive directors that have knowledge of the company’s core business domain

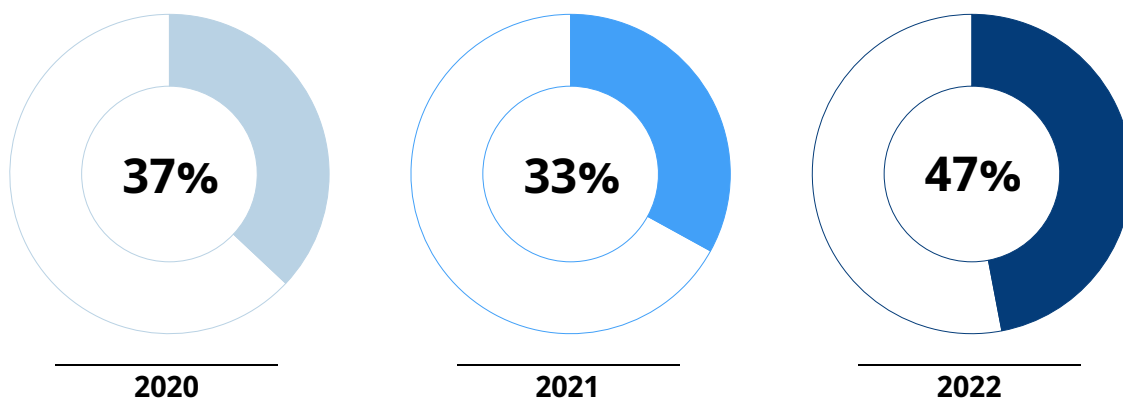


¹⁸ Related research: Board Skills in India; 2020-21 practices - <https://bit.ly/3L9tZ4e>

¹⁹ Related research: Checking the box on skill diversity - <https://bit.ly/3rpKrWc>

One of the important aspects of modern business is the use of technology – which is core to managing and increasing scale. However, boards continue to remain reticent in bringing technology skills to the board²⁰. While this is changing with SEBI mandating cyber security as part of the Risk Management Committee charter, the progress has been slow.

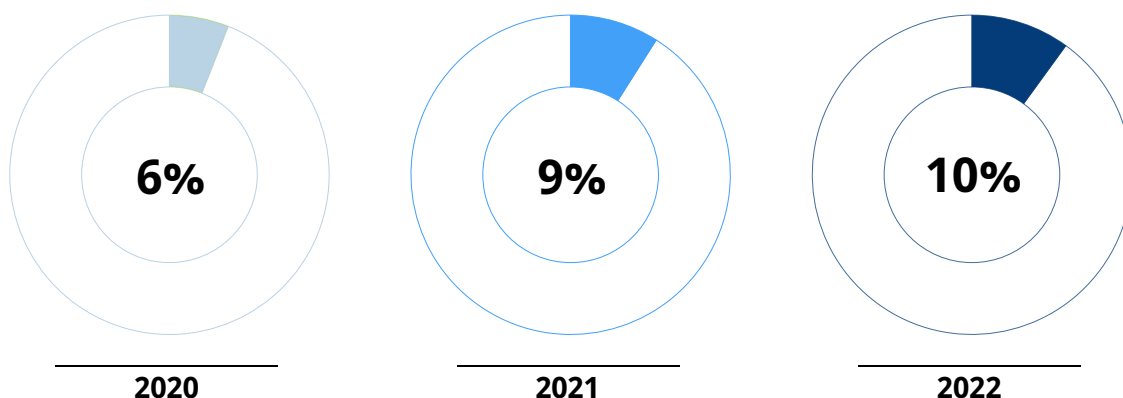
Exhibit 26: Boards with diversified and comprehensive set of skills



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 India²¹. From walking on eggshells to doing a robust assessment, most Indian boards are somewhere in between. Having said so, boards almost unanimously shy away from disclosing the results of the board evaluation exercise.

Exhibit 27: Boards that disclosed the outcome of the board evaluation



²⁰ Related research: Boards' focus on digital governance is long overdue - <https://bit.ly/3GubtzY>

²¹ Related research: Board evaluation in India 2020-21 - <https://bit.ly/3AVooKp>

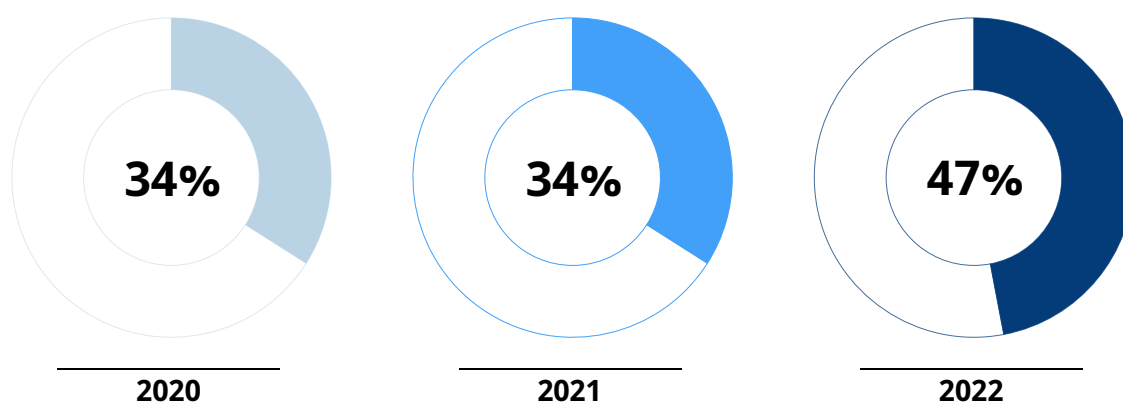
Individual performance appraisals for employees are confidential and directors feel no different about the board evaluation process. But the disclosures that investors want to see are not individual specific. Investors want to understand what is on the board's agenda, and the steps it proposes to take 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.

Exhibit 28: Companies that have a succession plan for the board of directors and the senior leadership



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 weak²². The Nomination and Remuneration Committees, to this extent, need to be involved more centrally in determining the skills that the successor will need and then identifying individuals that may fit the bill. This reluctance to address

²² Related research: Investors must rethink their equation with promoters - <https://bit.ly/3GtpZIZ>

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.

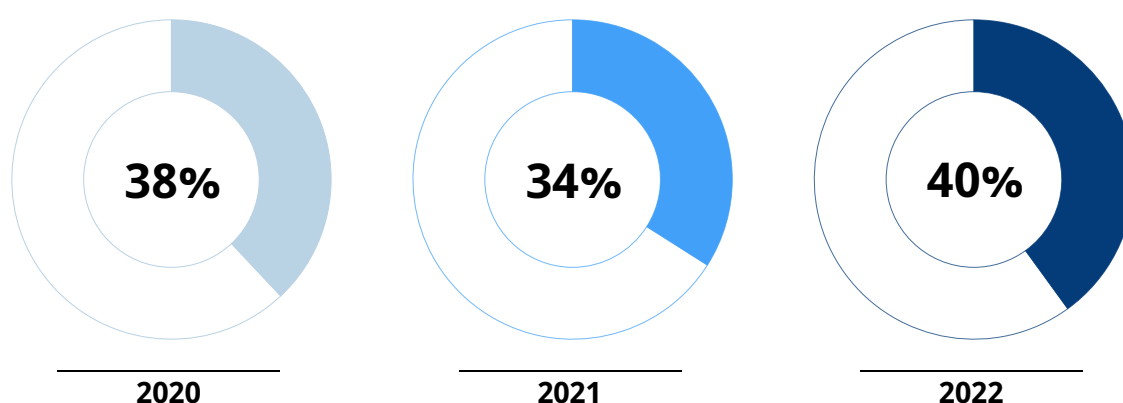
EXECUTIVE REMUNERATION

CEO compensation has outpaced revenue and profit growth for a while now²³. In the past, it was generally accepted that promoters were a cut above and therefore their remuneration was benchmarked differently. But as markets and business get more institutionalized, this is slowly changing.

COVID-19 has accelerated this shift as it tested the character of promoters. Several corporate leaders stood in solidarity, forgoing their remuneration and ensuring that their employees were put ahead of themselves. But corporate India is a contradiction at several levels, as it is here too: several promoters put themselves ahead of their employees and increased their compensation despite the stress faced by their employees, and the business by itself²⁴.

FY22 was the post-COVID year in which both revenues and profits began returning to their pre-COVID levels. As a result, the increase in executive compensation appears to be tempered. However, in absolute terms, the remuneration levels continue to remain high and largely unchecked.

Exhibit 29: Companies where executive pay has been aligned to company performance over the past three years



Promoters' wealth is invested in the company's performance, and therefore, taking 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.

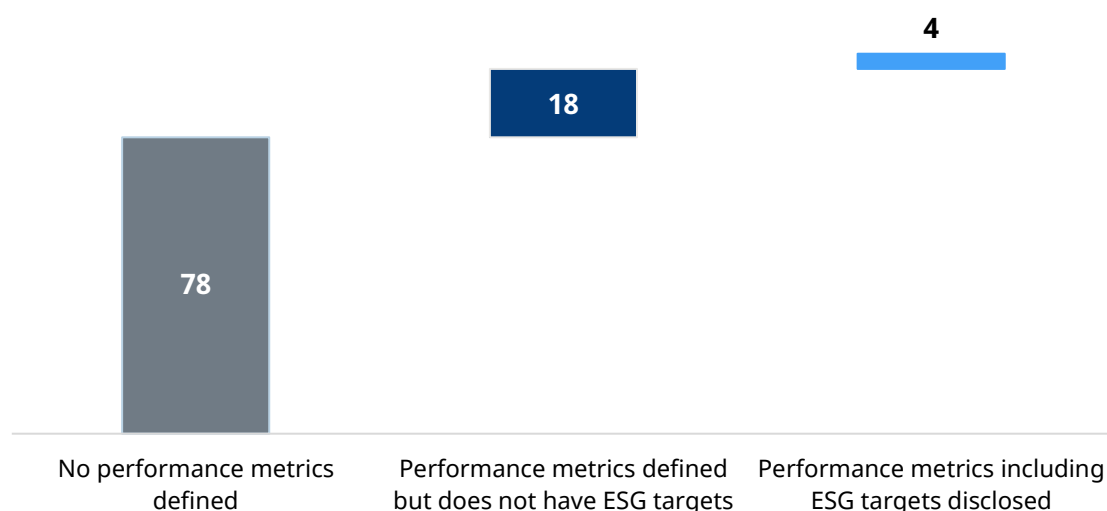
It is in this context that while reviewing the scorecard questions, IiAS decided to add a question relating to the disclosures of performance metrics for executive remuneration. Global disclosure standards are far ahead of what India practices: disclosures of the

²³ Related research: India Inc's remuneration levels need to be reined in - <https://bit.ly/31LjuQM>

²⁴ Related research: Promoter CEO – a company's most important asset - <https://bit.ly/3J243pj>

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.

Exhibit 30: BSE 100 boards disclosing performance metrics for variable pay to executive directors



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.

