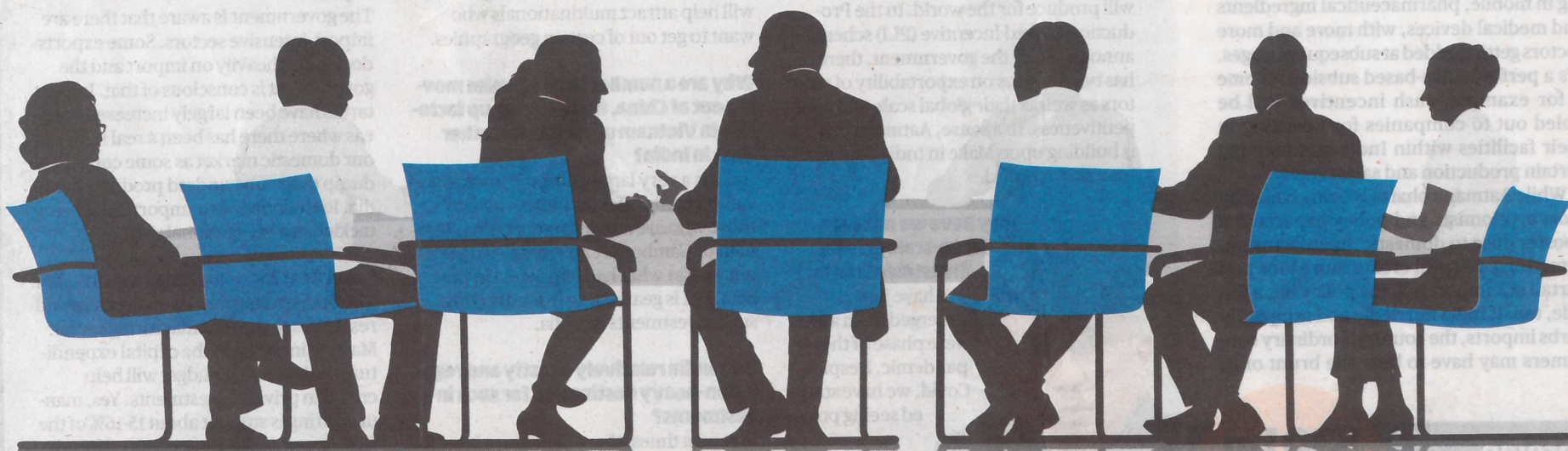


EVOLUTION OF BOARDS

How boardrooms have changed in more than a decade – in size, gender diversity, compensation



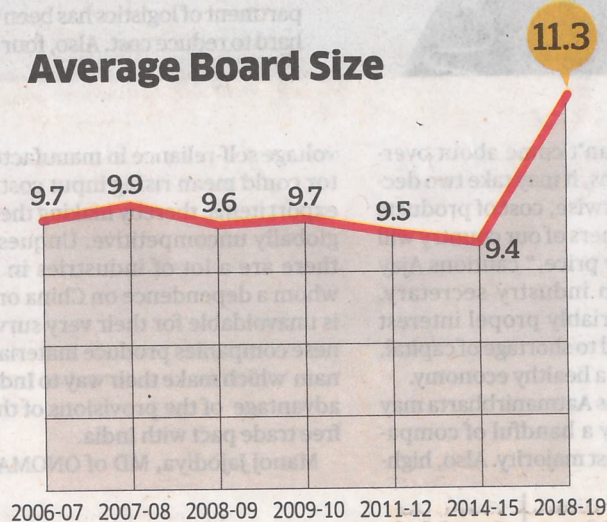
Malini Goyal

Last year, amid the pandemic, the rarefied worlds of boardrooms and annual general meetings (AGMs) went virtual. According to a report by CimplifyFive, virtual AGMs were only slightly delayed – by 13 days vis-à-vis normal times. Expectedly, they were shorter by 14 minutes even as the number of shareholders who went for e-voting surged 37% and public shareholder attendance went up six times as against 2019.

While these shifts happened to AGMs last year, some important changes have been underway for Indian boards over the last decade. According to Hunt Partners' India Board Report, a biennial publication, the average board size has risen since 2006-07 from 9.7 members to 11.3 in 2018-19, with listed PSUs seeing the sharpest jump – with 15.4 members. Foreign independent directors as a percentage of total members have risen from 2.1% in 2006-07 to 6.4% in 2018-19, even though it still remains low, with at least half the companies surveyed having no foreign directors.

