



**SURVEY ON  
CORPORATE GOVERNANCE  
AND  
BUSINESS RESPONSIBILITY  
REPORT**

*Second Edition*

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# GLOSSARY

<b>AGM</b>	Annual General Meeting
<b>AC</b>	Audit Committee
<b>ATR</b>	Action Taken Report
<b>BR</b>	Business Responsibility
<b>BRR</b>	Business Responsibility Report
<b>CAG</b>	Comptroller and Auditor General of India
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CSR</b>	Corporate Social Responsibility
<b>CSRC</b>	Corporate Social Responsibility Committee
<b>DDP</b>	Dividend Distribution Policy
<b>D&amp;O</b>	Directors and Officers
<b>ED</b>	Executive Director
<b>EGM</b>	Extraordinary General Meeting
<b>ESG</b>	Environment, Social and Governance
<b>ESOP</b>	Employee Stock Option Plan
<b>FY</b>	Financial Year
<b>HR</b>	Human Resource
<b>IA</b>	Internal Audit
<b>ID</b>	Independent Director
<b>IRDAI</b>	Insurance Regulatory and Development Authority of India
<b>JV</b>	Joint Venture
<b>KMP</b>	Key Managerial Personnel
<b>LODR</b>	Listing Obligations and Disclosure Requirements
<b>M&amp;A</b>	Merger and Amalgamation
<b>MD</b>	Managing Director
<b>NA</b>	Not applicable
<b>NED</b>	Non-Executive Director
<b>NG</b>	Not given
<b>NID</b>	Non-Independent Director
<b>NRC</b>	Nomination and Remuneration Committee
<b>PLC</b>	Profit linked commission
<b>POSH</b>	Prevention of Sexual Harassment
<b>PSB</b>	Public Sector Bank
<b>PSU</b>	Public Sector Undertaking
<b>RBI</b>	Reserve Bank of India
<b>RMC</b>	Risk Management Committee
<b>RPT</b>	Related Party Transaction
<b>SEBI</b>	Securities and Exchange Board of India
<b>SMP</b>	Senior Managerial Personnel
<b>SRC</b>	Stakeholders Relationship Committee
<b>The Act</b>	The Companies Act, 2013
<b>TOR</b>	Terms of reference
<b>WTD</b>	Whole-time Director

# ABOUT THE SURVEY

There is considerable company-specific information available in the public domain for students and practitioners of Corporate Governance. Companies often state that they are doing the right things, and putting in place the right policies and processes. This has led to the highlighting of some aspects of compliance. However, there is no single document which comprehensively examines the top companies by market cap, and analyses that group in regard to its performance and disclosures on several aspects of compliance. This report is an endeavour to capture, in one document, and in sufficient detail, information on the performance of companies in the context of laws and regulations.

It has always been our case that Compliance and Corporate Governance are not synonyms for each other. Compliance is, as the name indicates, a response to a law or regulation that mandates certain activities and processes. The corporate is not the first mover on this chessboard. Playing black pieces, and responding in a tick-box fashion, more often than not, fails to reveal the true extent of governance in the corporate entity.

In our view, good Corporate Governance is no more than doing the right things, without having the lawmakers or the Regulators laying down what requires to be done. Good governance practices by a handful of entities have often resulted in laws and regulations on the same lines for other entities in a similar universe.

While the focus of our attention has been the various elements of Corporate Governance as set out in law and regulation, we have endeavored to capture the initiatives taken by these companies in the E&S space (environment and social criteria, as mentioned in ESG). In this journey, we have placed reliance on the Business Responsibility Report, as mandated by SEBI.

This Survey, the **SECOND EDITION OF EXCELLENCE ENABLERS' SURVEY ON CORPORATE GOVERNANCE AND BUSINESS RESPONSIBILITY REPORT**, 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. There are some aspects to which a number of companies do not appear to have paid adequate attention. This Survey should serve as a mirror to the underperforming entities, to show them where they stand at present, in relation to what many others have attempted, and succeeded in doing.

It is our expectation that the information contained in this Survey, will serve as useful reference material for companies and their various stakeholders, as well as for Regulators. Our hope is that some of them will identify, and work towards, what more needs to be done in their specific context, and what can be

# METHODOLOGY

The Survey is based on Corporate Governance related vital information, that is available in public domain, about each listed company.

We have used the Annual reports and website disclosures of NIFTY 100 companies as a base to look at parameters that impact on, and manifest, the Corporate Governance standards of companies. While compliance requirements come from the Companies Act, 2013 and the Rules thereunder, and SEBI LODR Regulations, 2015, we have considered some generally accepted good practices in Corporate Governance, which a number of companies have been following for some time. In some places, as has been mentioned under the relevant parameters, we have looked at website disclosures for the companies concerned.

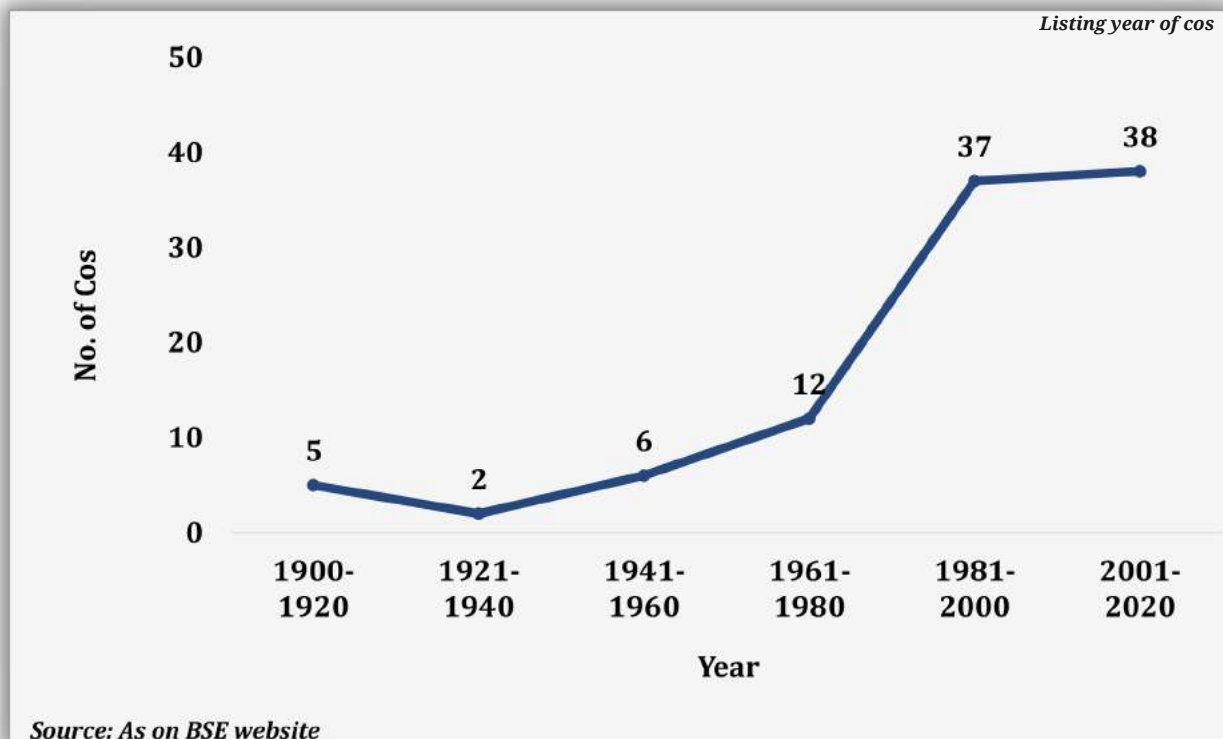
We have not commented on any specifics of any company. We have also not named any company throughout the Survey since our focus is on encouraging each company to reflect on its practices having regard to those that are being practiced by many of the NIFTY 100 companies.

In this report, the parts mentioned in blue are the legal provisions relating to the relevant parameters. We have only quoted the sections/ sub-sections/ parts thereof which are relevant. We have also not made any changes to the language of any legal provision.