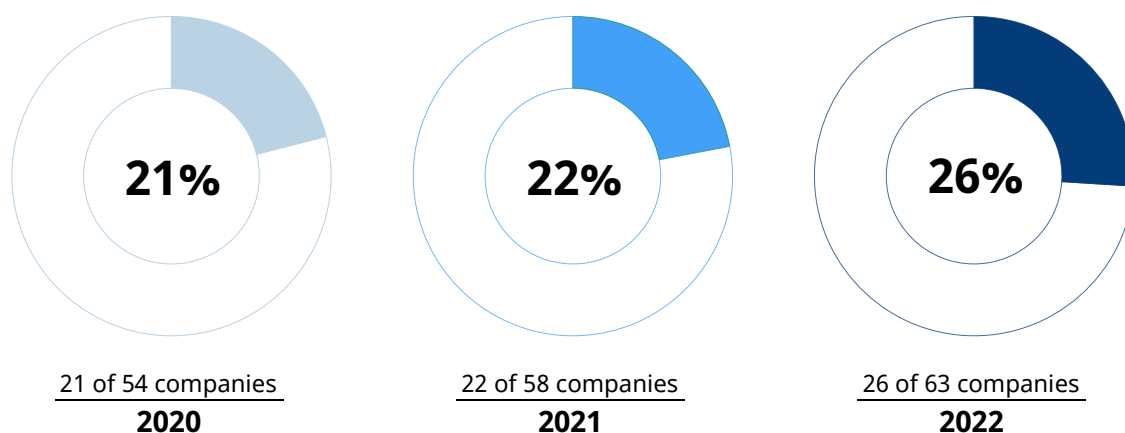
In case of start-ups that have listed, remuneration levels are driven by restricted stock units (stock options exercisable at face value). Several of these start-ups are trading well below the issue price, but with stock options at deep discounts (often at face value), founders (who are not subject to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

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.

Of the BSE 100, 63 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 is 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 63 companies that had stock option schemes, only 26 of these had plans that aligned the interest of employees and shareholders.

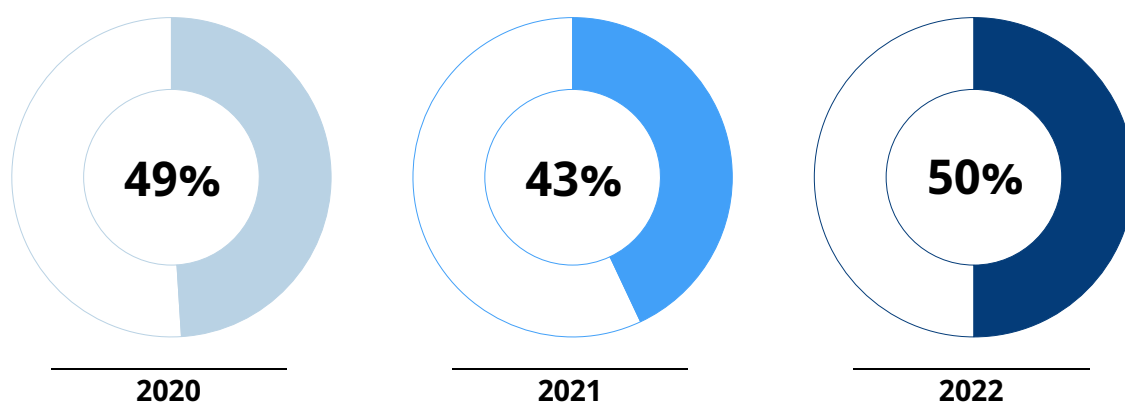
Exhibit 31: Companies with stock options grants aligned with investor interest



Note: The scoring key was changed in 2022. The 26 companies reflects 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.

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%²⁵. Boards need to set measurable long-term and short-term targets to align executive pay with company performance and must disclose these while seeking shareholder approval. This process will push boards to think clearly about the company's priorities and bring clarity to investors as well.

Exhibit 32: Companies where executive pay structures have at least 50% variable pay and aggregate pay is less than 5% of profits



²⁵ Related research: CEO salaries – clarity that investors seek - <https://bit.ly/3J2TFxO>

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. Including stakeholders into the ambit of disclosing and addressing conflicts of interest is critical for a more robust approach.

Exhibit 33: Companies that have a publicly disclosed conflict-of-interest policy

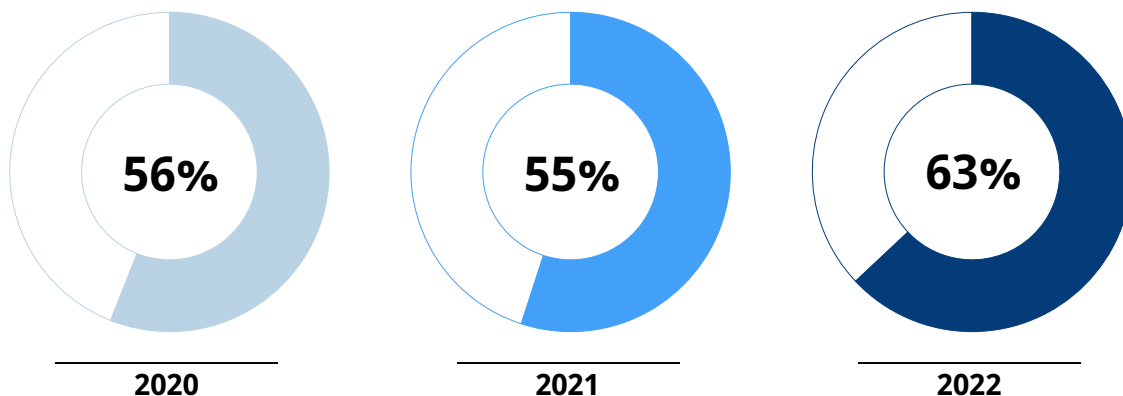
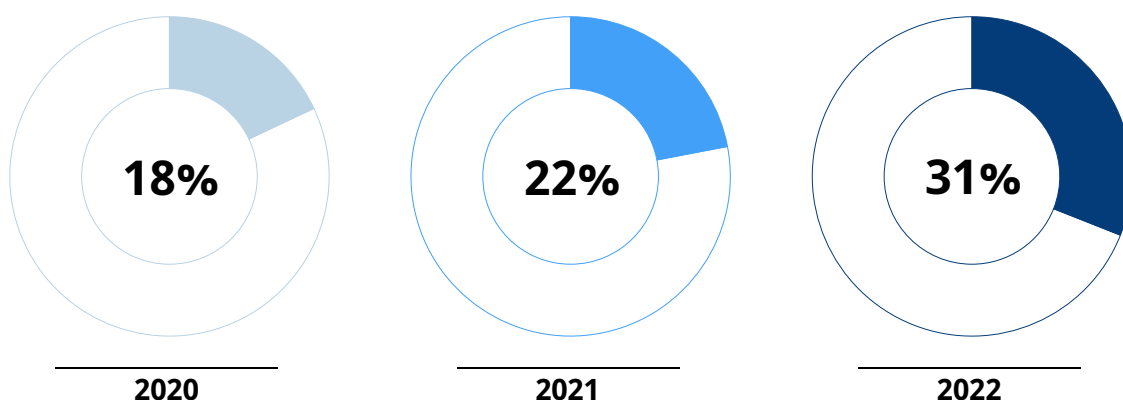
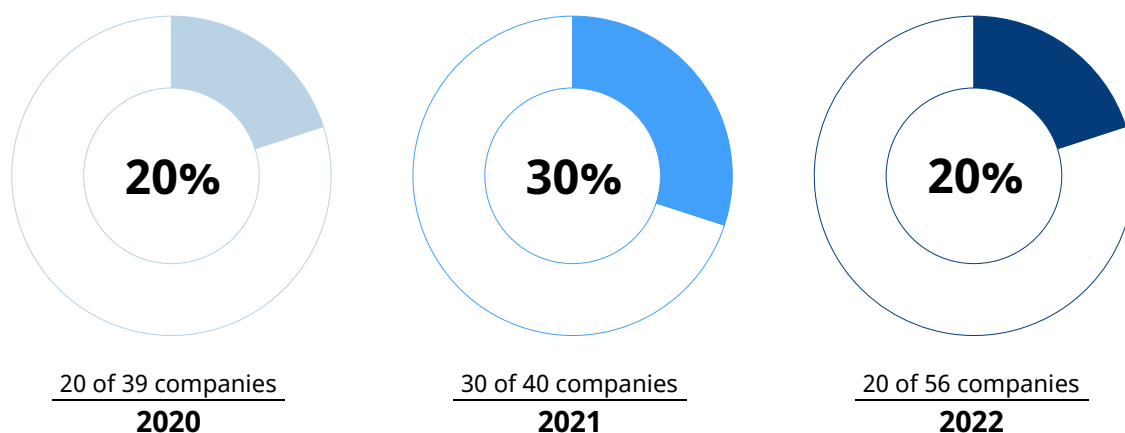


Exhibit 34: Companies with conflict-of-interest policies that encompass all stakeholders (not limited to employees)



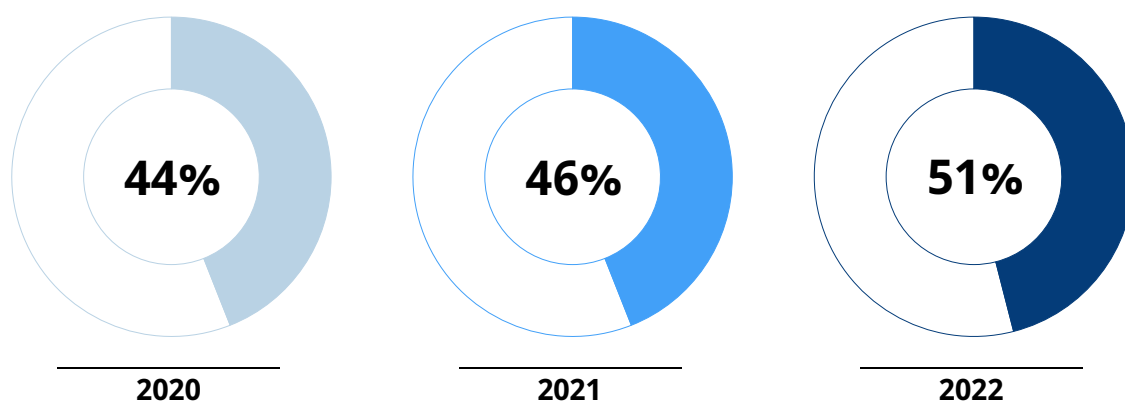
Conflict of interest can take several forms, but the most critical manifestation of this is related party transactions. Most related party transactions in India are operational – for example, Indian subsidiaries of MNCs buying and selling components or products from an entity belonging to the global parent. But in 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 35: Companies that undertook material related party transactions in the past three years that were prejudicial to the interest of minority shareholders



Note: The scoring key has changed in 2022. The question now 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, therefore, is expansive compared to the first model (on which 2020 and 2021 companies have been scored).

Exhibit 36: Companies with policies on related party transactions that prohibit interested directors from participating in discussion and voting on the transaction



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.

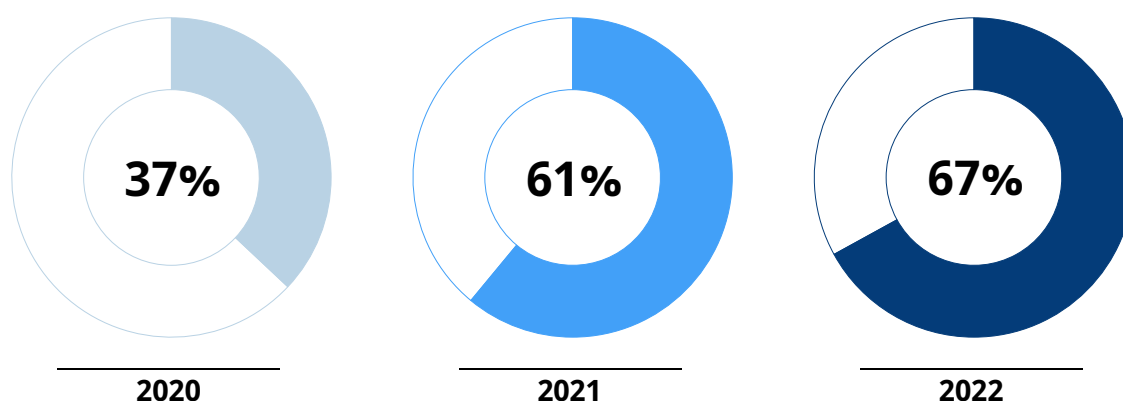
MANAGING SHAREHOLDERS

MANAGING AGMs

India is one of the rare markets to move completely to a virtual AGM format in 2020, which continued through 2021 for almost all listed companies. In 2022, corporate India practiced a hybrid meeting format (physical and virtual), in line with most of the other market in the region. A handful of companies decided to hold only physical AGMs.

