

More Independent Directors Break into Crore-plus Pay Club

Avg salary of independent directors: ₹25 L in FY22 vs ₹20 L in FY19

CRORE-PLUS LEAGUE:

OP Bhatt (TCS, HUL boards); **Shikha Sharma** (Ambuja Cements, DRL); **Adil Zainulbhai** (Cipla, RIL); **M Damodaran** (Biocon, L&T); **Kiran Mazumdar-Shaw** (Infosys, Narayana Hrudayalaya)

Cos paying premium

To rope in top lawyers, tech execs, global leaders, experts in ESG, sustainability, compliance, risk assessment

To scale globally; for tech transformation

Source: Primeinfobase.com



Number of directors earning over ₹1 crore in India at 135 in FY22 vs 105 in FY19

Rica Bhattacharyya & Rajesh Mascarenhas

Mumbai: The number of independent directors earning over Rs 1 crore is on the rise in India, driven by demand for high-calibre board members whose role is no longer restricted to mandatory regulatory requirements. Companies are seeking people who can participate in brainstorming ideas and providing an impetus in specialised focus areas such as ESG (environmental, social, and corpora-

te governance), sustainability, compliance and risk assessment.

Data from NSE 500 companies compiled by ET show that the number of directors in the crore-plus club increased to 135 in FY22 from 105 in FY19 as some top Indian companies are ready to pay a premium for those who can contribute toward strategic growth and corporate governance at a time when many firms are expanding globally and going through rapid technology transformation.

Among the highest-paid independent directors is OP Bhatt, who is on the boards of Hindustan Unilever Ltd (HUL), Tata Consultancy Services, Tata Motors and Tata Steel, and Shikha Sharma, director of Ambuja Cements, Dr Reddy's Laboratories and Tech Mahindra.

Value for Money

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Others include Adil Zainulbhai, who's on the boards of Cipla, L&T and Reliance Industries Ltd (RIL); former Securities and Exchange Board of India (Sebi) chief M Damodaran, who's director of Biocon and L&T; and Biocon chairperson Kiran Mazumdar-Shaw, who is director of Infosys and Narayana Hrudayalaya.

■ "There are a set of Indian companies not happy getting rubber stamp directors on board and for them the value that the independent director brings to the company is more important," said Suresh Raina, partner at global leadership advisory firm Heidrick & Struggles. "Companies

are willing to pay any price for that."

The responsibilities of independent directors continue to increase, while companies are expanding, said Shriram Subramanian, founder and MD of proxy advisory firm In-govern Research Services. "Companies have to adequately compensate in order to attract high-quality independent directors."

Arun Duggal, chairperson of ICRA and an independent director on many boards, said the trend reflects companies compensating independent directors adequately for the increased time and involvement required for proper corporate governance. "Factors that are responsible for this are the increasing fo-

cus on ESG, new Sebi guidelines on Business Responsibility and Sustainability Reporting (BRSR), greater involvement of leading corporates in CSR (corporate social responsibility) programmes and enhanced need for evaluation of risk management," said Duggal.

DIVERSE PERSPECTIVE

Large Indian conglomerates and leading companies are looking to hire directors who bring diversity of thought and perspective, have subject matter expertise such as senior corporate leaders, top lawyers, technology executives, global leaders and strategy experts to fill in the gaps at their organisations, analysts said.

"Indian companies are now operating at a scale where they are competing globally and are no

longer restricted to a niche, protective environment," said Raina. "As a result, companies, which seek to bring on board independent directors who can augment management bandwidth and bring in expertise in specialised areas that are not there at the executive level, have to compensate adequately."

Profitability has also been rising, leading to an increase in compensation for top management, which in turn reflects in directors' pay.

"Some companies are realising that if you need high-quality board members, you have to compensate them adequately, especially as their role is becoming more critical as well as the profitability of companies is increasing," said JN Gupta, founder and MD of proxy advisory firm Stakeholders Empowerment Services.

PAID BETTER OVERSEAS

According to Sebi rules, a person can be an independent director at a maximum seven listed companies.

However, industry experts said that compensation of independent directors in India is still significantly lower than overseas. For example, at top companies in the US, a board member could be paid up to \$1 million, which compares with over Rs 1 crore in India.

Even as the crorepati club of directors is increasing in the country, the average salary of directors is much lower at around Rs 25 lakh, up about 25% from FY19.

"The compensation for independent directors is still not uniform across Indian companies. A majority of the companies still pay abysmally low," said Gupta.