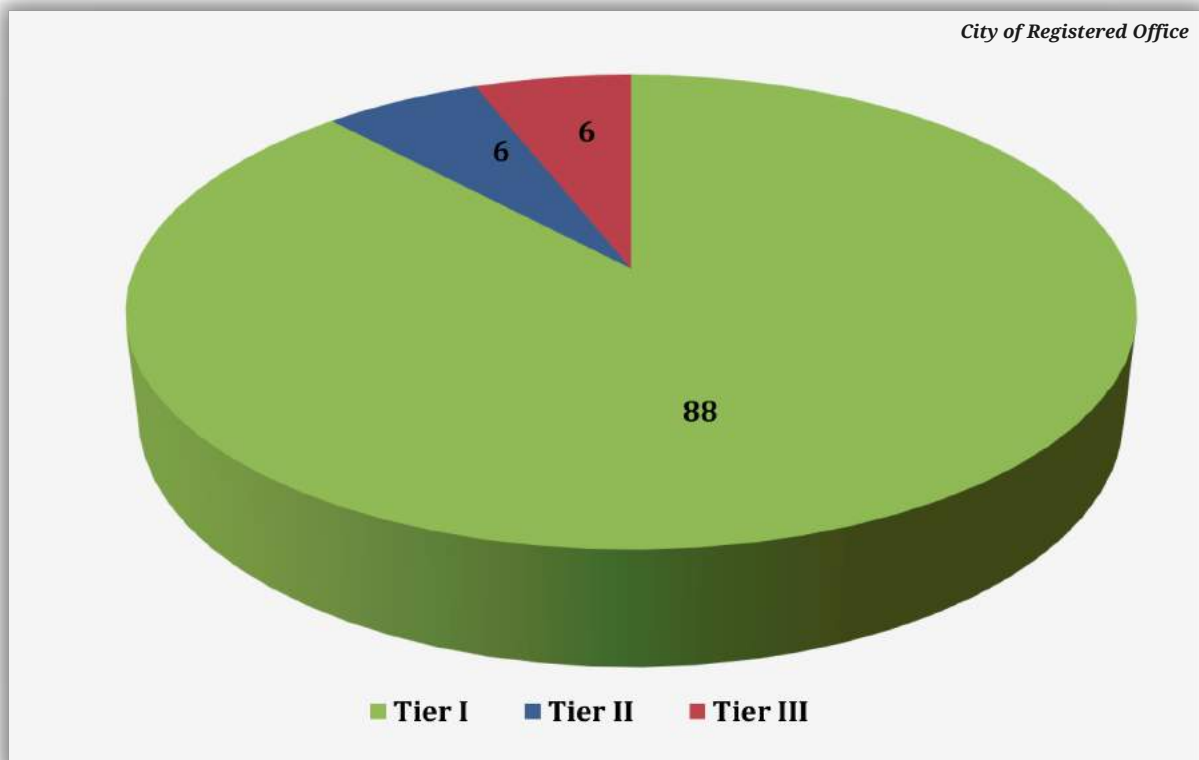
# DISCLAIMER

1. Source for all information is the Annual Reports or the websites of the respective companies.
2. For each company, end of FY implies the end of FY of that company. All companies, except those mentioned here, have an April to March FY. ACC Ltd, Ambuja Cements Ltd and Nestle India Ltd follow calendar years as their FYs. Procter & Gamble Hygiene & Health Care Ltd follows July to June and Siemens Ltd follows October to September as their FYs respectively.
3. Top 100 companies include
  - 12 PSUs - Bharat Petroleum Corporation Ltd, Coal India Ltd, Container Corporation Of India Ltd, GAIL (India) Ltd, General Insurance Corporation of India Ltd, Hindustan Petroleum Corporation Ltd, Indian Oil Corporation Ltd, NMDC Ltd, NTPC Ltd, Oil & Natural Gas Corporation Ltd, Power Finance Corporation Ltd, and Power Grid Corporation Of India Ltd
  - 9 Banks - Axis Bank, Bandhan Bank, Bank of Baroda, HDFC Bank Ltd, ICICI Bank Ltd, IndusInd Bank Ltd, Kotak Mahindra Bank Ltd, Punjab National Bank, and State Bank Of India
  - 2 PSBs (SBI has not been considered as a PSB) – Bank of Baroda and Punjab National Bank
  - 4 Insurance companies - HDFC Life Insurance Co Ltd, ICICI Lombard General Insurance Co Ltd, ICICI Prudential Life Insurance Company Ltd, and SBI Life Insurance Company Ltd
4. State Bank of India had two separate committees performing the role of NRC (Nomination Committee of the Board and Remuneration Committee of the Board). Post RBI's direction, the Bank constituted one single committee, called the NRC, w.e.f. October 25, 2019. Accordingly, NRC of the Bank has been considered for FY 21 alone.
5. While considering the number of Directors, the number of Directorship positions in top 100 companies have been taken into account. For a Director who is on the Boards of more than one top 100 company, he/she has been separately considered for each such Directorship held by him/her.

## YEAR OF LISTING



## CITY OF REGISTERED OFFICE

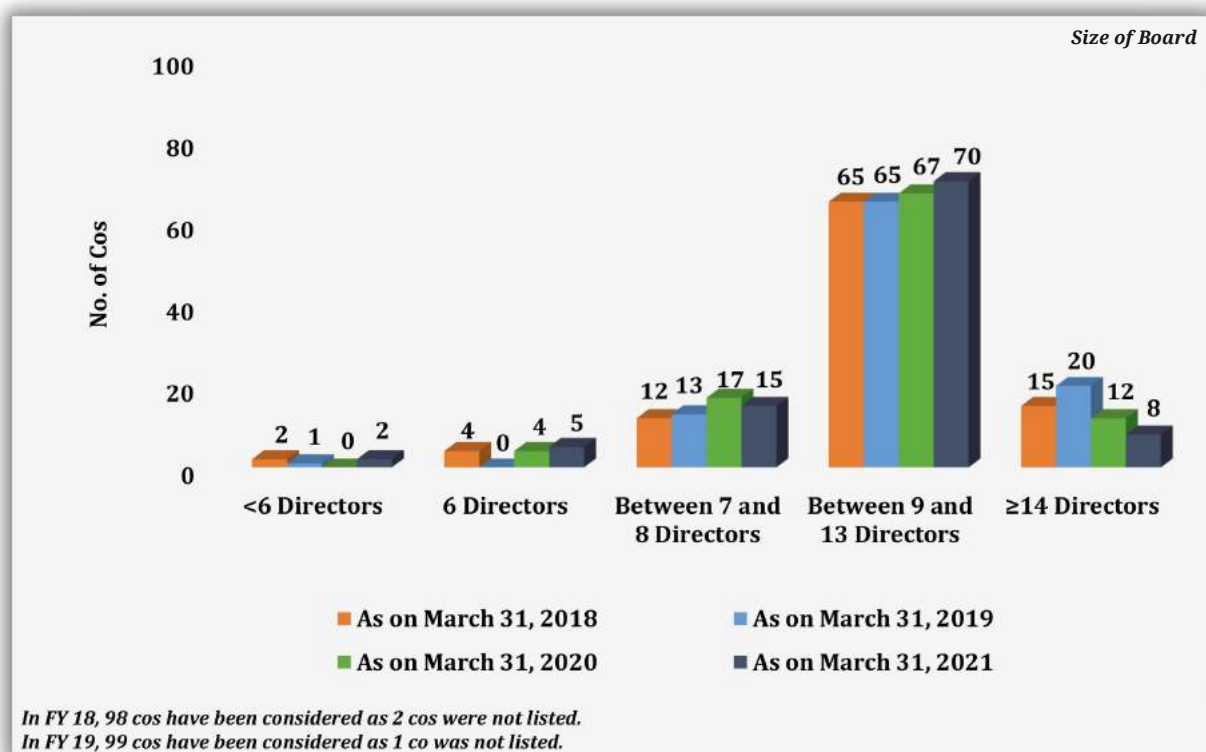


# BOARD COMPOSITION

## SIZE OF BOARD

- As per Section 149(1) of the Companies Act, 2013, every company shall have a Board of Directors consisting of individuals as directors and shall have—
  - a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and
  - a maximum of fifteen directors.
- As per Regulation 17(1)(c) of SEBI LODR Regulations, 2015, the Board of Directors of the top 1000 listed entities (wef April 1, 2019) and the top 2000 listed entities (wef April 1, 2020) shall comprise of not less than six directors.

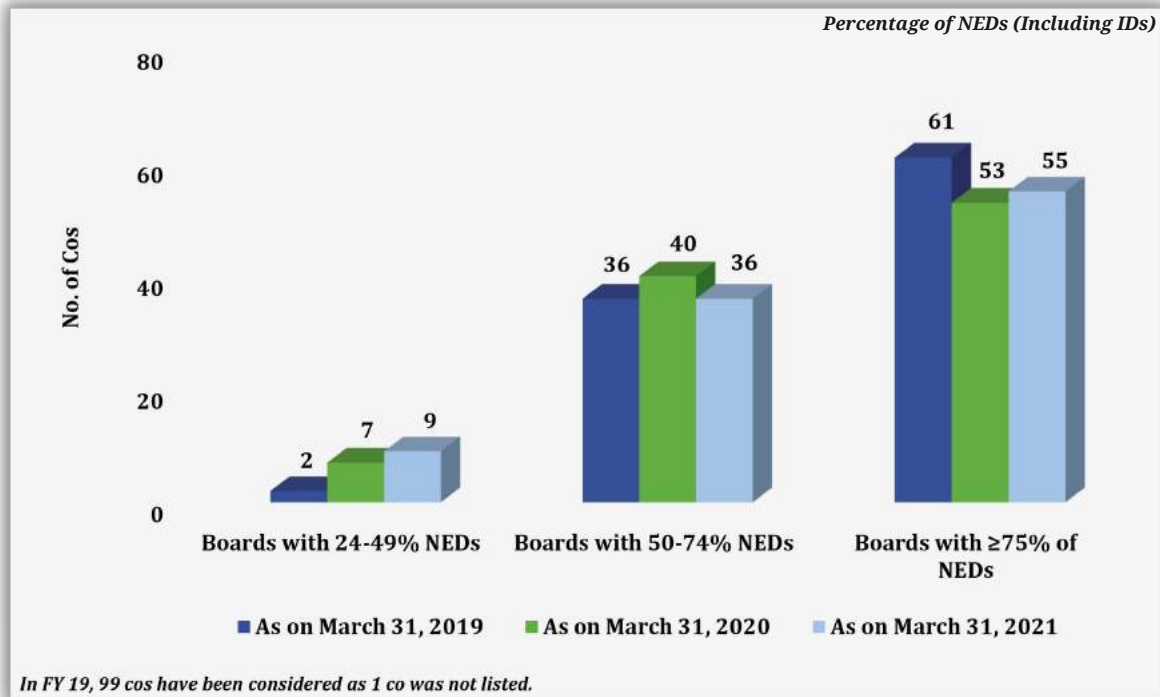
One of the factors that significantly influence the performance of a Board is its size. With 5 mandatory Board committees, there ought to be enough Board members to ensure that committees are properly constituted, and do not have the same members on almost all committees.