Virtual and hybrid AGMs have made it easier for companies to provide shareholders with webcasts and transcripts of AGMs than previously. Out of the BSE 100 companies, the number of companies which 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 increased to 67 in our 2022 study up from 37 in 2020 and 10 in 2019.

Exhibit 37: AGMs minutes or webcast that disclosed the questions asked by investors and the board's response to these



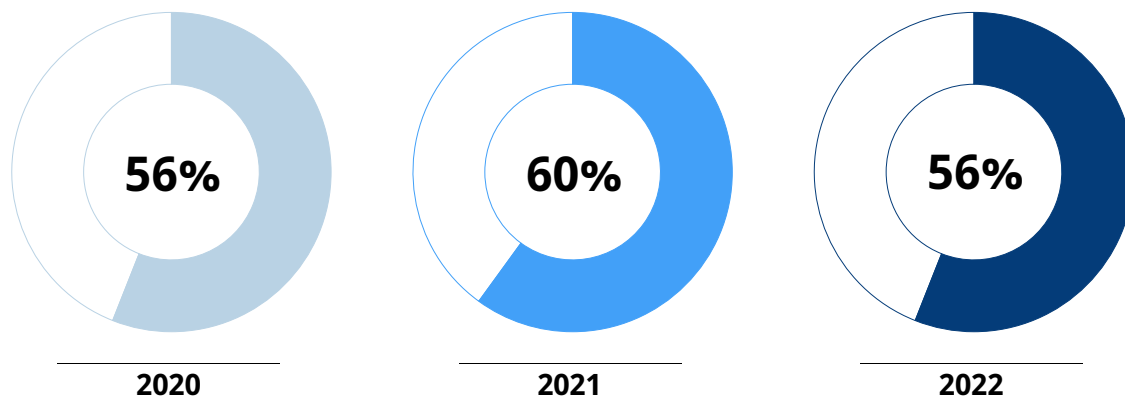
In several companies, shareholder questions were limited to financial statements and the proposed resolutions – a free-flow discussion on the business was not encouraged. Even where there were no restrictions, the virtual format allowed only for a Q&A method, where questions were collated, and responses were given comprehensively towards the close of the AGM²⁶. Following this format favours the board over the shareholders and 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 declined marginally in 2022 to 56 companies in 2022 from 60 in 2021. Even so, the attendance levels have improved significantly over the

²⁶ Related research: *An investor's guide to shareholder meetings in India* - <https://bit.ly/3urgZkO>

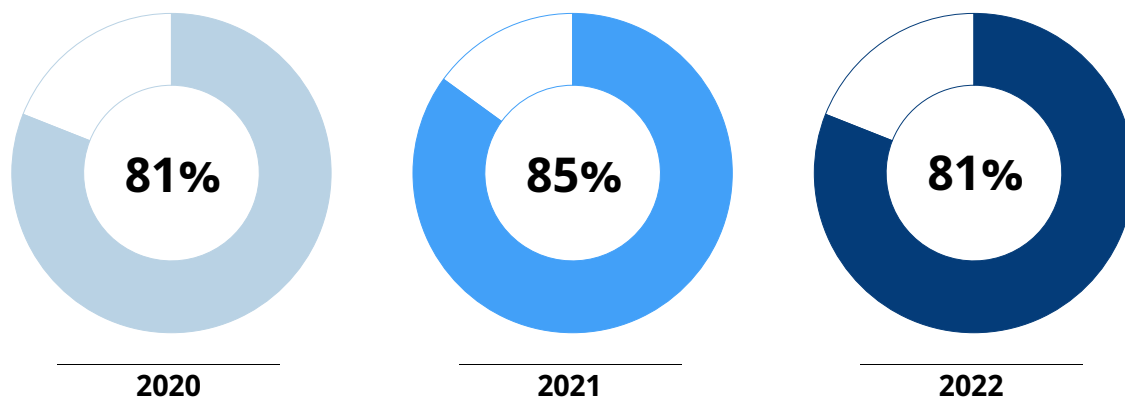
years – in 2019 (pre-COVID with physical AGMs), only 13 companies had all their board members attend the AGM.

Exhibit 38: AGMs that all board members attended



One of the aspects of AGMs is that shareholders are allowed to ask questions to the auditor on the company's financial statements. Regulations mandate that auditors attend the AGM, and 81 of the BSE 100 companies made disclosures to that effect. But AGMs in India are managed by the Chairperson and allowing auditors to directly answer shareholder questions is a rarity.

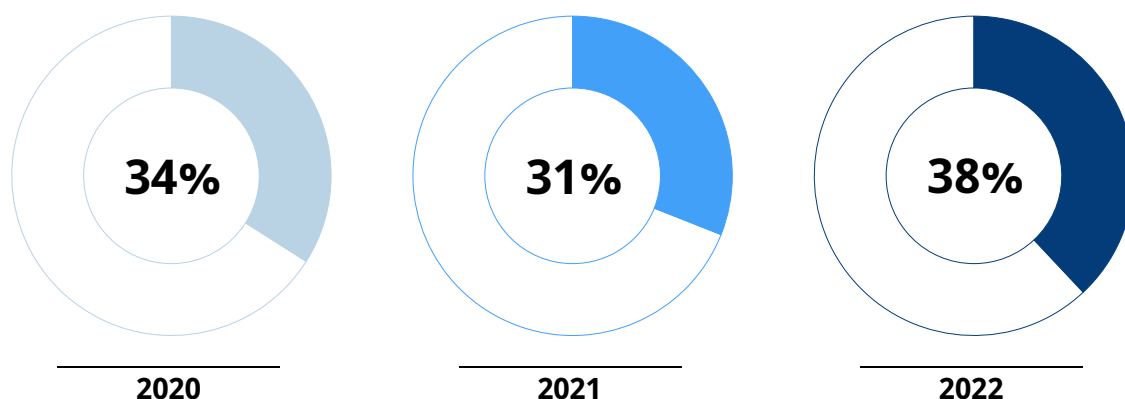
Exhibit 39: Companies that disclosed that statutory auditors attended the AGM



ENGAGING WITH INVESTORS

Despite being part of a major index, BSE 100 companies continue to remain reticent in engaging with investors. Only 38 of the 100 companies had details of the investor relations team and contact details available. 16 companies had no disclosures of a nominated person and 46 companies, while naming an individual, did not have specific contact details – in some instances, board line numbers and a generic email address.

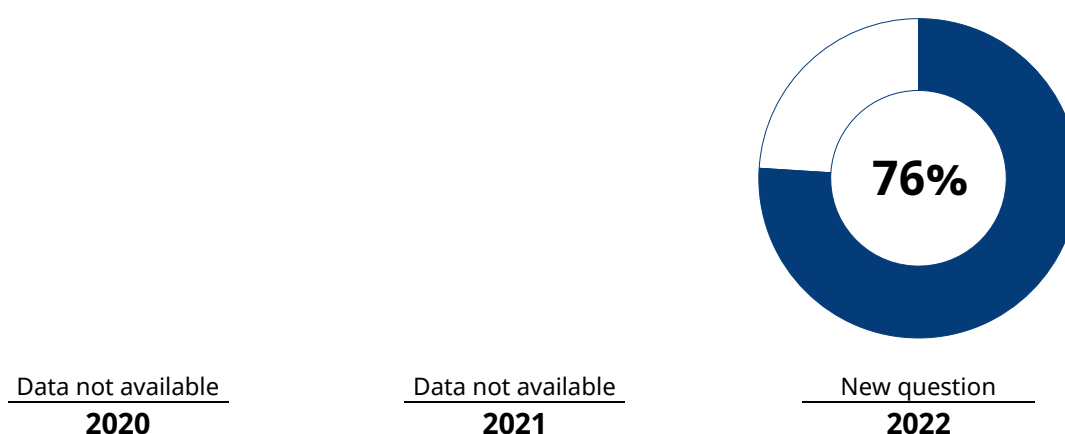
Exhibit 40: Companies that disclosed the names and contact details of investor relations person /team on their website



With the start-ups getting listed, investors woke up to a new reality – periodic investor calls are not an expectation, independent of the size of the IPO. Of the BSE 100, only 76 companies were transparent in their performance – they have regular investor calls discussing company performance, and the transcripts of these calls is available for all shareholders. The remaining 24 companies either do not hold investors calls regularly, or do not have their transcripts or recordings publicly available.

We test for whether the transcripts or recordings of investors calls is publicly available to assess whether all shareholders have access to the same information. In India, it is usually equity analysts and institutional investors that attend these investor calls – by putting up transcripts or recordings, the company provides the same information to retail investors.

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



This is a new question and therefore data for 2021 and 2020 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 of the BSE 100 companies as well. This needs to change – independent directors, especially those on the Audit Committee

– must begin interacting with investors and address some of their performance concerns.

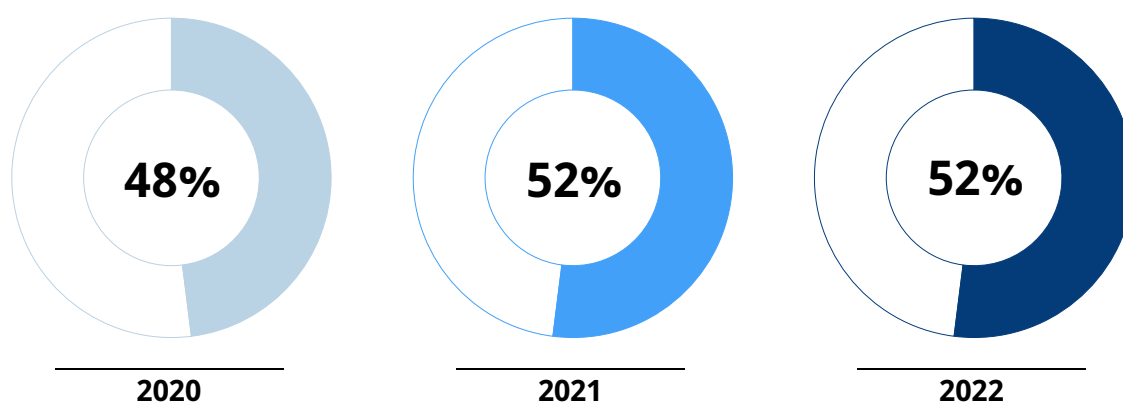
DIVIDENDS

One strategy of keeping shareholders happy is to increase dividend. While COVID-19 was at its peak, most companies wisely chose cash conservation instead of payout dividends – keeping money aside for unforeseen shocks. This, however, was not true for MNCs. Several MNCs paid out higher dividends, and while this benefited all shareholders, it was the controlling global parent that benefited the most from such largess²⁷.

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.

Having a thoughtful capital allocation policy provides clear guidance to shareholders: in 2022, 52 of the BSE 100 companies published a dividend policy that articulated a target payout ratio. Of these 52 companies, in 2022, there were 26 companies that deviated from their stated target dividend payout ratio without any explanation or further guidance provided to investors.

Exhibit 42: 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 behaviour²⁸. The push back on shareholder resolutions has increased, especially in areas of executive remuneration, related party transactions, and board appointments. We have already discussed the issues on executive remuneration earlier. Although most related party transactions tend to be operational in nature, this year saw a spate of transactions with promoter-owned companies that investors did not support.

²⁷ Related research: MNCs and royalty – me before you? - <https://bit.ly/34AMH3T>

²⁸ Related research: How shareholders voted in NIFTY 500 companies in 2020-21 - <https://bit.ly/3sbu0fs>

The push-back on board appointments too has been higher, reflecting that investors are now holding the board accountable.

