

# Chairman emeritus appointments may lead to potential conflicts: IiAS report

FE BUREAU

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**THERE IS A** growing trend among Indian companies to appoint a chairperson emeritus. With the regulation requiring separation of chairperson and managing director coming into force from April 1, 2022, companies may seek to appoint their long-standing directors/promoters as chairperson emeritus, given their experience and value addition. This could create two power centres, leading to potential conflicts, Institutional Investor Advisory Services (IiAS) has said in its latest report, which has data till December 2020.

The title of chairman emeritus usually goes to the company's founders or an individual who has been in the company for a longish period and contributed significantly to its growth. The chairperson emeritus title

is not recognised in the Companies Act, but some are permanent invitees to the company's board meeting without having the authority to vote at them. According to IiAS, 14 of the Nifty 500 companies had a chairperson emeritus at the end of 2020.

The IiAS said an area that needs attention is appointing women as chairpersons of the board. Only 21 of the Nifty 500 companies had a woman chairperson in 2020, despite the increase in women directorships over the years, it said.

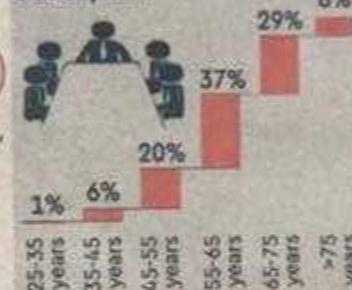
The report said while all Nifty 500 companies comply with the minimum age requirement of directors, nine have directors who are less than 30 years old, and 27 have directors who are between 30 and 35. All of these are promoter-owned companies. It said though age is not a criterion for appointment, lack of experience of such young directors may prove to be an impedi-

Number of female chairpersons on NIFTY 500 boards



Source: IiAS Research, PRIME Database Group

Age-wise grouping of directors on boards of Nifty 500 firms on Dec 31, 2020



Top 5 high promoter family representation on boards on Dec 31, 2020

Company	Board size	Promoter family	Promoter representation*
Kaveri Seed	9	5	56%
Emami	16	8	50%
MRF	14	7	50%
Alkem Labs	12	6	50%
Himadri Speciality Chemical	12	6	50%

\*as % of the board size

ment in the effective discharge of their duties. "We encourage promoters to not look at board seats as training grounds for the next generation," the advisory firm said.

The IiAS report said though board size

does not necessarily determine effectiveness, in most instances, large board sizes are driven by having more members of the promoter family, which is not a healthy trend. A high promoter representation the board of

an unbiased view on operations.

As of December 31, 2020, boards of 22 of the Nifty 500 companies had a promoter family representation of 50% or higher. "Boards ideally should comprise of diverse individuals capable of challenging the board on issues, when required, and those who can participate in constructive discussions and take objective decisions. This is not to say these directors are not effective, but family dynamics edging into the board room, cannot be ruled out," IiAS said.

It said that on one the hand, large boards may be diverse and benefit from varied perspectives. At the same time, they may not be able to achieve consensus expeditiously.

It also suggested that Indian companies consider a mandatory retirement policy for boards. It said for 2020, 52% of the total directors on Nifty 500 boards were aged 60 and above and 19% were 70 and above.