- In FY 18 and FY 19, minimum Board size was 4, and maximum Board size was 22.
- In FY 20, minimum Board size was 6, and maximum Board size was 20.
- In FY 21, minimum Board size was 5 (making it non-compliant), and maximum Board size was 19.
- In previous 4 FYs, the average size of Board was 11 in each year.

## PERCENTAGE OF NEDs (INCLUDING IDs)

- As per Section 149(4) of the Companies Act, 2013, every listed public company shall have at least one-third of the total number of directors as independent directors.
- 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.



- As on March 31, 2019, 2 companies (both PSUs) had less than the prescribed minimum of 50%, and were non-compliant with SEBI LODR Regulations, 2015.
- As on March 31, 2020, 7 companies (of which 5 were PSUs) had less than the prescribed minimum of 50%, and were non-compliant with SEBI LODR Regulations, 2015.
- As on March 31, 2021, 9 companies (8 PSUs and 1 PSB) had less than the prescribed minimum of 50%, and were non-compliant with SEBI LODR Regulations, 2015.

## PERCENTAGE OF IDs

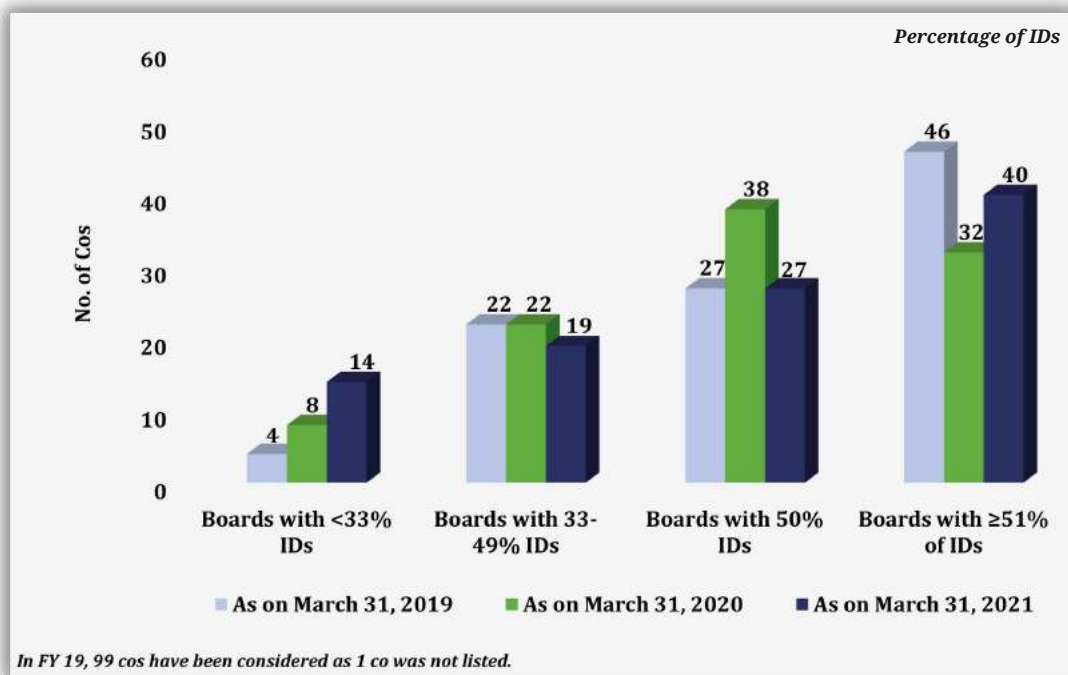
- As per Section 149(4) of the Companies Act, 2013, every listed public company shall have at least one-third of the total number of directors as independent directors.
- As per Regulation 17(1)(b) of SEBI LODR Regulations, 2015, where the chairperson of the Board of Directors is a non-executive director, at least one-third of the Board of Directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the Board of Directors shall comprise of independent directors:

*Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of Board of Director or at one level below the Board of Directors, at least half of the Board of Directors of the listed entity shall consist of independent directors.*

*Explanation - For the purpose of this clause, the expression "related to any promoter" shall have the following meaning:*

*(i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;*

*(ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.*

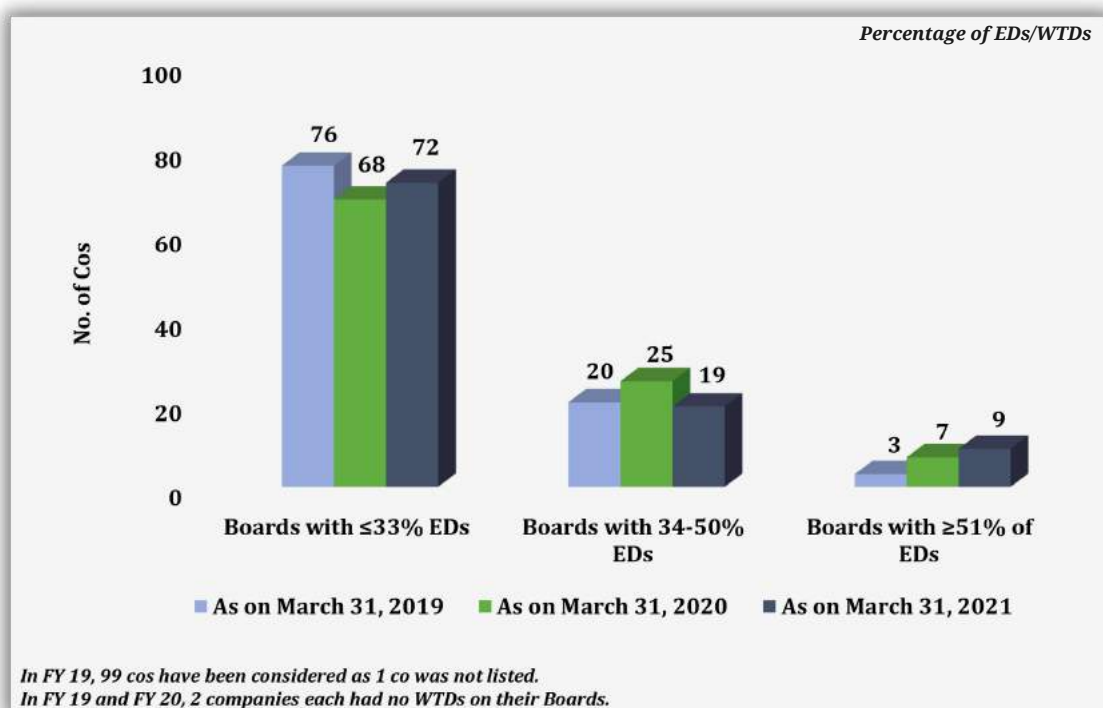


- As on March 31, 2019, 10 companies (of which 7 were PSUs and 1 was PSB) had less than the prescribed minimum number of IDs, and were non-compliant with law and regulations.
- As on March 31, 2020, 14 companies (of which 10 were PSUs and 1 was PSB) had less than the prescribed minimum number of IDs, and were non-compliant with law and regulations.
- As on March 31, 2021, 17 companies (of which 11 were PSUs and 2 were PSBs) had less than the prescribed minimum number of IDs, and were non-compliant with law and regulations.

## PERCENTAGE OF EDs/ WTDs

- *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 per cent. of the board of directors shall comprise of non-executive directors.*

It has been noticed that an effective Board has an appropriate mix of EDs and NEDs. Absent this optimum mix, the Board will not get the benefit of the insight of persons who have executive responsibilities and experience.