Exhibit 43: Companies that had their shareholder proposals rejected by investors

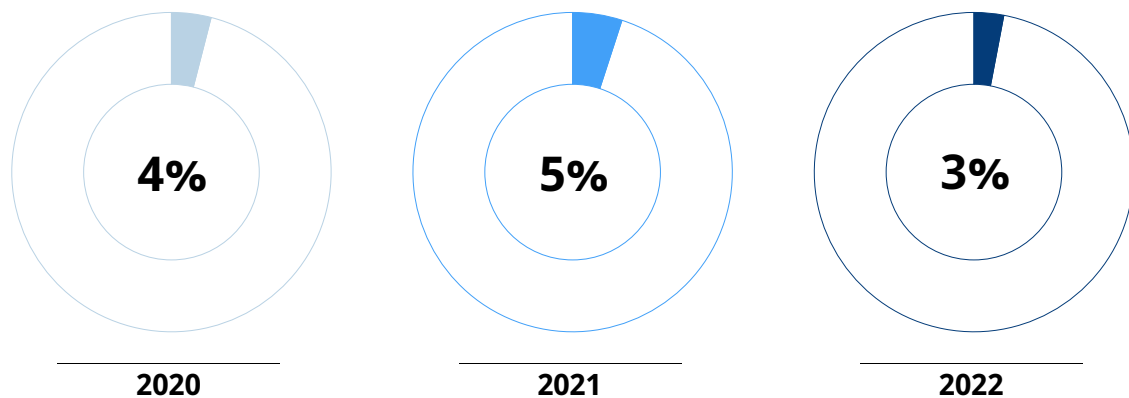
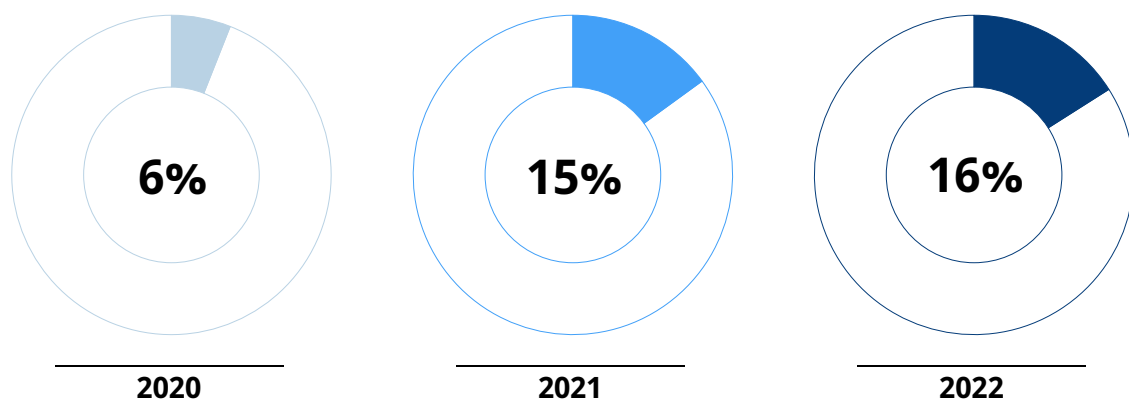


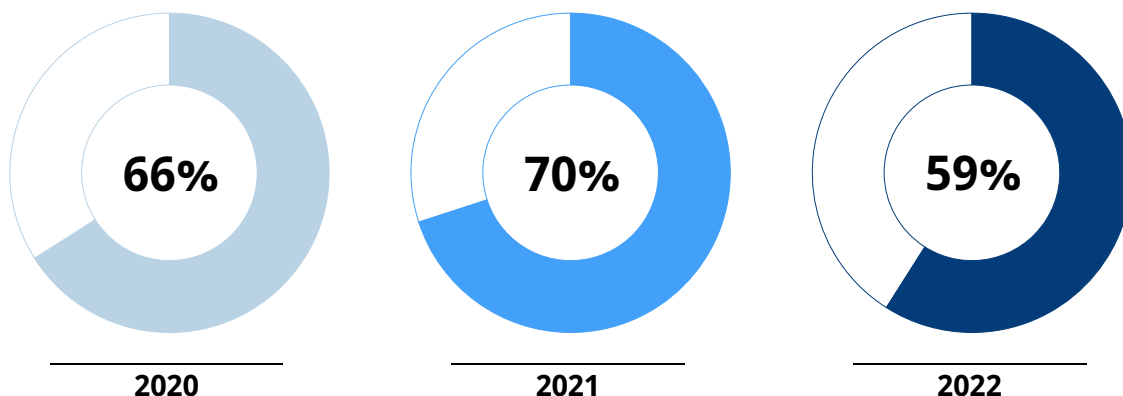
Exhibit 44: Companies that had their shareholder proposals carried by the promoter vote - majority of minority votes did not support the resolution



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



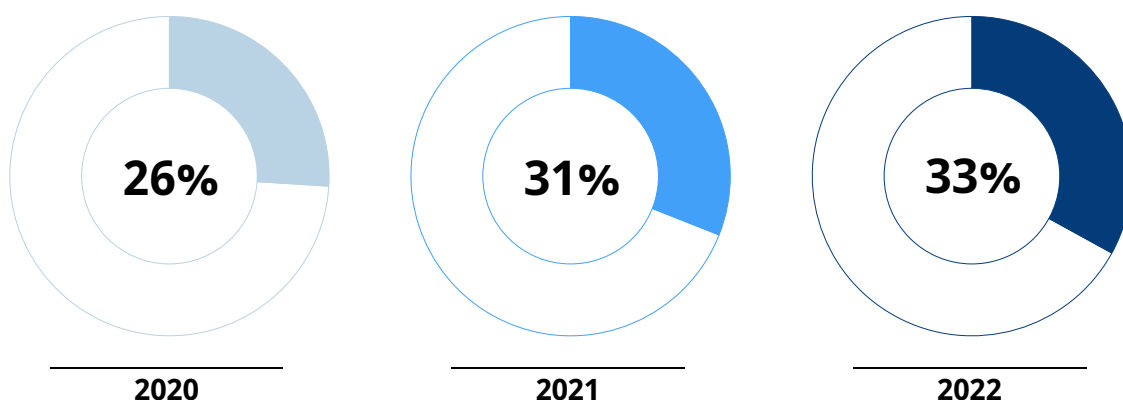
CREATING HOLDING STRUCTURES OR MECHANISMS FOR BETTER CONTROL

One of the ways in which promoter group's 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 in excess of 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.

Of the BSE 100 index constituents, in 2022, there was 33 such companies where there were structures or mechanisms that had the potential to violate minority shareholders' rights.

Exhibit 46: Companies where there are structures and mechanisms that could violate minority shareholders' rights

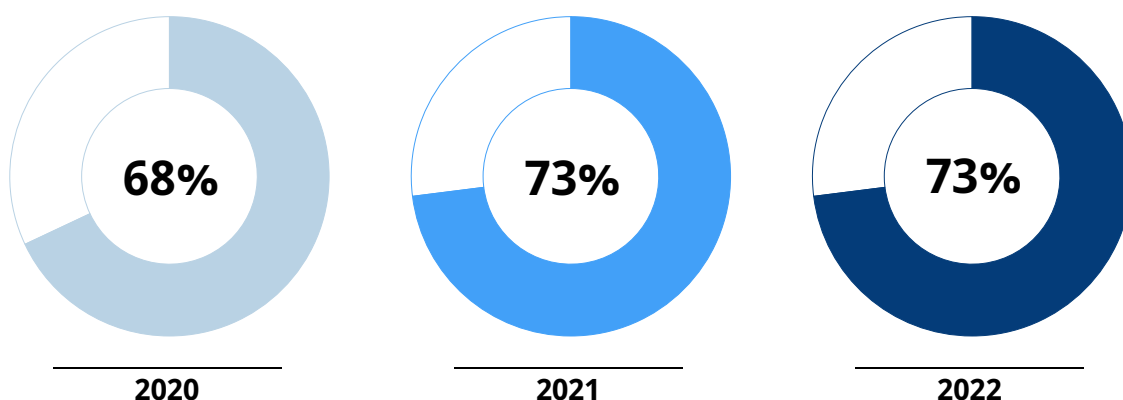


FINANCIAL STATEMENTS AND AUDITORS

FINANCIAL STATEMENT REPORTING

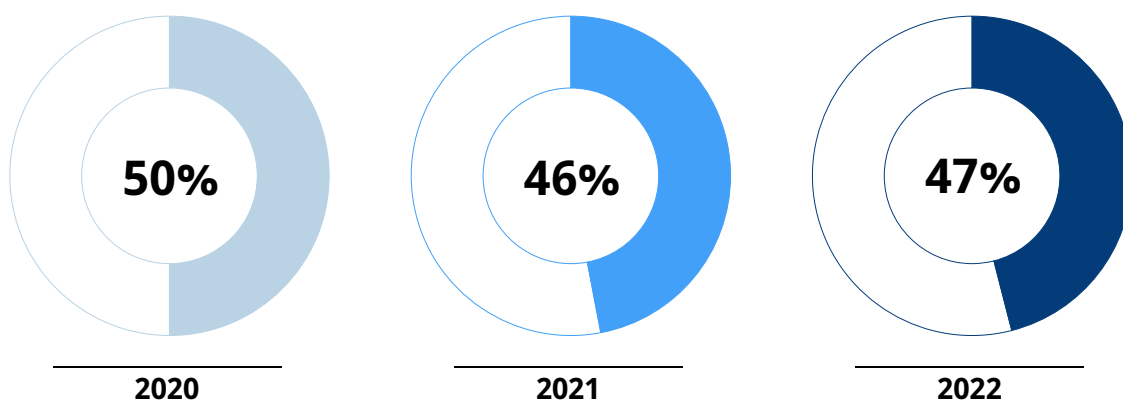
With some of the large corporate failures, the role of auditors has become a central question. With increased scrutiny over audit quality, auditors are becoming more vocal in their audit reports. Given the size and scale of the BSE 100 companies, just 73% of companies having clean audit reports is relatively low. In 2022, there were 3 companies whose audit reports were qualified and 24 companies where audit reports carried matter of emphasis comments (which were not limited to the impact of COVID19).

Exhibit 47: 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 managements 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.

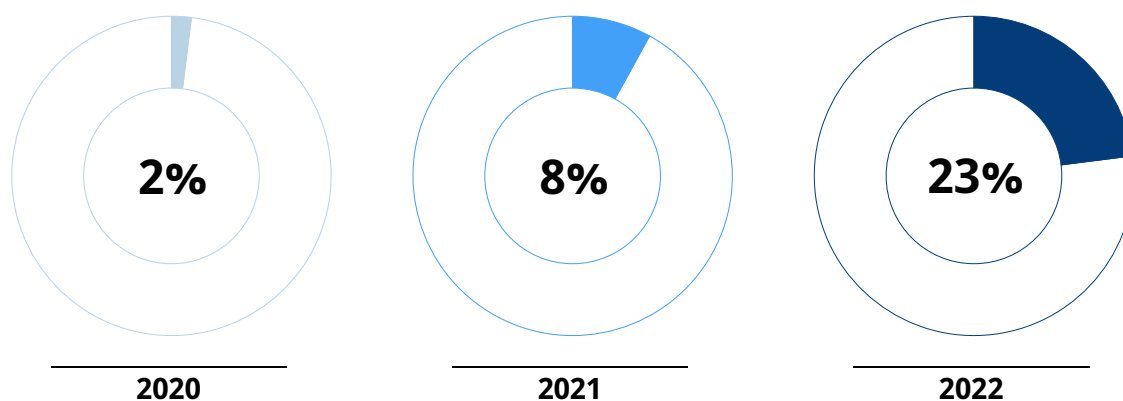
Exhibit 48: Annual reports where segment information is comprehensively disclosed



AUDIT QUALITY

The recent battle between a short-seller and one of India's largest business groups has once again brought the debate over audit quality to light. The contention made by the short seller was the some of the listed companies of the group had a signing partner with no significant experience (he was less than 25 years old), and the firm itself was relatively new. Therefore, it raised pertinent questions regarding the audit quality.

