India Inc.'s Corporate Governance Scorecard

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India Inc. has made progress on corporate governance norms even as some companies still need to up their game.

That's the key takeaway of a recent survey by Excellence Enablers, a corporate governance and advisory services firm founded by former SEBI chief M Damodaran, that analysed the annual reports of Nifty 50 companies for 2019-20.

According to the survey:

- Independent and non-executive directors formed less than 50% of the board's strength in three Nifty 50 companies.
- Two had less-than-prescribed number of independent directors.
- Eight were non-compliant as they had an executive chairperson but didn't have the minimum number of independent directors.

Here are the key findings of the survey.

Board Composition, Gender Diversity And Working Of Committees

Listed entities are required to comply with the law governing composition of the board of directors. They must have a minimum three directors, while the top one thousand of them must have at list six.

After analysing board composition, size, gender diversity and director participation in meetings to assess performance of companies, the survey found:

- More than seven listed entities had fourteen or more directors in FY2017 to FY20. But a large "unwieldy" board can also be under-performing, the survey says.
- Three companies didn't have a woman independent director on board as on March 31 last year; 21 entities had two or more such directors.
- A third of the Nifty 50 entities have not split the role of managing director and chief executive officer.
- Companies have a reasonable and diverse mix of directors. Of 279 independent directors in listed entities at the end of FY20, 14 were less than 50 years old, the youngest being of 43 years age.
- All independent directors gave a reason for resignation during the last financial year.

Board Meetings And Statutory Committees

The law requires every company to hold at least four board meetings and approve all important decisions through them. The gap between two meetings cannot be more than 120 days and each director must attend at least one such meeting. A higher participation in board meetings indicates more involvement of directors in decision making.

The survey found:

- Directors representing 3-4% of the boards in the surveyed companies participated in less than half the meetings held.
- 70% of all directors and two-thirds of non- executive non-independent directors participated in all the board meetings held during the financial year.
- The number of non-executive non-independent directors who attended less than 50% of board meetings ranged between five to nine percent of all the directors during each of the last four financial years.

Statutory Committees

- The law stipulates that an audit committee of listed company must have at least three directors. One listed company failed to meet this criteria. 68% of the companies had more than four members in the committee. Audit committees of 18 companies only contained independent directors.
- All companies were compliant with the composition requirements of nomination and remuneration committee.
- More than 670 complaints of harassment at workplace were received, of which nearly 600 were disposed of.

Annual General Meetings

Annual general meetings provide shareholders an opportunity to participate in a company's decision making. The survey found:

- Many companies hold their general meetings long after finalising accounts. They must endeavor to avoid such undue delays, the survey advised. Eight companies held their AGMs more than a hundred days after finalising accounts.
- All independent directors of more than half Nifty 50 companies attended annual general meetings.

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