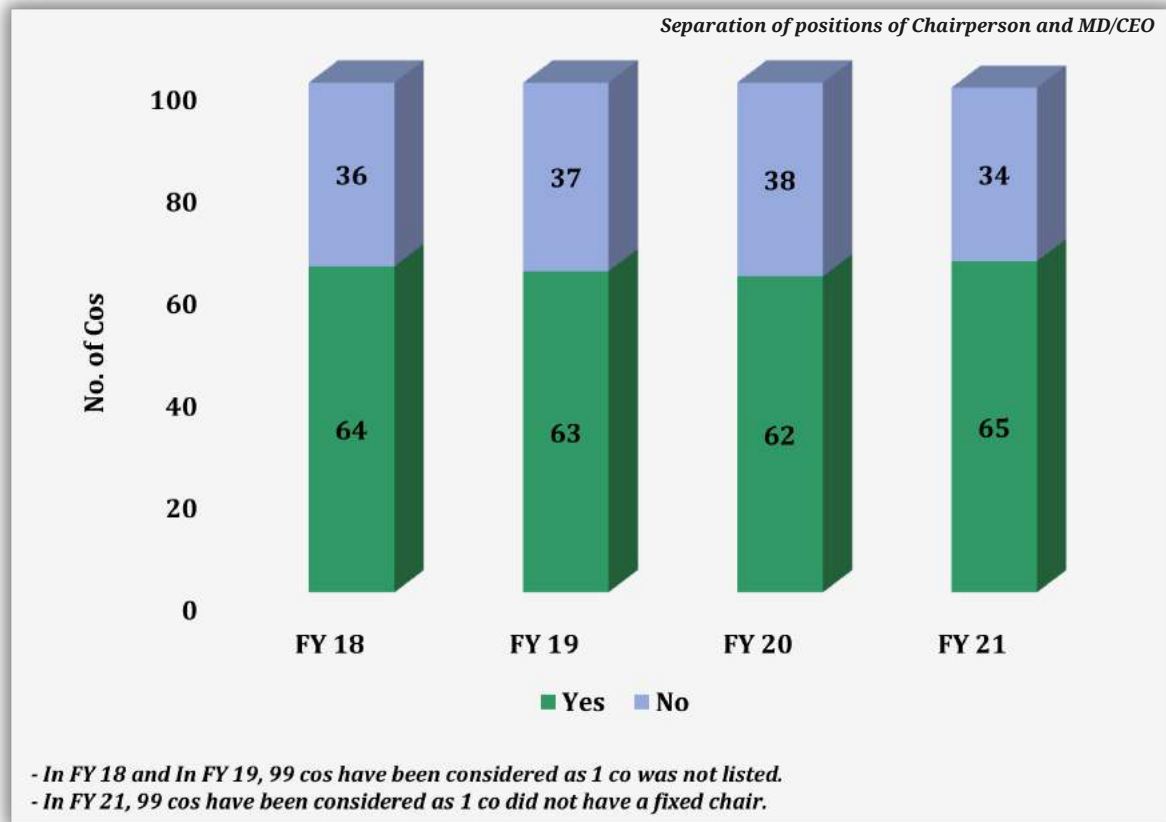


- Boards with only 1 WTD in FY 19 and FY 20 are 24; and in FY 21 are 27.
- In previous 3 FYs, of these, 16 companies are common.

## SEPARATION OF POSTS OF CHAIR AND MD/CEO

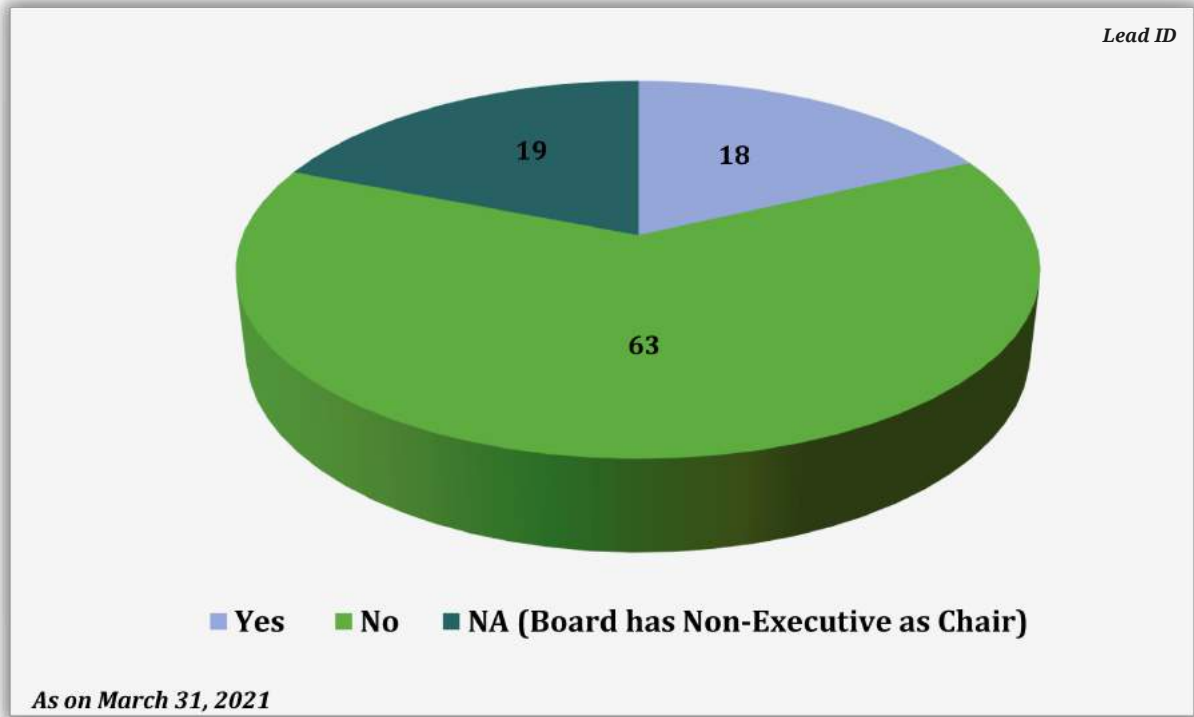
*As per SEBI LODR Regulations, 2015 separation of the posts of Chairperson and MD/CEO has been made voluntary.*

The Chairperson is the Chairperson of the Board, and the MD is the Chief Executive of the company. Combining these 2 roles in one person runs counter to the basic principle of Corporate Governance which is that the management, headed by the MD, shall be answerable to the Board headed by the Chairperson. If both the Chairperson and the MD have executive responsibilities, the requirement of Corporate Governance does not get adequately addressed.



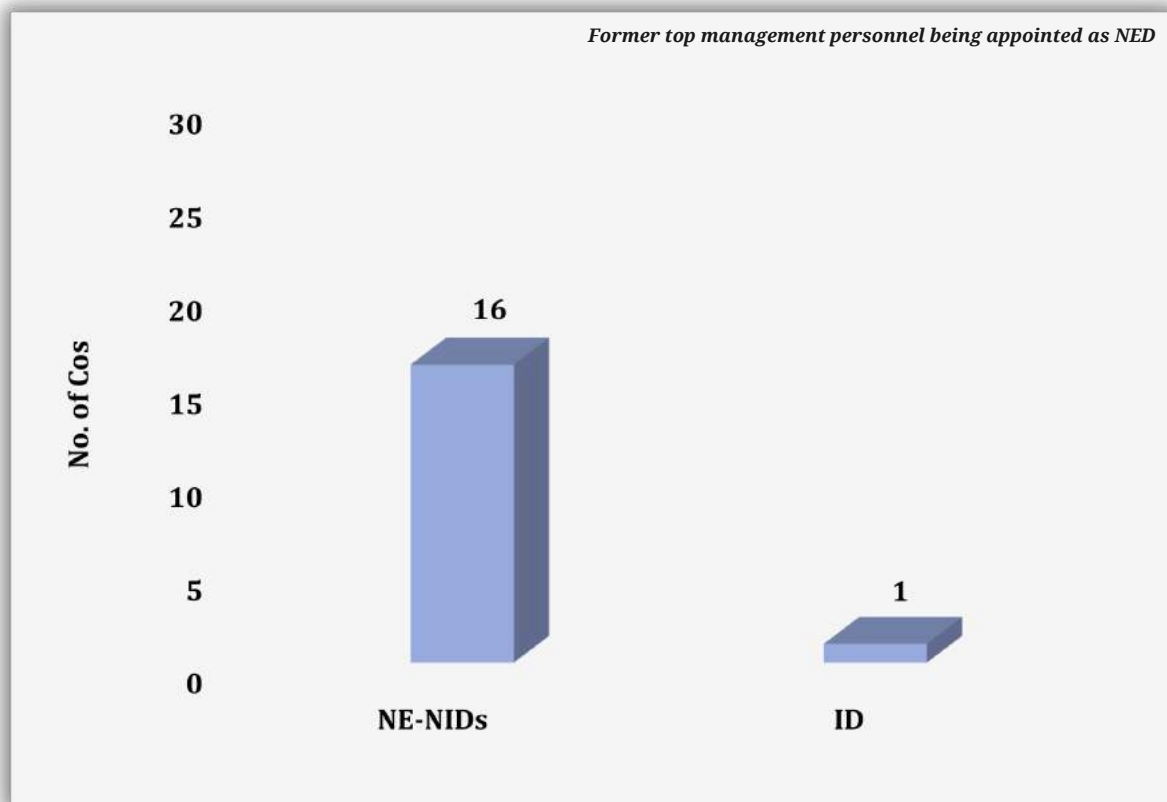
- In previous 4 FYs, the 12 PSUs did not have separate Chairperson and MD.
- 1 company had a non-executive Chair in FY 17, but has combined the posts of Chair and MD ever since.

## APPOINTMENT OF LEAD ID



## PRESENCE OF FORMER SENIOR EXECUTIVE ON THE BOARD

This could lead to adversely impacting or second-guessing executive management.



- 15 companies have appointed former senior management personnel as NEDs on their Boards.