Exhibit 49: Boards that provided information about the independence, competence and experience of the statutory auditors



Considered a best practice, audit committees must periodically test for auditor 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, 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.

The NFRA is mired in controversy and has become a political hot-button. Notwithstanding, some of its 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.

STAKEHOLDER MANAGEMENT

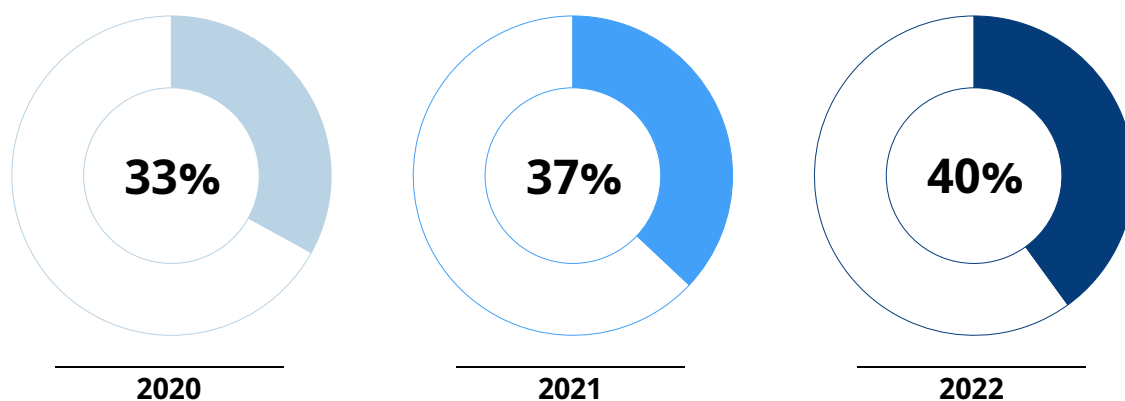
The pandemic questioned whether shareholder primacy trumps corporate citizenship. It is now indisputable that corporations have a larger responsibility towards society, which they cannot dismiss by citing their 2% CSR spend. ESG²⁹ considerations are now board level issues.

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, corporate India is yet to focus on paying suppliers in time. During the pandemic, some of the larger companies, in an effort to manage working capital, squeezed their suppliers. In a post-COVID world, not much has changed. 40 of the BSE 100 companies have delayed payments to suppliers and / or lenders – 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 be sub-optimal for large corporates eventually.

Exhibit 50: Companies that delayed payments to suppliers and / or lenders



²⁹ Related research: An everyday guide to ESG - <https://www.iiasadvisory.com/download-file>

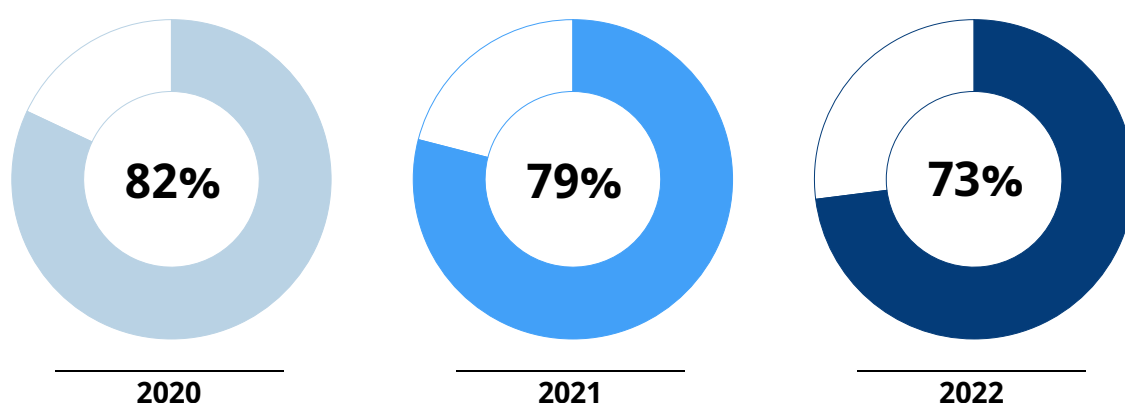
CSR SPENDS

Corporate Social Responsibility is embedded in corporate culture to a large extent. But having it imposed through regulations caused backlash in the early years. 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.

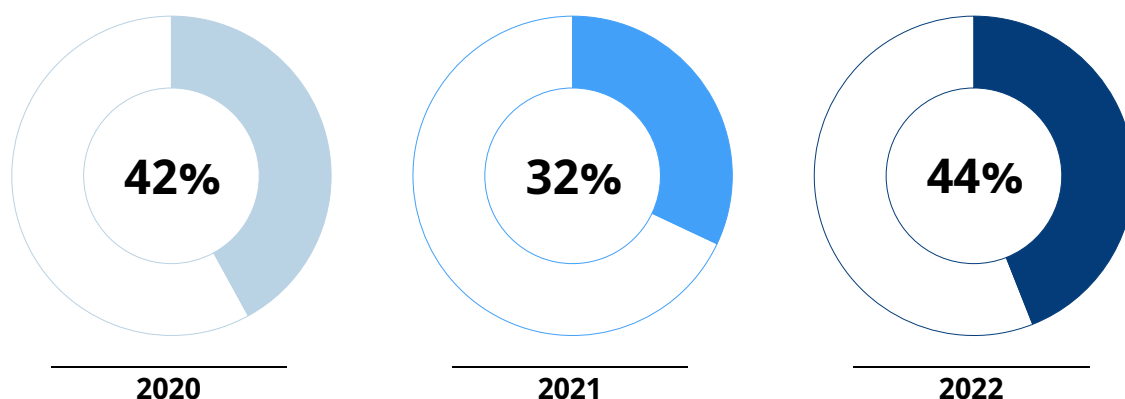
New regulations now allow companies to park the unspent amounts separately. This has removed the pressure from corporate India to annually meet the 2% target. As a result, the number of companies that have spent 2% of past three-years average profits on CSR has reduced marginally to 73 in 2022 from 79 in 2021.

Exhibit 51: Companies spent at least 2% of their past three-year average profits on CSR



Despite the lower CSR spends, impact assessments have increased. 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 – the other reason there continues to be focus on how the money is being spent.

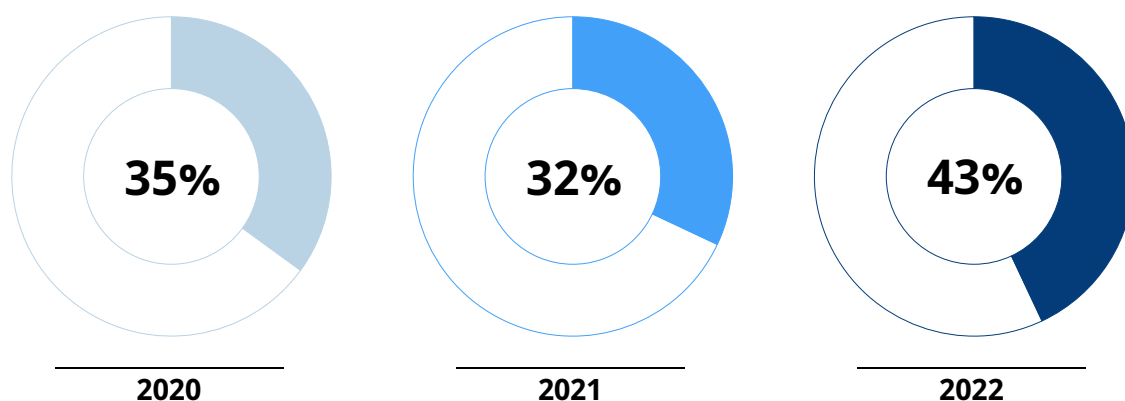
Exhibit 52: Companies that have undertaken an impact assessment of their CSR spends and disclosed the results



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 from reporting 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 53: 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 group often comment on how board meetings begin with a discussion over 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. Further, many do have and practice health and safety policies for employees: however, of the BSE 100 companies, half do not publicly disclose these policies in 2021. 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 54: Companies with publicly disclosed health and safety, and POSH policies

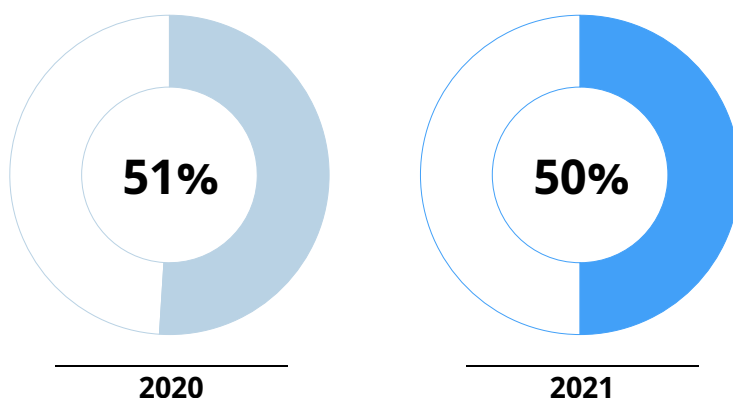
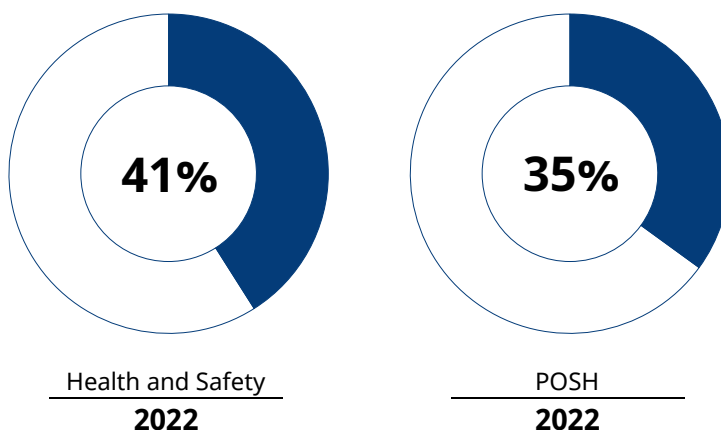


Exhibit 55: Companies with publicly disclosed health and safety, and POSH policies and reported the incidents under both policies separately in 2022



In 2022, this question was modified to separate into two specific questions with respect to health and safety policies, and POSH policies. The scoring now tests for disclosures of these policies and disclosure of statistics of complaints and redressals under these policies separately. In 2022, 35 companies publicly disclosed their POSH policy as well as the number of incidents reported under POSH. For health and safety, 35 companies did not have a publicly disclosed health and safety policy or the number of accidents. Of the remaining 65 companies, only 41 companies had disclosed both the number of accidents and the health and safety policy.

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.

08. CONCLUSION

COVID-19 seems a distant memory as India, and corporate India, fought itself back into normalcy. As workers came back to work physically, boards came back to business-as-usual practices. Governance practices, however, continued to remain in focus – investors, lenders, and regulators driving a large part of this agenda.

Companies in 2022 struggled with getting their ESG disclosures together. BRSR reporting was voluntary in 2022 – yet several companies began reporting their performance, however incomplete that reporting may have been. Companies wanted to make a start and prepare themselves for the mandatory reporting in FY23. This is testimony to the seriousness of corporate India towards sustainability.

Corporate India's seriousness in 2022 can be attributed to the increased expectations of three stakeholders – lenders, investors and regulators.

Investors have become more vocal and push back on shareholder resolutions increased. With different regulators mandating stewardship responsibilities for asset managers, domestic institutional investors increased their engagement with companies. Post-COVID discussions focused on business, governance, extending to ESG.

Investor no longer shy away from bold moves. 2022 saw two large battles for change in board – both brought on by investors. One of the investors got control of shares as a result of calling in the collateral of a loan given to the promoter group. Of late, a group of lenders has effectively stalled a large merger by taking the company to the insolvency courts.

