

'Indian cos' governance record much better'

Rajeev Jayaswal

rajeev.jayaswal@htlive.com

NEW DELHI: Indian companies have shown significant improvement in governance record, with improved involvement of board members as 86% of them reported 100% attendance in board meetings during FY21 compared with 63% in the previous year, according to a survey on corporate governance and business responsibility.

Out of 100 NSE-listed companies surveyed, only six directors had zero attendance in FY21 compared to 14 in the previous financial year, said the second edition of the survey released by corporate governance advisory firm Excellence Enablers.

According to the survey, notwithstanding the Covid-19 pandemic, enhanced involvement of non-executive director (NED) and independent directors (IDs)



The Excellence Enablers survey report says that board members' involvement in governance has improved. BLOOMBERG

was seen in 2020-21 compared with the previous year. In FY21, 89% of IDs and 73% of NIDs had 100% attendance, while only one ID and five NIDs had zero attendance. Compared with that, in FY20, 58% of IDs and 55% of NIDs had 100% attendance, and six IDs and seven NIDs had zero attendance.

"Attendance had significantly improved because the meetings were virtual," it said.

The survey emphasised the importance of the presence of board members in the meetings. "It is a legitimate expectation that every director, executive or non-executive, attends every meeting of the Board of

Directors. Absence from Board meetings has to be for extraordinary reasons, and not for reasons that could have been anticipated. The legal provision that each director has to attend at least 1 Board meeting in a year, is clearly unsatisfactory," it said.

"Absence from a Board meeting, for legitimate reasons, should not preclude a director from sending his/her comments on the agenda items in advance of the meeting, so that they can be taken note of during the discussions," it added.

The survey, however, found that some companies did not have adequate board members in FY21. It revealed that in FY21, the minimum board size was five, and the maximum board size was 19. "One of the factors that significantly influence the performance of a Board is its size. With 5 mandatory Board committees, there ought to be

enough Board members to ensure that committees are properly constituted, and do not have the same members on almost all committees," it said.

It also pointed at less than prescribed numbers of non-executive or independent directors. As on March 31, 2021, nine companies—eight public sector undertakings and one public sector bank—had less than the prescribed minimum of 50% NEDs and they were non-compliant, it said.

"As per Regulation 17(1)(a) of SEBI LODR Regulations, 2015, Board of Directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent of the Board of Directors shall comprise of non-executive directors," the survey said.

It also emphasised the need for gender diversity.