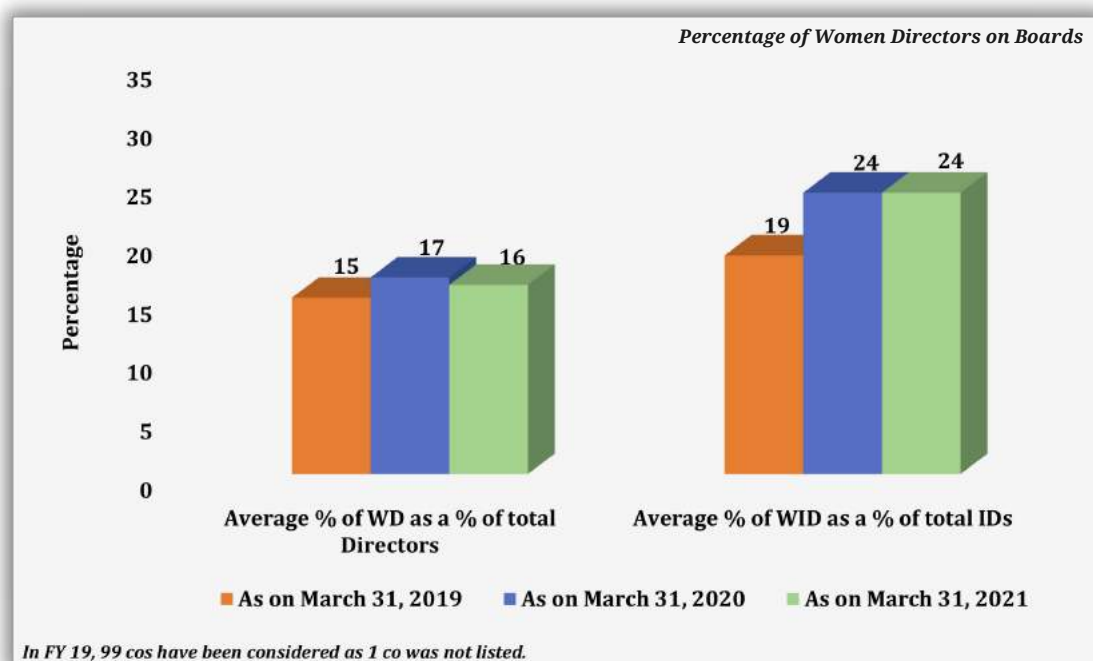
# DIVERSITY ON BOARDS

## GENDER DIVERSITY

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.

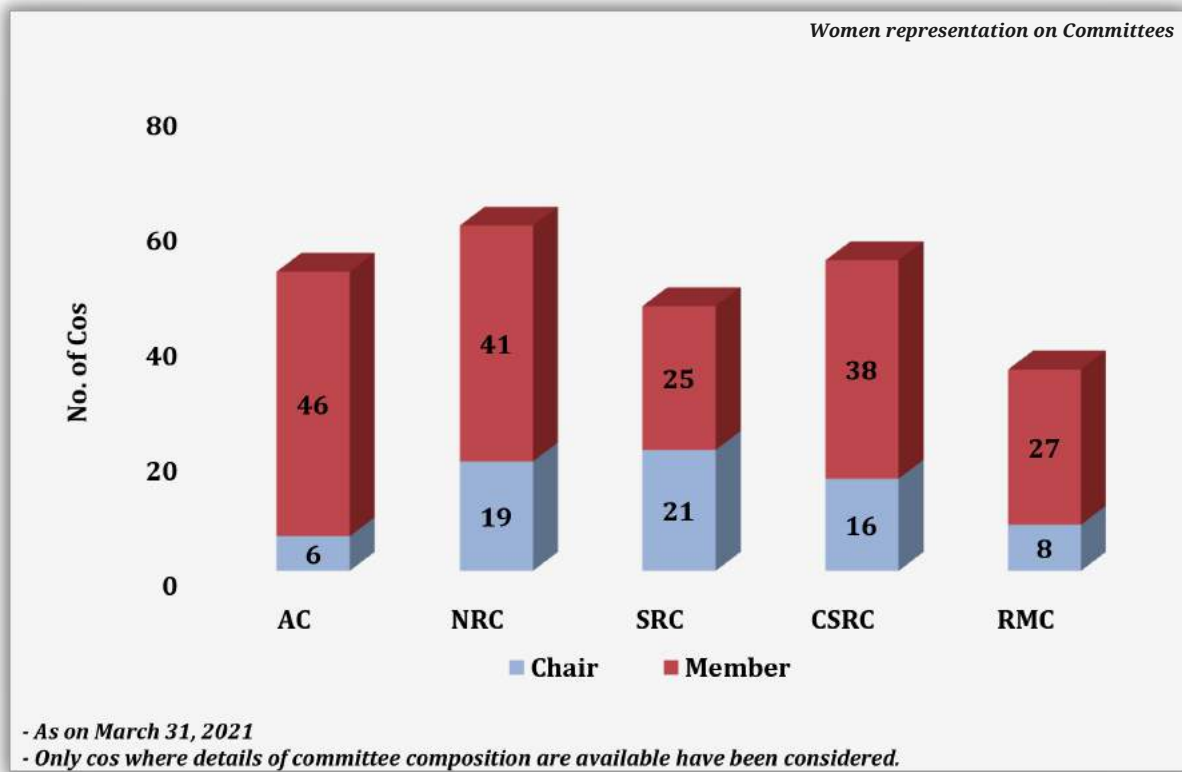
## PERCENTAGE OF WOMEN DIRECTORS

- As per Section 149(1) of the Companies Act, 2013, the following class of companies shall appoint at least one woman director (i) every listed company; (ii) every other public company having (a) paid-up share capital of one hundred crore rupees or more; or (b) turnover of three hundred crore rupees or more.
- As per Regulation 17 (1)(a) of SEBI LODR, 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;  
Provided that the Board of directors of the top 500 listed entities shall have at least one independent woman director by April 1, 2019 and the Board of directors of the top 1000 listed entities shall have at least one independent woman director by April 1, 2020.



- As on March 31, 2019, 15 companies, of which 4 were PSUs, had no woman ID on their Boards. 64 companies had 1 woman ID and 20 companies had 2 or more women IDs.
- As on March 31, 2020, 6 companies, of which 5 were PSUs, had no woman ID on their Boards. 67 companies had 1 woman ID and 27 companies had 2 or more women IDs.
- As on March 31, 2021, 12 companies, of which 8 were PSUs, did not have a woman ID on their Boards. 61 companies had 1 woman ID and 27 companies had 2 or more women IDs.
- In all 3 years, 1 company (non-PSU) did not have a woman ID.
- As on March 31, 2021, 3 companies had women as MDs of their companies, and 5 companies had women Chairs.

## WOMEN DIRECTORS - REPRESENTATION ON COMMITTEES

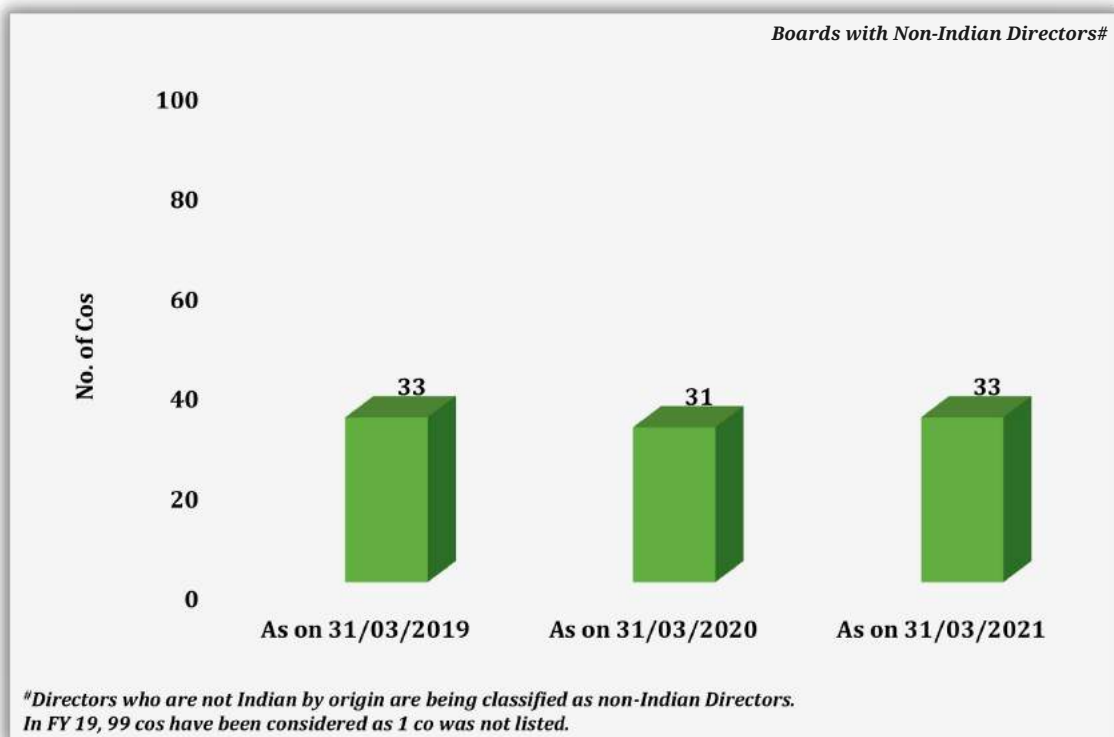


## WOMEN IN KMP POSITIONS

- As on March 31, 2021, there were 19 companies which had appointed a woman as a KMP.