Regulators have played an important role in strengthening governance practices in India. In a February 2023 paper³⁰, we argue that governance standards in India have improved steadfastly over the past five years, a large part of this being attributed to regulations that protect minority interests. Regulations in India, in some parts, are far ahead of several developed markets: mandatory auditor rotation, CSR spends, reverse book building process for delisting are just some of regulations that are unique to India.

SEBI's February 2023 Consultation Paper on Strengthening Corporate Governance at Listed Entities by Empowering Shareholders attempts yet again to fix some of corporate India's practices that could impact minority shareholders.

2024 will be the year of '*The Great Refresh*'. Independent directors tenure will no longer be grandfathered. As a result, all listed companies will have independent directors with a board tenure of less than 10 years – possibly resulting in fresh thinking and better objectivity in board deliberations. Corporate India has already begin working towards steadily refreshing the board to ensure stability. This is the chance for corporate India to truly think about board diversity – not in its narrow construct of gender diversity, but a broader construct of skills, experience and background. As our assessment shows, better governed companies have more diverse board. Making boards more diverse, we expect, will strengthen governance standards of corporate India.

³⁰ Related reading: What Hindenburg has got wrong: <https://bit.ly/3IuKY0n>

09. SCORING MODEL CHANGES

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 56: Changes to the framework and revised score categories

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

As a result of a higher threshold, in 2022, there are 6 companies in the LEADERSHIP category. If the cut off had remained at 70, this year there would have been 16 companies in the LEADERSHIP category against 20 last year.

Exhibit 57: Impact of a higher scoring threshold for LEADERSHIP category for BSE 100 index constituents

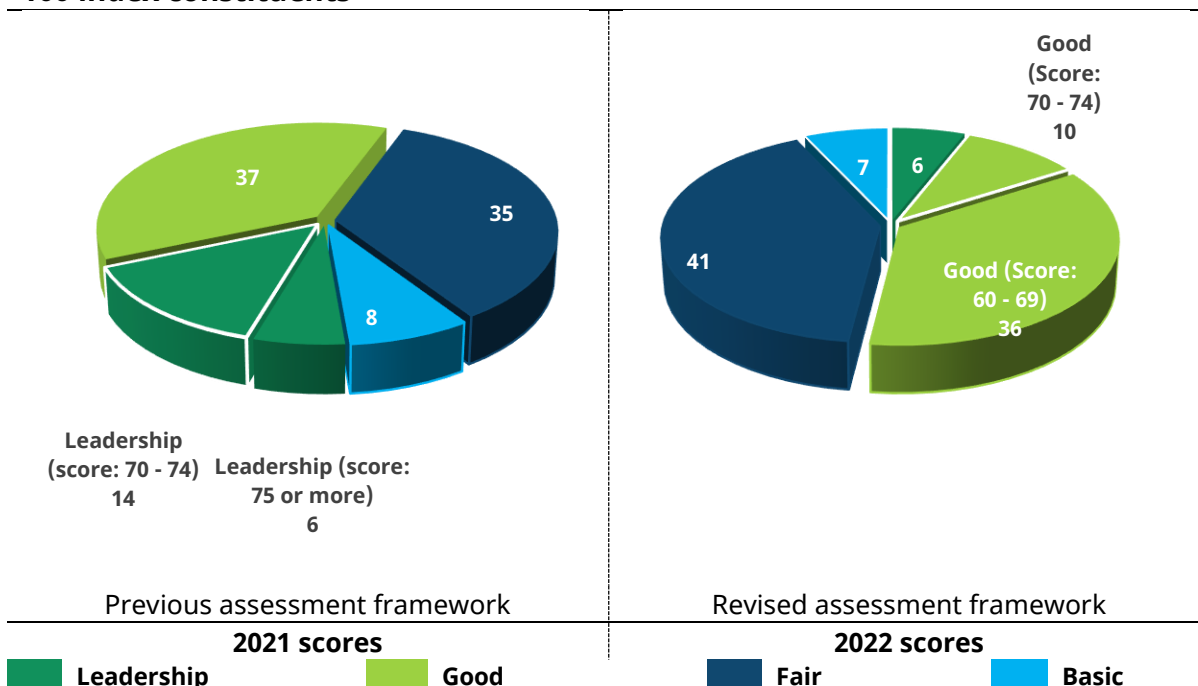


Exhibit 58: Changes to the list of questions**Additions**

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%
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

Question	Score: 0	Score: 1	Score: 2
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

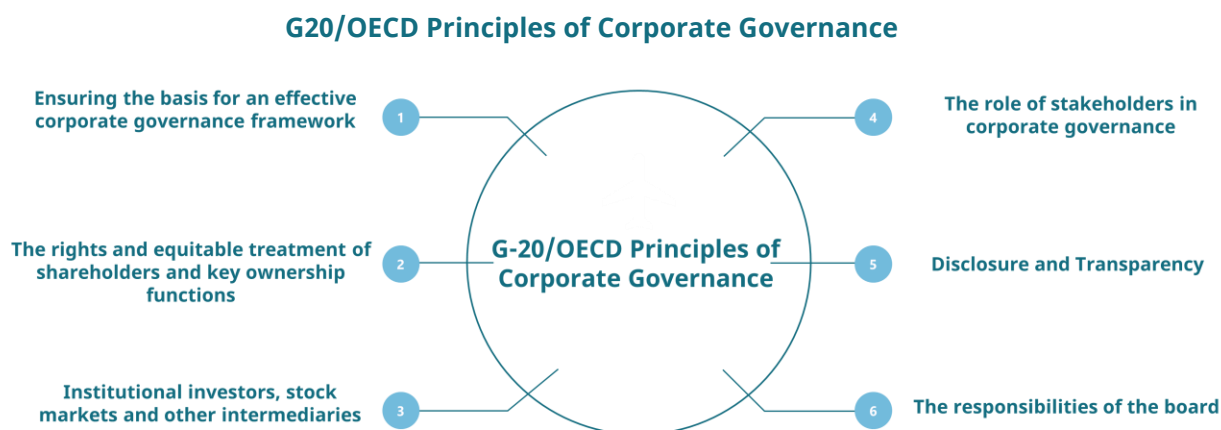
Question	Score: 0	Score: 1	Score: 2
Does the company have publicly disclosed policies and/or mechanisms to address the health, safety, and welfare of employees?	The policies are not publicly disclosed, and the company has not provided information on the number of employee accidents or there have been 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
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

Question	Score: 0	Score: 1	Score: 2
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)³¹, 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.



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

³¹ <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	Role of stakeholders in corporate governance	Disclosures and transparency	Responsibilities of the board
<ul style="list-style-type: none"> Quality of shareholder meetings Related party transactions Investor grievance policies Conflicts of interest 	<ul style="list-style-type: none"> Business responsibility initiatives Supplier management Employee welfare Investor engagement Whistle-blower policy 	<ul style="list-style-type: none"> Ownership structure Financials Company filings Risk Management Audit integrity Dividend payouts and policies 	<ul style="list-style-type: none"> 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.

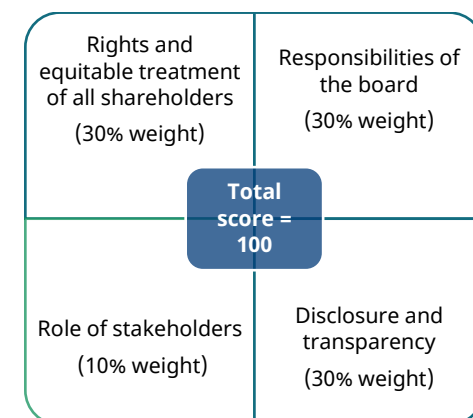
It was determined that the quality of corporate governance practices referred to in each question should be recognised on three levels:

- **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.



SCORECARD MATRIX

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:

- 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.
- Multiply the ratio so obtained by the total category weight to give a weighted score for that category.
- Sum all weighted scores across all four categories. The final score will be rounded off to the nearest integer.

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

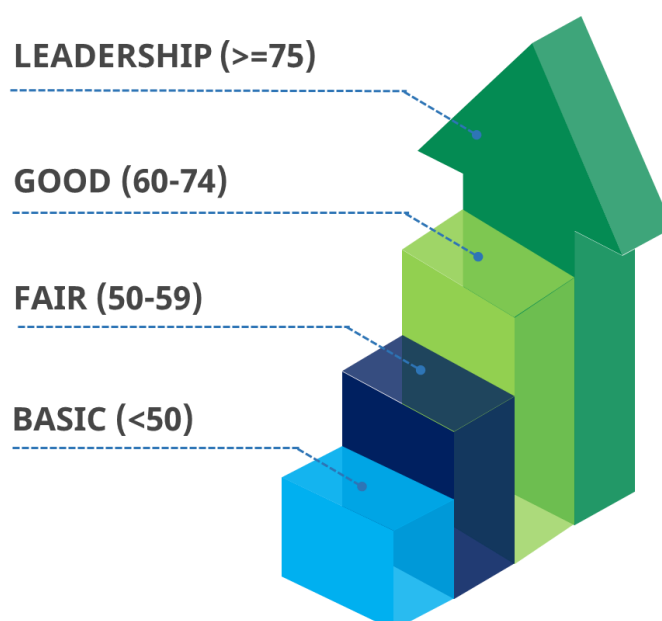
$$\text{Total Score} = \text{Category Score}_1 + \text{Category Score}_2 + \text{Category Score}_3 + \text{Category Score}_4$$

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 BSE 100 (on 27 October 2022) companies covered under the study is given below:

S. No	BSE Code	Company
1	500410	ACC Ltd
2	512599	Adani Enterprises Ltd
3	532921	Adani Ports and Special Economic Zone
4	542066	Adani Total Gas Limited
5	500425	Ambuja Cements Ltd
6	508869	Apollo Hospitals Enterprise Ltd
7	500477	Ashok Leyland Ltd
8	500820	Asian Paints Ltd
9	540611	AU Small Finance Bank Ltd
10	524804	Aurobindo Pharma Ltd
11	540376	Avenue Supermarts Ltd
12	532215	Axis Bank Ltd ³²
13	532977	Bajaj Auto Ltd
14	500034	Bajaj Finance Ltd
15	532978	Bajaj Finserv Ltd
16	500490	Bajaj Holdings and Investment Ltd
17	541153	Bandhan Bank Ltd
18	532134	Bank of Baroda
19	500049	Bharat Electronics Ltd
20	500493	Bharat Forge Ltd
21	500547	Bharat Petroleum Corp Ltd
22	532454	Bharti Airtel Ltd
23	500825	Britannia Industries Ltd.
24	511243	Cholamandalam Investment & Finance Co. Ltd.
25	500087	Cipla Ltd
26	533278	Coal India Ltd
27	500830	Colgate-Palmolive India Ltd
28	539876	Crompton Greaves Consumer Electricals Ltd
29	500096	Dabur India Ltd
30	532488	Divi's Laboratories Ltd
31	532868	DLF Ltd
32	500124	Dr Reddy's Laboratories Ltd
33	505200	Eicher Motors Ltd
34	500469	Federal Bank Ltd
35	532155	Gail India Ltd
36	532424	Godrej Consumer Products Ltd
37	533150	Godrej Properties Ltd
38	500300	Grasim Industries Ltd
39	517354	Havells India Ltd
40	532281	HCL Technologies Ltd
41	500180	HDFC Bank Ltd ³³
42	540777	HDFC Life Insurance Company Ltd ³⁴

³² Axis Bank is one of IiAS' several shareholders

³³ HDFC Investments Limited, part of HDFC Bank Limited's promoter group, is one of IiAS' several shareholders.

³⁴ HDFC Investments Limited and HDFC Life Insurance Company Limited are part of the HDFC Group. HDFC Investments Limited is one of IiAS' several shareholders.

