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Attendance at board meetings improved in FY21 on virtual meetings

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The attendance at the board meetings of listed companies has shown a significant improvement, with 86 per cent of the directors having had 100 per cent attendance in 2020-21, mostly on account of the virtual meetings held during the year, according to a survey by Excellence Enablers, a corporate governance advisory firm.

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The survey -- Corporate Governance and Business Responsibility Report -- highlighted different aspects of corporate governance using the Nifty 100 companies as the universe of the survey.

It gives a panoramic view of the extent to which companies have done what was expected of them in regard to several legal and regulatory prescriptions.

Notwithstanding the fact that the statutory provision has been in existence for some time, 12 companies did not have any woman independent directors (IDs) on their boards as of March 31, 2021.

"While the presence of a woman ID on boards has been mandated, there is no similar provision for women executives graduating to board positions. This can happen only if a sufficient number of women are provided appropriate career progression in the organisation. It is equally important to focus on more women occupying positions of chair/ MD, as well as being on a number of board committees, and chairing some of them," the survey noted.

Further, compensation of independent directors has been an area meriting increased attention. Only 26 companies paid the maximum amount of Rs 1 lakh per board meeting as sitting fees. As for profit linked commission, only 15 companies paid the entire amount of the commission to their independent directors and only one company paid only 2.06 per cent to independent directors, with 97.35 per cent being paid to whole-time directors.

The other area of focus has been the reasons indicated by independent directors for resignation from boards.

In FY 2020-21, 26 per cent of the resignations were on account of 'pre-occupation with other assignments', 17 per cent were for ‘personal reasons', 4 per cent were on account of ‘age' and 22 per cent did not give any reason.

It is interesting to contemplate whether in 26 per cent of the cases where resignations were on account of ‘pre-occupation with other assignments' such pre-occupation could not have been known at least in a few cases before accepting board positions. With regard to numerous panel, the survey noted that a considerable amount of the work of the board is handled by the various committees of the board. Therefore, it is important for the chairs of the committees to have a reasonably long tenure. However, too long a tenure would prevent the reinvigoration of the committees, and very short tenures would be disruptive.

The longest tenure of an Audit Committee (AC) Chair was almost 23 years, for Nomination and Remuneration Committee (NRC) Chair was almost 19 years, for Stakeholders Relationship Committee (SRC) Chair was almost 21 years, for Risk Management Committee (RMC) Chair was almost 17.5 years, for Corporate Social Responsibility Committee (CSRC) Chair was 8 years.

With increasing responsibilities cast on the board of directors, the board committees have assumed considerable importance. As on March 31, 2021, 45 independent directors were not members of any board committee, 16 were members of all board committees and 254 independent directors were on 1-2 committees.

"This uneven distribution of workload, and associated responsibilities, also translate to information asymmetry among the independent directors," it noted.

The attendance of directors, especially the chairs of the committees, at the Annual General Meetings (AGMs) is indicative of the seriousness with which the board treats the shareholders of the company. In 2019, only 25 companies had 100 per cent attendance in AGMs, as against this, 72 companies had 100 per cent attendance in AGMs in 2020.

This increase could be on account of virtual AGMs held during the year. It is interesting to note that 4 chairs of boards did not attend the AGMs held in 2020. In respect of corporate social responsibility (CSR), the survey highlighted that 15 companies reported to not have spent the entire amount of CSR that was to be spent by them during the period under review. Of these, 6 have cited COVID as the reason for unspent amount.

"Expenditure on CSR would be a futile exercise if a proper impact assessment is not carried out. 94 companies have stated that they undertook an impact assessment for their CSR spending," it added.

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