## GEOGRAPHICAL DIVERSITY

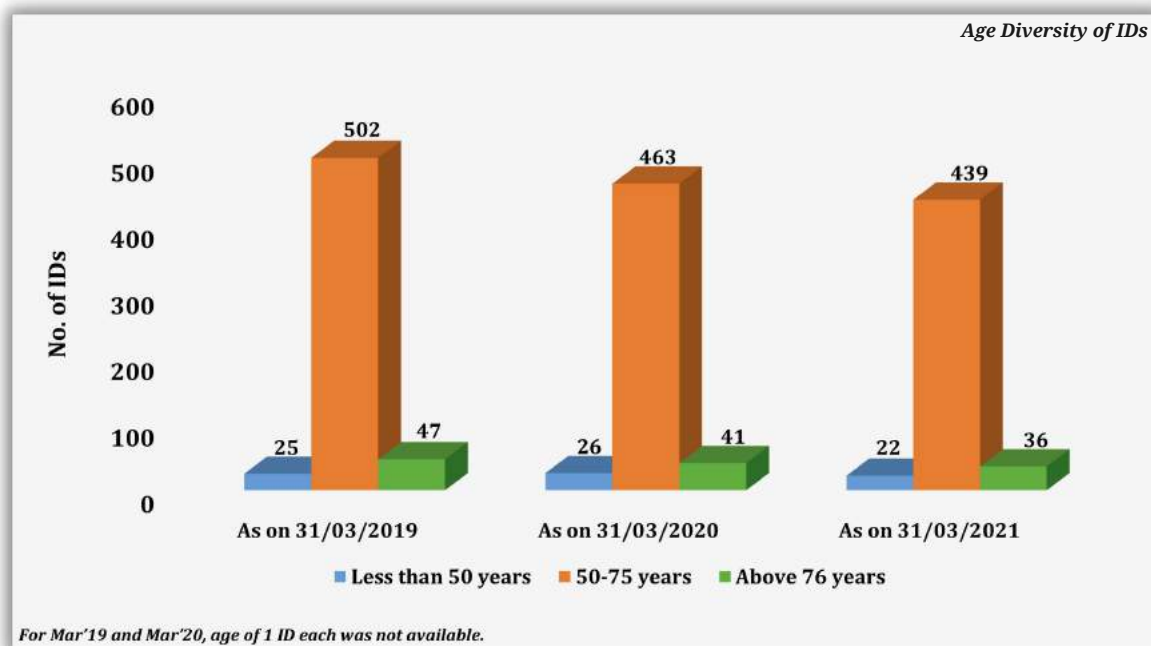
Diversity should include geographical diversity. With companies increasingly having a global presence, geographical diversity of Directors, has assumed importance.



- In the previous 3 FYs, 23 companies are common.

## AGE DIVERSITY

Given the pace and the nature of change in the economy and in the corporate world, induction of younger persons on the Boards will increase relevance of Boards.



- As on March 31, 2019, of the 575 IDs, 25 were less than 50 years. The youngest ID was 37 years, and the oldest was 91 years.
- As on March 31, 2020, of the 531 IDs, 26 were less than 50 years.
- As on March 31, 2021, of the 497 IDs, 22 were less than 50 years. The youngest ID was 37 years, and the oldest was 93 years.

## AVERAGE AGE OF IDS

- In FY 19, the average age of 575 IDs was 64.18 years.
- In FY 20, the average age of 531 IDs was 64.46 years.
- In FY 21, the average age of 497 IDs was 64.40 years.

## AVERAGE AGE OF CHAIR

- In FY 19, the average age of Chairs of 99 companies was 65.58 years.
- In FY 20, the average age of Chairs of 99 companies was 65.73 years.
- In FY 21, the average age of Chairs of 97 companies was 64.31 years.

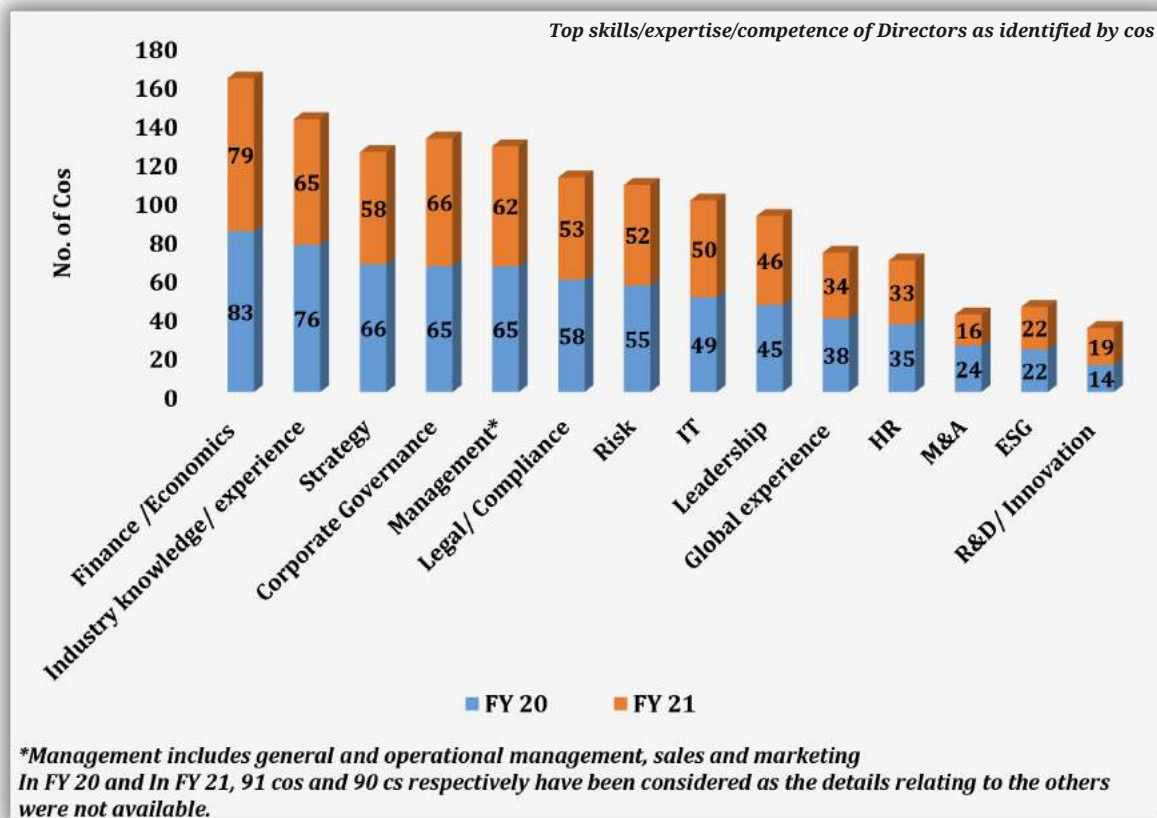
## EXPERTISE/ SKILL DIVERSITY

- As per Schedule V (C) (2) (h) of SEBI LODR Regulations, 2015, listed entities are required to give in their Corporate Governance Report, a chart or a matrix setting out the skills/expertise/competence of the Board of Directors specifying the following:

(i) With effect from the financial year ending March 31, 2019, the list of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and

(ii) With effect from the financial year ended March 31, 2020, the names of directors who have such skills / expertise / competence.

A Board is expected to capture the diversity that could enhance its performance. Missing skillsets, experience and expertise could detract from the effectiveness of the Board.



- In FY 20 and FY 21, none of the companies identified any missing competence at the Board-level. This could be indicative of a tick the box response to this Regulation.
- In FY 21, 8 and 11 companies respectively identified diversity and soft skills as skill sets.

# TENURE OF DIRECTORS

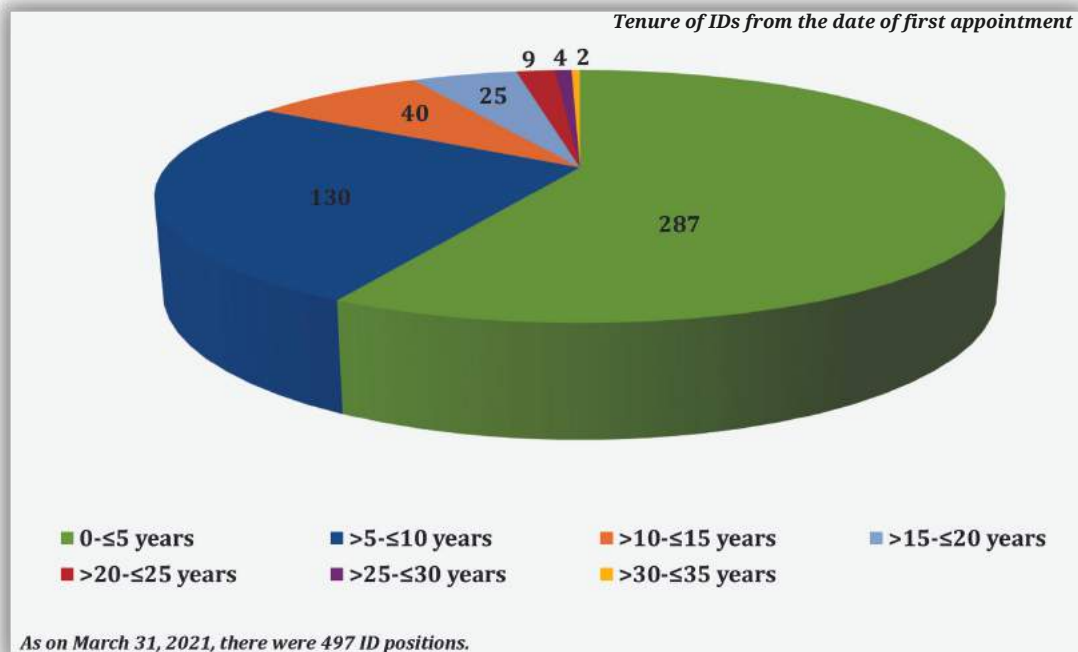
A reasonable tenure is a *sine qua non* for any Director, executive or non-executive, to contribute to the functioning of the Board. The legal provision of 2 terms, with a maximum of 5 years in each term, satisfactorily addresses the issue of tenure of IDs. As for non-IDs, including those who are liable to retire and to seek reappointment, the total period spent on the Board should not be so short so as to make it a mere Board presence, without adequate contribution. At the same time, too long a tenure will lead to staleness, and will stand in the way of inducting newer Directors, with fresh insights, and in some cases, more contextual relevance.