S. No	BSE Code	Company
43	532540	Hero MotoCorp Ltd
44	500440	Hindalco Industries Ltd
45	500104	Hindustan Petroleum Corp Ltd
46	500696	Hindustan Unilever Ltd
47	500010	Housing Development Finance Corp ³⁵
48	532174	ICICI Bank Ltd ³⁶
49	540716	ICICI Lombard General Insurance Company Ltd ³⁷
50	540133	ICICI Prudential Life Insurance Company Ltd ³⁸
51	530965	Indian Oil Corp Ltd
52	542830	Indian Railway Catering and Tourism Corporation Ltd
53	534816	Indus Towers Ltd
54	532187	IndusInd Bank Ltd
55	532777	Info Edge (India) Ltd.
56	500209	Infosys Ltd
57	539448	InterGlobe Aviation Ltd
58	500875	ITC Ltd
59	500228	JSW Steel Ltd
60	533155	Jubilant FoodWorks Ltd
61	500247	Kotak Mahindra Bank Ltd ³⁹
62	500510	Larsen & Toubro Ltd
63	540005	LTIMindtree Ltd ⁴⁰
64	500257	Lupin Ltd
65	500520	Mahindra & Mahindra Ltd
66	531642	Marico Ltd
67	532500	Maruti Suzuki India Ltd
68	500271	Max Financial Services Ltd
69	526299	Mphasis Ltd
70	500790	Nestle India Ltd
71	532555	NTPC Ltd
72	500312	Oil & Natural Gas Corp Ltd
73	532827	Page Industries Ltd
74	523642	PI Industries Ltd
75	500331	Pidilite Industries Ltd
76	532898	Power Grid Corp of India Ltd
77	500325	Reliance Industries Ltd
78	543066	SBI Cards and Payment Services Limited
79	540719	SBI Life Insurance Company Ltd
80	500387	Shree Cement Ltd
81	511218	Shriram Finance Ltd ⁴⁰
82	500550	Siemens India Ltd

³⁵ HDFC Investments Limited, a subsidiary of HDFC, is one of the shareholders of Institutional Investors Advisory Services India Limited (IiAS).

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 Kotak Mahindra Bank Limited in one of IiAS' several shareholders.

⁴⁰ On 27 October 2022, Mindtree Ltd (Mindtree) and Shriram Transport Finance Co Ltd. (STFC) were part of BSE 100 Index. Pursuant to scheme of amalgamation of Mindtree with Larsen & Toubro Infotech Limited (LTI), the shares of LTIMindtree Ltd. were listed in December 2022. Further, pursuant to scheme of arrangement and amalgamation among various Shriram group companies, the resultant listed entity is now Shriram Finance Ltd. Therefore, the above analysis covers LTIMindtree Limited and Shriram Finance Limited, instead of Mindtree Limited and STFC, which no longer exist in their original form.

S. No	BSE Code	Company
83	503806	SRF Ltd
84	500112	State Bank of India
85	524715	Sun Pharmaceutical Industries Ltd
86	500182	Tata Consultancy Services ⁴¹
87	500800	Tata Consumer Products Ltd ⁴¹
88	500408	Tata Elxsi Ltd ⁴¹
89	500570	Tata Motors Ltd ⁴¹
90	500400	Tata Power Co Ltd ⁴¹
91	500470	Tata Steel Ltd ⁴¹
92	532755	Tech Mahindra Ltd
93	500114	Titan Co Ltd
94	500251	Trent Ltd. ⁴¹
95	532538	UltraTech Cement Ltd
96	512070	UPL Ltd
97	500295	Vedanta Ltd
98	500575	Voltas Ltd ⁴¹
99	507685	Wipro Ltd
100	505537	Zee Entertainment Enterprises Ltd

Changes in the BSE 100 composition in 2022 over 2021 study

Year	BSE Code	Company Name
Entry	542066	Adani Total Gas Limited
	532134	Bank of Baroda
	500049	Bharat Electronics Ltd
	533150	Godrej Properties Ltd
	542830	Indian Railway Catering and Tourism Corporation Ltd
	540005	LTIMindtree Ltd ⁴⁰
	500271	Max Financial Services Ltd
	526299	Mphasis Ltd
	543066	SBI Cards and Payment Services Limited
	503806	SRF Ltd
	500408	Tata Elxsi Ltd
	500251	Trent Ltd.
	Exit	541450
509480		Berger Paints India Ltd.
532523		Biocon Ltd.
531344		Container Corporation of India Ltd.
532514		Indraprastha Gas Ltd.
517334		Motherson Sumi Systems Ltd.
500290		MRF Ltd.
532522		Petronet LNG Ltd.
500302		Piramal Enterprises Ltd.
532810		Power Finance Corporation Ltd.
532955		REC Ltd.
500420		Torrent Pharmaceuticals Ltd.

⁴¹ Tata Consultancy Services Tata Consumer Products Ltd, Tata Elxsi Ltd, Tata Motors Ltd, Tata Power Co Ltd, Tata Steel Ltd, 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.

ANNEXURE D

CG SCORECARD QUESTIONNAIRE

The questions and response keys are numbered. The 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
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	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?	<p>Assessors need to check for additional steps taken by the company to help shareholders exercise their franchise.</p> <p>Possible steps that may be taken by companies to go beyond the regulatory directives include:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>	
	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?	<p>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.</p> <p>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.</p> <p>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.</p>	
	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?	<p>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:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>A look back period of one year will be considered for this question.</p>	
	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?	<p>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.</p> <p>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.</p> <p>A look back period of one year will be considered for this question.</p>	
	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?	<p>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.</p>	

	Parameters	Response key	
		<p>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.</p> <p>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.</p>	
	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?	<p>The timeline for the AGM may be computed as:</p> $T = \text{Date of AGM} - \text{FYE}$ <p>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</p> <p>IF, $T < 4$ months, score 2 IF, $4 \text{ months} < T < 6$ months, score 1 IF, $T > 6$ months, score 0</p> <p>The date of the AGM is to be checked from the shareholder meeting notice or from the AGM outcome documents.</p>	
	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?	<p>Based on the details available, the assessors need to classify the additional rights, if any, into three buckets:</p> <ul style="list-style-type: none"> • 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) <p>The assessor also needs to check for clauses which allow the controlling shareholder to exercise disproportionate voting power (in any form).</p> <p>Notwithstanding, if rights are given to lenders/creditors pursuant to a debt restructuring scheme or is included as</p>	

	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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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	
		<p>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.</p> <p>If there is no clear evidence, the company will score maximum points on this section.</p>	
	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?	<p>Royalty payouts include payments for transfer of technology, and usage of trademark/brand name.</p> <p>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).</p> <p>Royalty pay-outs will be considered disproportionate as per the profit threshold or royalty growth threshold:</p> <p>Profit threshold: Royalty must be less than 20% of net profits in each of the past three fiscal years</p> <p>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:</p> $G_{Roy/Profits} = \frac{(FY16 \text{ value} - FY14 \text{ value})}{FY14 \text{ value}}$ <p>A company will score maximum points only if the profits threshold is met and $G_{Profits} > G_{Roy}$.</p>	
	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?	<p>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).</p> <p>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.</p> <p>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.</p>	

	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?	<p>This question covers only those actions for which shareholder approval was required.</p> <p>The company needs to publicly disclose the independent fairness opinion and valuation reports on the transaction before presenting it to shareholders for their vote.</p> <p>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.</p> <p>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.</p>	
	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?	<p>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.</p> <p>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.</p>	
	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?	<p>The assessors will need to check for:</p> <ul style="list-style-type: none"> • 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 <p>The list is only indicative and the assessors may need to use their own judgement while scrutinizing structures which could violate minority shareholders' rights.</p>	
	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?	<p>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).</p> <p>The meeting frequency will be reviewed based on the number of SRC meetings in the previous fiscal year (as stated in the annual report).</p> <p>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:</p> <ul style="list-style-type: none"> • 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?	<p>To measure the robustness of the policies, the assessor needs to check if:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>	
	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	
18	Does the company have publicly disclosed policies and/or mechanisms to address the health, safety, and welfare of employees?	<p>To measure the robustness of the policies, the assessor needs to check if:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>	
	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
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?	<p>The assessor must establish if the company has clearly articulated policies for supplier/contractor management and selection.</p> <p>A good supplier/contractor selection policy must include:</p> <ul style="list-style-type: none"> • Supplier Accountability • Code of conduct and Ethics policies for suppliers • Environmental Protection and Human Rights Policies for suppliers • Health and Safety policies for suppliers <p>A good supplier/contractor management policy must include:</p> <ul style="list-style-type: none"> • Supplier Audit • Supplier Improvement programs • Supplier trainings and education programs • Supplier Empowerment <p>The above list is only indicative and the assessors must use their own judgement to determine if the policies are effective and meaningful.</p>	

	Parameters	Response key	
	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?	<p>The company's commitment to protect the rights of lenders, creditors and suppliers is being measured by the timeliness of repayment of financial obligations.</p> <p>The look-back period for this question is three years (FY21, FY20 and FY19).</p> <p>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.</p> <p>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.</p>	
	The company has made delayed repayments to lenders	The company has made timely repayments to lenders, but has made delayed repayments to suppliers or to other creditors	Payments are made on time and there is no evidence of 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?	<p>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:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>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.</p>	
	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	The assessor must evaluate if the CSR related spending disclosed by the company in its annual report is above 2% of	

	Parameters	Response key	
	to being a good corporate citizen?	average net profit over the last three years.	
	The company has not spent any amount on CSR in the past one year	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 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?	<p>A company will obtain maximum points on this question if it has:</p> <ul style="list-style-type: none"> • 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 <p>Impact assessment studies must include details on:</p> <ul style="list-style-type: none"> • Coverage of the CSR programs • Beneficiary profile • Economic benefits for the company and for the beneficiaries (if applicable) <p>The above list is not exhaustive and assessors must use their judgement in determining whether the impact assessment studies convey meaningful information to external stakeholders.</p>	
	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?	<p>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.</p> <p>While reviewing the policy, the assessors need to check if the company has:</p> <ul style="list-style-type: none"> • 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 <p>The assessor must also consider the percentage of unresolved investor complaints at the end of each quarter before scoring on this question.</p>	
	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	For a whistle-blower policy to be considered effective, the assessor must check if the policy provides details on:	

	Parameters	Response key	
	mechanism for stakeholders to report complaints and suspected or illegal activities?	<ul style="list-style-type: none"> • 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 <p>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.</p>	
	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: Role of stakeholders [Questions: 21; Weightage: 30%]			
27	Does the company have a policy for determining and disclosing material information?	<p>The assessors need to check if the company has clearly articulated a policy defining parameters which determine a material event or information.</p> <p>To score maximum points on this question, the following items need to be disclosed in the materiality policy:</p> <ul style="list-style-type: none"> • criteria for determination of materiality of events/ information • events that shall be deemed to be material automatically • timeline to disclose material information <p>In addition, there must be no evidence of the company having made no/delayed disclosures on material events in the past three years.</p>	
	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?	<p>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.</p> <p>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.</p> <p>This is applicable to both standalone and consolidated financial statements.</p>	
	Auditor has issued a qualified opinion or the financial statements have been restated or the auditor has	Auditor has raised an emphasis of matter	Auditor has issued an unqualified opinion without any matter of emphasis

	Parameters	Response key	
	resigned due to differences in accounting opinion		
29	Is the company transparent in disclosing segmental information?	<p>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.</p> <p>Financial information on segments include segment revenues and profits.</p> <p>Other segmental Information will be considered comprehensive if at least two of the below points are covered in the company's segmental reporting:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>If the company does not have any reportable segments, and sufficient detail is available for that single segment, a maximum score may be given.</p>	
	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?	<p>The assessor must check the company's annual reports and for information on non-financial disclosures.</p> <p>Information will be considered meaningful if the below points are covered as part of the company's non-financial disclosures:</p> <ul style="list-style-type: none"> • Industry growth and performance • Environmental issues • Business model: key strengths and weaknesses • Business strategy • Capacity and capacity utilization <p>To score maximum points on this question, all the above non-financial parameters must be disclosed in sufficient detail by the company.</p>	
	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?	<p>The assessor must check relevant company documents to identify if the company has developed and disclosed an effective risk management framework.</p>	

	Parameters	Response key	
		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: <ul style="list-style-type: none"> • Definition on ordinary course of business • Definition on materiality of transactions • Requirement of the external auditors to review material RPTs 	
	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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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.	