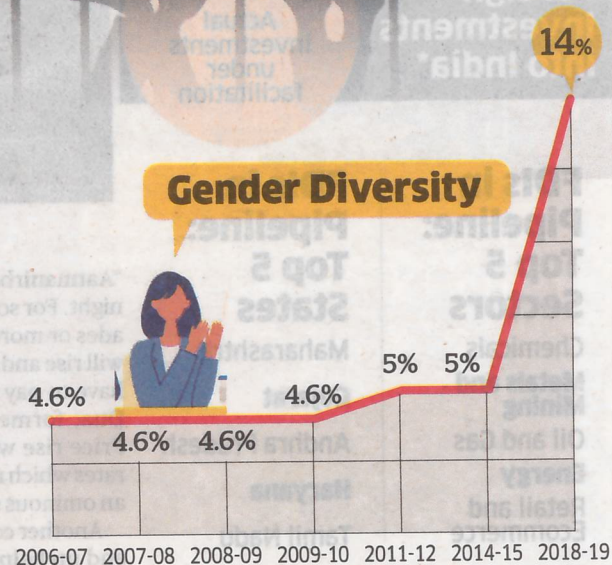
Interestingly, rapid digitisation in the outside world is also reshaping expectations in the boardroom. "While today, skills like board experience and audit/tax is ranked very high for independent directors, the survey respondents foresee the importance of skills like cyber security,

Average Board Size



KEY TAKEAWAY: Average board size rose sharply since 2015, led by listed public sector firms where the numbers went up from 9.9 (2015) to 15.4 (2019)

Gender Diversity



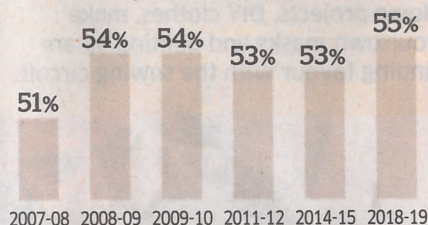
KEY TAKEAWAY: Thanks to regulatory intervention, women's presence on boards rose since 2015. For listed MNCs, it went up from 5% (2015) to 18% (2019). Listed public sector firms have been the biggest laggards – at 7%.

Methodology: Hunt Partners' The India Board Report is a biennial publication, written in collaboration with PwC and AZB & Partners. It is based on three sets of board data: (i) from the MCA website, (ii) public domain (for listed companies) and (iii)

primary surveys with 250+ respondents such as independent directors and company secretaries. While the data is of FY2018-19, research and surveys were conducted in FY2019-20, followed by data analysis and publication in late 2020.

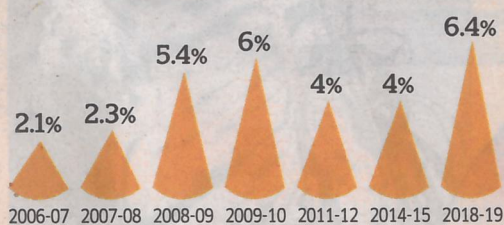
INDEPENDENT DIRECTORS

Independent Directors as a % of Total



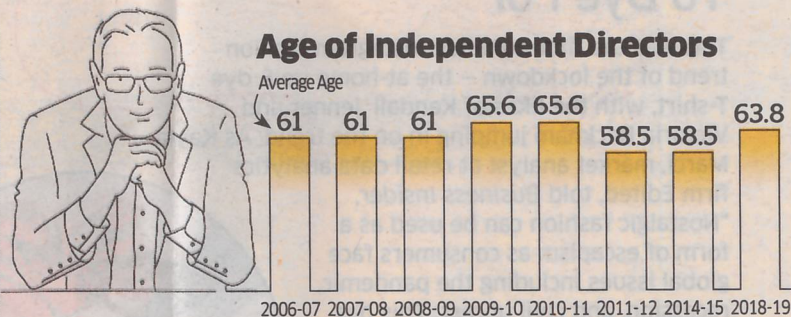
KEY TAKEAWAY: At 55%, the percentage of independent directors on boards in India is well above the regulatory norm

Foreign Independent Directors as a % of the Total



KEY TAKEAWAY: Approximately 50% of the companies surveyed had no foreign directors. Expectedly, listed MNCs lead, with 12% expat independent directors in 2019

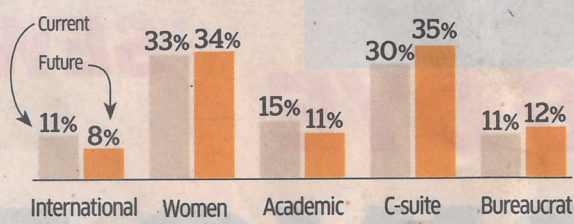
Age of Independent Directors



KEY TAKEAWAY: Historically, average age of independent directors was 60 years plus. It hit a record high in 2009-10 at 65.6 and lowest in 2015 at 58.5, before going up again. BSE 200 has the oldest board, 67.3 being the average age.