## TENURE OF CHAIRS

- As on March 31, 2021, average tenure of Chairs of 97 Boards from the date of first appointment was 16 years, with the longest tenure being of 51.03 years.

## TENURE OF IDs

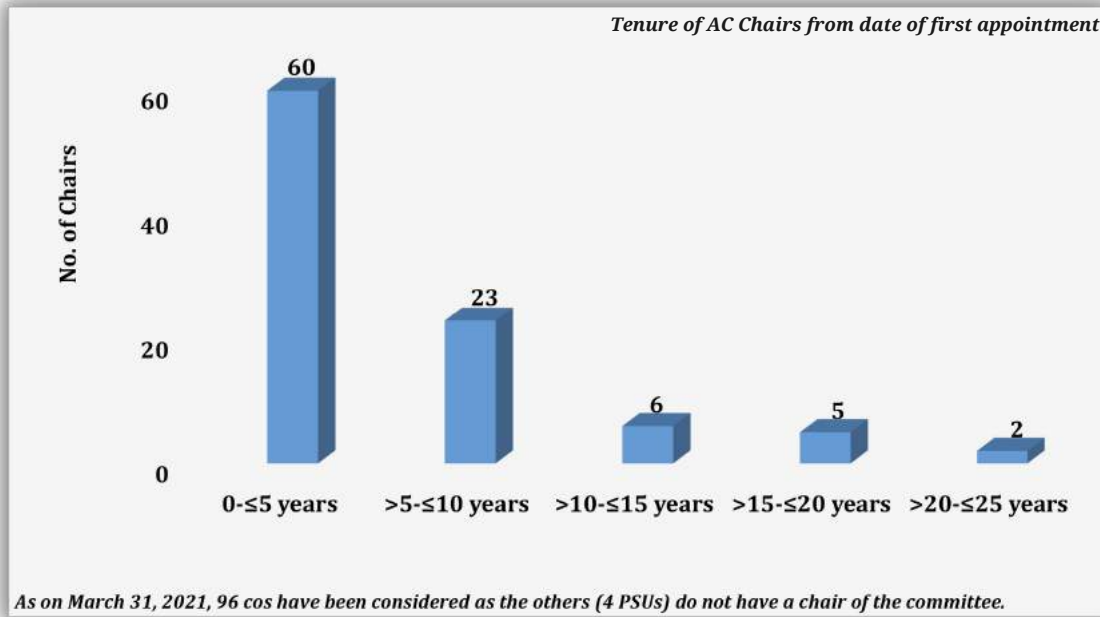
- As per Section 149(10) of the Companies Act, 2013, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.
- As per Section 149(11) of the Companies Act, 2013, notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director: Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.
- As per Regulation 25(2) of SEBI LODR Regulations, 2015, the maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.



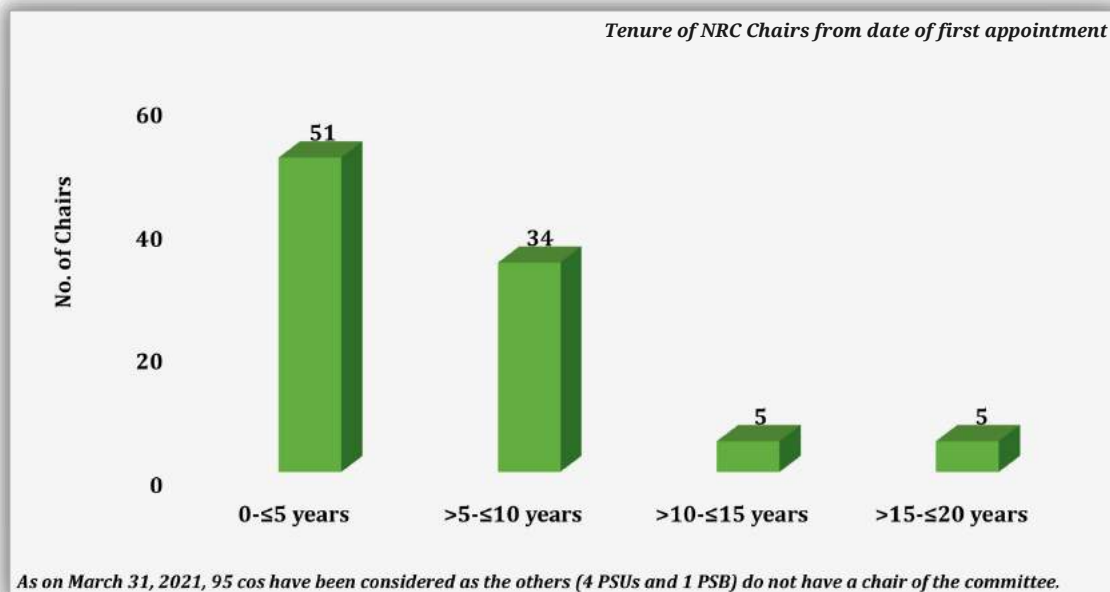
- There were 1028 Directors position as on March 31, 2021.
- As on March 31, 2021, average tenure of 1028 Directors from the date of first appointment is 7.65 years, with the longest tenure being of 52.61 years.
- As on March 31, 2021, there were 2 IDs, with the highest tenure of 34.04 years each.

## TENURE OF CHAIRS OF COMMITTEES

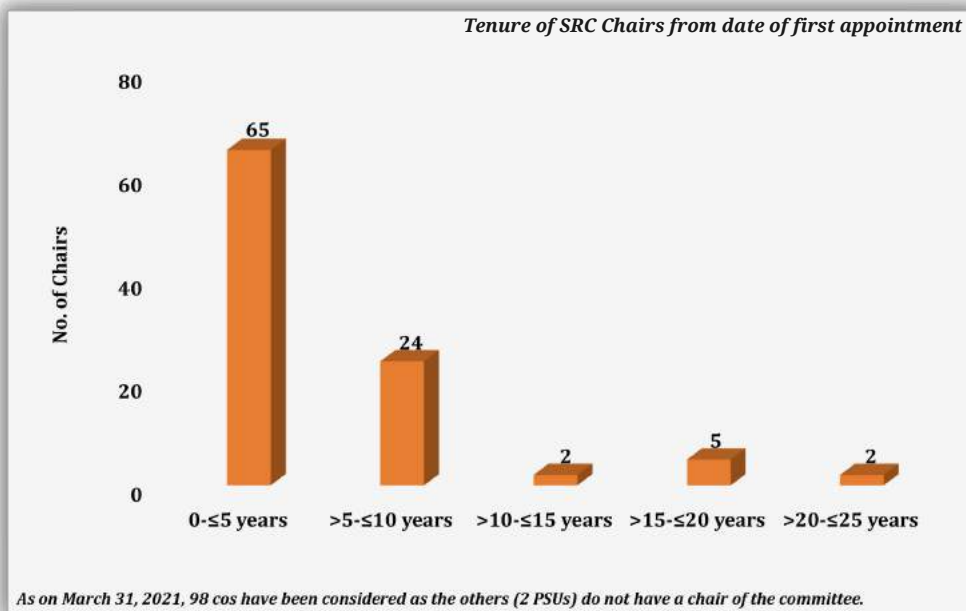
The Chair of every committee leaves his/her impression on, and significantly influences the functioning of the committee. The near interminable tenures of some of these Chairs of committees stand in the way of the committees reinventing themselves to meet emerging challenges. What is more critical is that extended spells as Chairs would tend to impact on the independence of the person concerned, as also to blunt the nature of challenge that should be mounted to the management. As in most other contexts, too long a tenure as the Chair of the committee should be avoided, while ensuring that the tenures are not so short as to be disruptive.



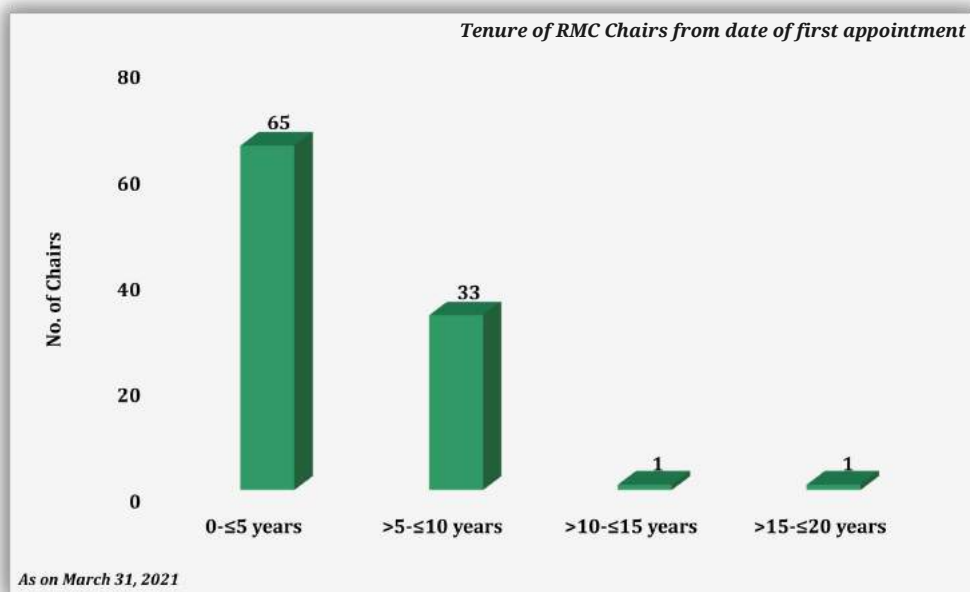
- The longest tenure of an AC Chair is 22.94 years. The appointment was on April 27, 1998.