	Parameters	Response key	
	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?	<p>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.</p> <p>Shareholder voting categories include 'promoters', 'institutional shareholders', and 'other shareholders'.</p> <p>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.</p>	
	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
36	Is the company transparent in disclosing its shareholding pattern?	<p>The assessors need to go check if the quarterly filings contain information on:</p> <ul style="list-style-type: none"> • Promoter shareholding • Institutional shareholding (FII and DII) • Other public shareholding • Names of entities which hold more than 1% stake <p>A one year (four quarters) lookback is to be considered for this question.</p> <p>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.</p>	
	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?	<p>The assessors need to scan the company website and annual reports to determine the existence of a dividend policy.</p> <p>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.</p>	

	Parameters	Response key	
		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
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	

	Parameters	Response key	
		<p>respectively, the total tenure will be computed as 12 years.</p> <p>When there are multiple auditors, the assessors need to consider the tenure of the auditor with the longest association.</p> <p>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).</p>	
	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?	<p>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.</p> <p>The company will also score maximum points if it has stated that it has complied with all regulatory requirements.</p> <p>Despite the company's statement, if there is evidence to believe that the company may not have complied with all the laws/regulations, the assessors will need to take that into consideration before scoring.</p>	
	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?	<p>The experience details must cover the following:</p> <ul style="list-style-type: none"> • The areas in which the individual has relevant domain knowledge and expertise • The number of years of working experience <p>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).</p>	
	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	A company will score maximum points on this section if it has provided details on:	

	Parameters	Response key	
	criteria used for appointing new directors?	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 committed to corporate governance?	<p>For each director, the average attendance needs to be computed based on the data available in the previous three 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.</p> <p>For example, if the assessment is being conducted in FY17, the average attendance for each director will be computed as follows:</p> $A_{3YR} = \frac{\text{No. of meetings attended in FY14+FY15+FY16}}{\text{Total no. of meetings held in FY14+FY15+FY16}}$ <p>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.</p>	
	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?	<p>The number of board meetings need to be verified from the latest annual report.</p> <p>The company will score maximum points if the board has met more than four times in the previous year.</p>	
	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

	Parameters	Response key	
50	Is there separation of roles between the Chairperson and the CEO?	<p>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.</p> <p>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.</p> <p>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.</p>	
	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?	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • Legal • Financial • Marketing • General Management • Supply chain/operational • Specific Industry Dynamics <p>A board with at least three sets of identifiable skills will be considered to have sufficient breadth of expertise.</p> <p>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.</p>	
	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?	<p>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.</p> <p>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.</p>	

	Parameters	Response key	
	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?	<p>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.</p> <p>Independent representation is better-than-adequate when:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>	
	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?	<p>The size for board committees must be as per regulations and independence norms must be met (as per Companies Act 2013 and SEBI LODR).</p> <p>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:</p> <ul style="list-style-type: none"> • 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

Parameters		Response key	
			committee only comprise non-conflicted members
56	Is the audit committee effective in its composition and its meeting frequency?	<p>While reviewing the experience of audit committee members, the assessor needs to check if:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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 meet eligibility criteria for audit committee members	The audit committee met at least four times in the past year and at least one director has sufficient accounting/ financial expertise but an audit charter is not available	The audit committee has a clear charter that is publicly available, has met more than four times in the past year and all directors have sufficient accounting/ financial expertise
57	Does the company have a strong and robust internal audit framework?	<p>To score maximum points on this question, the company needs to establish a robust internal audit function. This would mean that:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> -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 <p>The internal audit charter may either be available as a separate document or it may be embedded in the annual report of the company.</p>	
	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?	<p>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.</p> <p>A company will score maximum points if:</p> <ul style="list-style-type: none"> • 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 	

	Parameters	Response key	
	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?	<p>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.</p> <p>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.</p> <p>Based on the evidence available, the assessors then need to classify the violations (if any) into two buckets:</p> <ul style="list-style-type: none"> • 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 <p>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.</p>	
	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?	<p>The assessors need to check the annual reports and the appointment terms of directors to determine the variable pay mix.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
	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	The assessors must calculate the growth in aggregate executive directors' pay, company's profits and revenues over a three-	

	Parameters	Response key	
	performance in the last three years?	<p>year period.</p> <p>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:</p> $V_{Rev/Pr/Rem} = \frac{(FY16 \text{ value} - FY14 \text{ value}) * 100}{FY14 \text{ value}}$ <p>A company will score maximum points only if:</p> $V_{Rem} < V_{Rev} \text{ and } V_{Rem} < V_{Pr}$ <p>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.</p>	
	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
62	If the company has a stock option scheme, is the exercise price of the stock options fixed at a discount to market price?	<p>Discounted stock options may be given in various forms:</p> <ul style="list-style-type: none"> • 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 <p>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.</p> <p>This question is not applicable for companies which did not grant any stock options in the past one year.</p>	
	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?	<p>Variable pay includes both short term and long term incentives.</p> <p>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:</p> $R1 = \frac{(FY16 \text{ short-term pay} + FY16 \text{ long-term pay}) * 100}{FY16 \text{ total pay}}$	

	Parameters	Response key	
		$R2 = \frac{\text{FY16 total pay} * 100}{\text{FY16 profits}}$ <p>IF, R1 > 67% and R2 < 5%, score 2 IF, R1 > 50% and R2 < 5%, score 1 IF, R1 < 50% or R2 > 5%, score 0</p> <p>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.</p>	
	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?	<p>The assessor must check all relevant company documents to identify if the company has developed a succession plan for its directors and senior leadership.</p> <p>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.</p> <p>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.</p>	
	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?	<p>The assessor needs to check if the disclosures on board evaluation cover:</p> <ul style="list-style-type: none"> • who is evaluated (individual directors, entire board, committees) • who evaluates (nomination committee, external consultant) • how the evaluation is conducted (criteria) <p>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.</p>	
	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?	<p>A company will score maximum points on this question if:</p> <ul style="list-style-type: none"> • 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

	Parameters	Response key
		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.



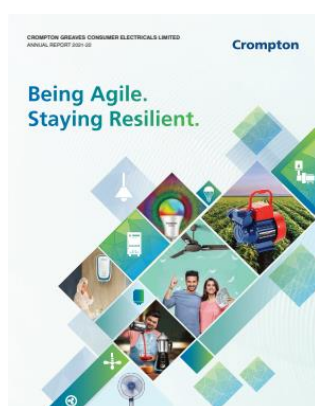
Bharti Airtel Ltd

"Airtel is recognized as an ethical and well governed company and has been consistently rated in the leadership category by leading rating agencies. During the FY 2021-22, the company featured in the 'Leadership' category on the Indian Corporate Governance Scorecard 2021, developed by BSE Limited, International Finance Corporation and IiAS."



Cipla Ltd.

"Cipla was amongst the top 20 companies in India to have scored in the "Leadership category (70%)" in the IFC-BSE-IiAS Corporate Governance Scorecard, for three years in a row."



Crompton Greaves Consumer Electricals Ltd.

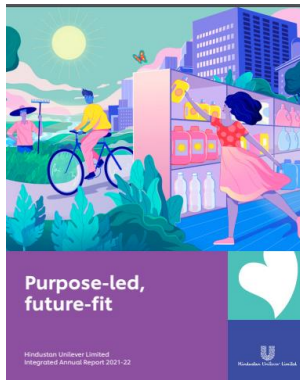
"Your Company was categorized under Leadership category on the Indian Corporate Governance Scorecard. The Company had appeared in the Leadership category in 2020 also. Crompton was featured in the top 10 companies amongst BSE 100 (BSE 100) companies evaluated on the basis of Indian Corporate Governance Scorecard twice in 2017 and 2018. The Indian Corporate Governance Scorecard is a fair assessment of corporate governance practices at the corporate level. BSE Ltd. jointly with International Finance Corporation (IFC) and Institutional Investor Advisory Services (IiAS) with the financial support of the Government of Japan

has developed this Scorecard based on the G20/ OECD Principles of Corporate Governance.”



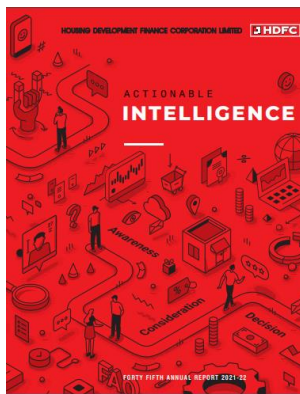
HDFC Bank Ltd.

“The Indian Corporate Governance Scorecard is developed by Institutional Investor Advisory Services India Limited (IIAS) with support from International Finance Corporation (IFC) and BSE Limited. The scorecard is built around the G20/OECD Principles of Corporate Governance, which are the globally accepted benchmark for corporate governance. In the 2021 scorecard (published in February 2022), HDFC Bank was one of the 20 companies which ranked in the ‘LEADERSHIP’ category.”



Hindustan Unilever Ltd.

“In recognition of its high standards of governance practices, your Company was conferred with several awards over the last few years, and we are committed to raise the bar of Corporate Governance excellence with each passing day. During the year 2021, HUL was recognised in the ‘Leadership’ category on the Corporate Governance Scorecard developed jointly by International Finance Corporation (IFC) and Bombay Stock Exchange (BSE)-Institutional Investor Advisory Services India Limited (IIAS).”



Housing Development Finance Corporation Ltd.

“Felicitated under the ‘Leadership’ category in the Corporate Governance Score Card, 2021 under a joint initiative by IFC-IIAS-BSE”



ICICI Lombard General Insurance Company Ltd.

"ICICI Lombard was awarded a Leadership category rating by Institution Investor Advisory Services (IiAS) for 2021. The score is the result of the Indian Corporate Governance Scorecard framework's evaluation of the BSE 100 companies, developed jointly by IFC, BSE and IiAS."



Kotak Mahindra Bank Ltd.

" 'Leadership' category as assessed by IiAS on the IFC-BSE-IiAS Indian Corporate Governance Scorecard based on G20/OECD corporate governance principles."



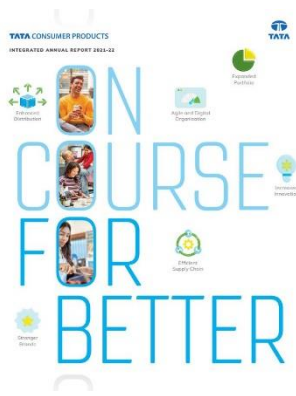
Mahindra & Mahindra Limited

"During the year, your Company featured in the 'Leadership' category in the Corporate Governance Scorecard 2021 which is developed by Institutional Investor Advisory Services India Limited ('IiAS') with support from International Finance Corporation ('IFC') and BSE Limited ('BSE') built around the G20/OECD Principles of Corporate Governance, which is the globally accepted benchmark for Corporate Governance"



Marico Ltd.

"Marico has been recognised across various forums for its commitment to sustainability and accountability in business operations. Marico ranked highest amongst FMCG companies in the CRISIL ESG performance score - ESGuage 2021 and the only FMGC Company to be recognized in the 'Leadership' category in the Crisil Sustainability Yearbook 2022. Marico has also been featured in the 'LEADERSHIP' category on the IFC-BSE-IiAS Indian Corporate Governance Scorecard as assessed by IiAS for two consecutive years."



Tata Consumer Products Ltd.

“Featured in the ‘Leadership’ category on the Indian Corporate Governance assessment for the second year in a row by IiAS – a testimony to the robust corporate governance practices of our Company.”

DISCLAIMER

This evaluation 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, 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/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 March 2021 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 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 about 1000 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 Investments 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.

IiAS is a SEBI registered entity [Proxy advisor registration number: INH000000024].



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