Current & Likely Future Proportion of Independent Directors

(Based on surveys)



KEY TAKEAWAY: Independent directors with C-suite experience will likely go up in future

● Interlocking directorates are high. 92% of independent directors surveyed say that two or more directors sit on common boards

● Most companies surveyed are spending around 1.9% of profit on CSR activities, close to the mandated threshold of 2% of average net profits in the last three years

Current & Future Relevant Skills of Board Directors*

	Current	Future
Finance	88%	77%
Board Experience	100%	59%
Strategy & M&A	50%	73%
Risk	36%	73%
Marketing	59%	68%
Digital Tech	36%	77%
R&D/Innovation	18%	64%
HR	41%	68%
Supply Chain	23%	32%
Audit/Tax	82%	50%
Subject Expertise	91%	82%
Cyber Security	14%	59%

KEY TAKEAWAY: While board experience and audit/tax are rated high as skills now, directors foresee the importance of skills in areas like cyber security and digital technology going up in future for independent directors

Annual Average Compensation of Independent Directors (in ₹ lakh)



KEY TAKEAWAY: In 2018-19, compensation ranged from as low as ₹3.96 lakh per annum to as high as ₹44 lakh per annum

Annual Average Compensation of Board Chairperson by Company Category



KEY TAKEAWAY: Expectedly, MNCs lead the way in annual compensation for the chairperson

(*Based on responses to a survey of independent directors)

PANDEMIC & VIRTUAL AGMs 2020

CimplyFive's report on virtual AGMs of Nifty50 companies during the pandemic, released in February 2021

No. of Days from Year-end to AGM

124 (2019) vs 137 (2020)

Delay of 13 days in 2020

Duration of AGM



14 minutes shorter in 2020

Average No. of Shareholders as on Cutoff Date for E-voting

4,56,742 (2019)

6,23,762 (2020)

37% increase in 2020

Public shareholder attendance, including of Reliance AGM, up 6 times in 2020 as against 2019

How Voting at AGM Rose/Fell in 2020 as Against 2019

Public: 3.6%
Promoters: 3%
Institutional investors: -0.5%

R&D innovation, digital technology and risk rising sharply in future," says Suresh Raina, partner, Hunt Partners.

Women representation on corporate boards has gone up from 4.6% in 2006-07 to 14% in 2019. But this is largely driven by compliance. Even then, Amit Tandon, founder, Institutional Investor Advisory Services, says it's a progress India must take cognizance of. "This is a very good example of how the country has pushed regulation to shape certain outcomes," says Tandon.

Prithvi Haldea, founder, Praxis Consulting, who has tracked listed companies and their boards for over three decades, however, is sceptical. "I don't think anything has changed significantly. There is nothing like an independent director. It's a myth we are trying to build," he says. His contention is that since independent directors are chosen and remunerated by promoters, they hardly overlook the promoters to protect the interest of minority shareholders. "There are only two ways to improve corporate governance – either it is in their DNA or create the fear of law in them. I have been advocating strict laws that make operative people like CEOs and CFOs accountable," says Haldea.

Both Tandon and Shriram Subramanian, MD of advisory firm InGovern, differ. They see some subtle yet significant shifts happening in corporate boardrooms. "Expectations from independent directors have changed. Look at the case of Vedanta buyback. Today there are greater expectations from them," says Tandon. In October, in a major setback, Vedanta's bid to delist from the stock exchange failed as it didn't get enough shares.

In 2018, HDFC faced a blow when two of its directors Bimal Jalan and Bansi Mehta – who were up for reappointment – had to resign after proxy advisory firms asked investors to vote them out. In fact, HDFC chairman Deepak Parekh's reappointment went through by a whisker after the advisory firms rallied against him sitting on eight boards and spreading himself thin. "People are asking harder questions of independent directors, starting with, 'What are you doing?'. With initiatives like Sebi-mandated skill matrices of board, the boards are going to be much more self-aware," says Tandon. The number of independent directors who did not get reappointed in recent years has gone up sharply, says Subramanian, pointing to the shape of things to come. ■

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