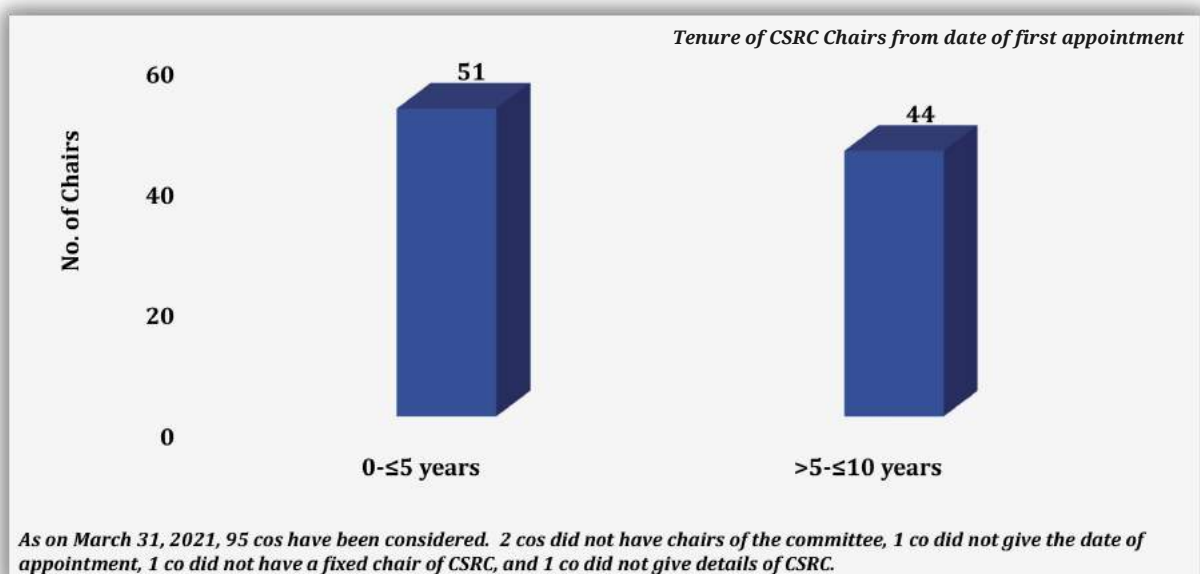
- The longest tenure of an NRC Chair is 18.87 years. The appointment was on May 22, 2002.



- The longest tenure an SRC Chair is 20.86 years. The appointment was on May 25, 2000.



- The longest tenure of an RMC Chair is 17.47 years. The appointment was on October 17, 2003.

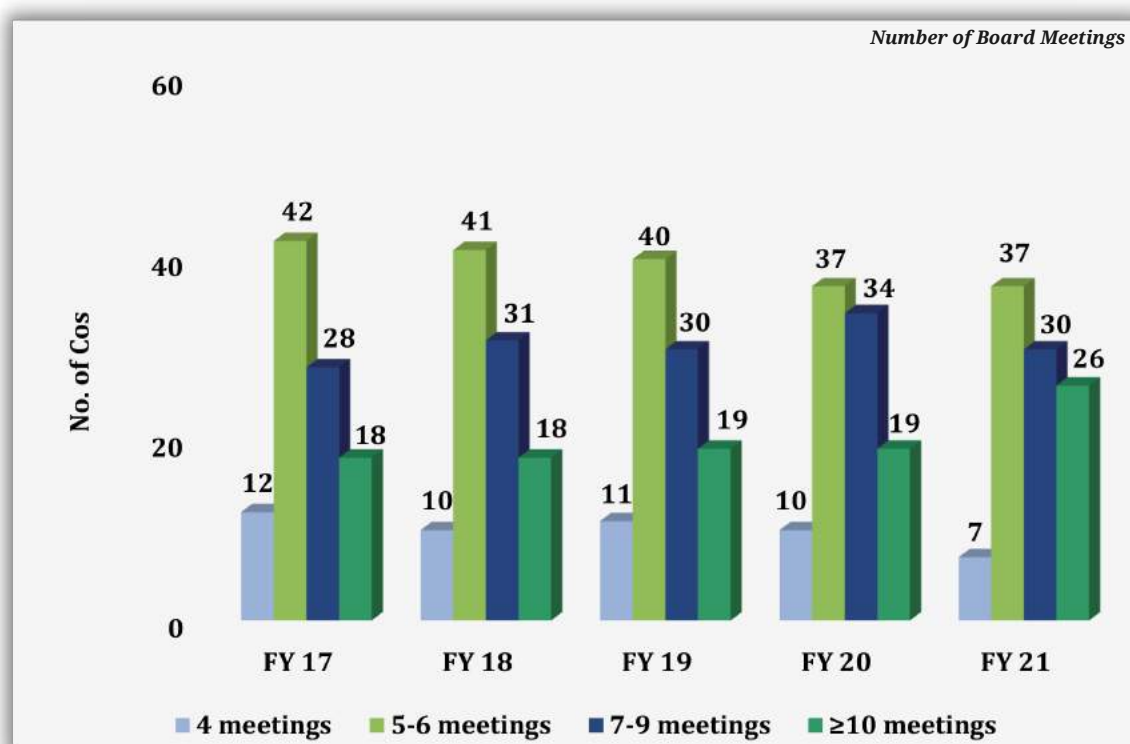


- The longest tenure of a CSRC Chair is 7.95 years. The appointment was on April 22, 2013.

# NUMBER OF BOARD MEETINGS

- As per Section 173(1) of the Companies Act, 2013, every company shall hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.
- As per Regulation 17(2) of SEBI LODR Regulations, 2015, the Board of Directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.

The minimum number of Board meetings prescribed by law and regulations is 4. Experience has however shown that companies that have at least 6 Board meetings, of sufficiently long duration, are able to extract more value from the Boards.



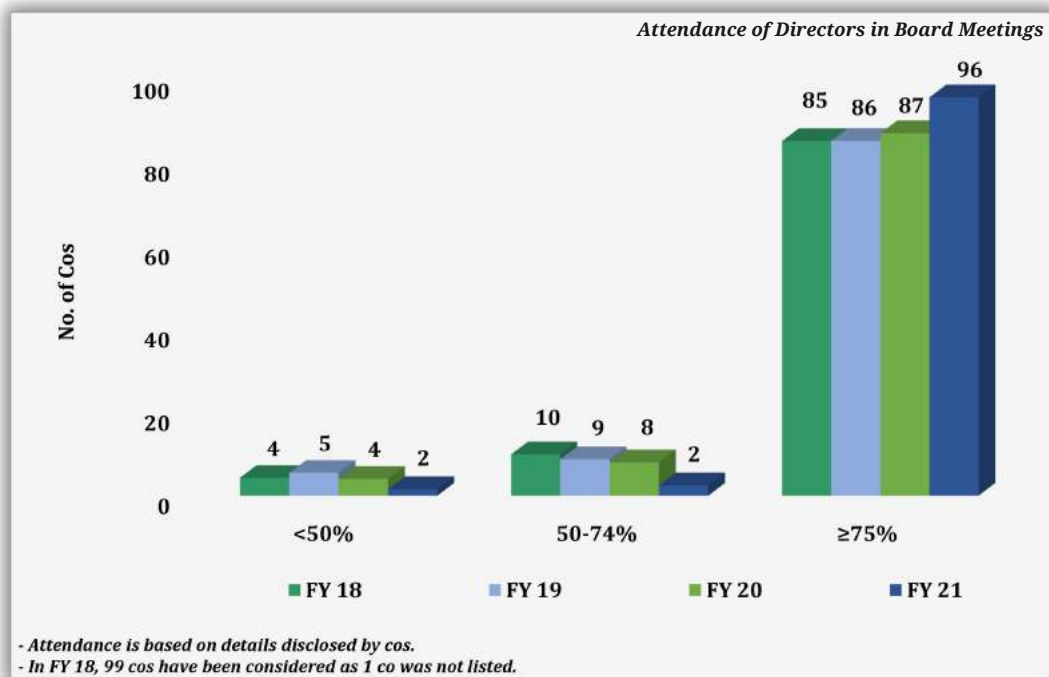
- Happily, in the case of Board meetings, most companies have exceeded the minimum of 4 meetings.
- More Board meetings should ordinarily add value, especially with the meetings, that do not focus on quarterly financial results, being able to devote quality time to other important items, such as strategy, succession planning and the like. However, if meetings are held far too often, they become routine engagements, with diminishing utility kicking in.
- In all previous 5 FYs, 2 companies conducted 4 Board meetings.
- Highest number of Board meetings conducted in FY 17 were 19 (2 companies); in FY 18 were 19; in FY 19 were 21; in FY 20 were 22; and in FY 21 were 19 (2 companies). It might be worthwhile for such Boards to examine the productivity of, and the requirement for, such meetings.

# ATTENDANCE OF DIRECTORS IN BOARD MEETINGS

- As per Section 167(1)(b) of the Companies Act, 2013, the office of a director shall become vacant in case he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board.

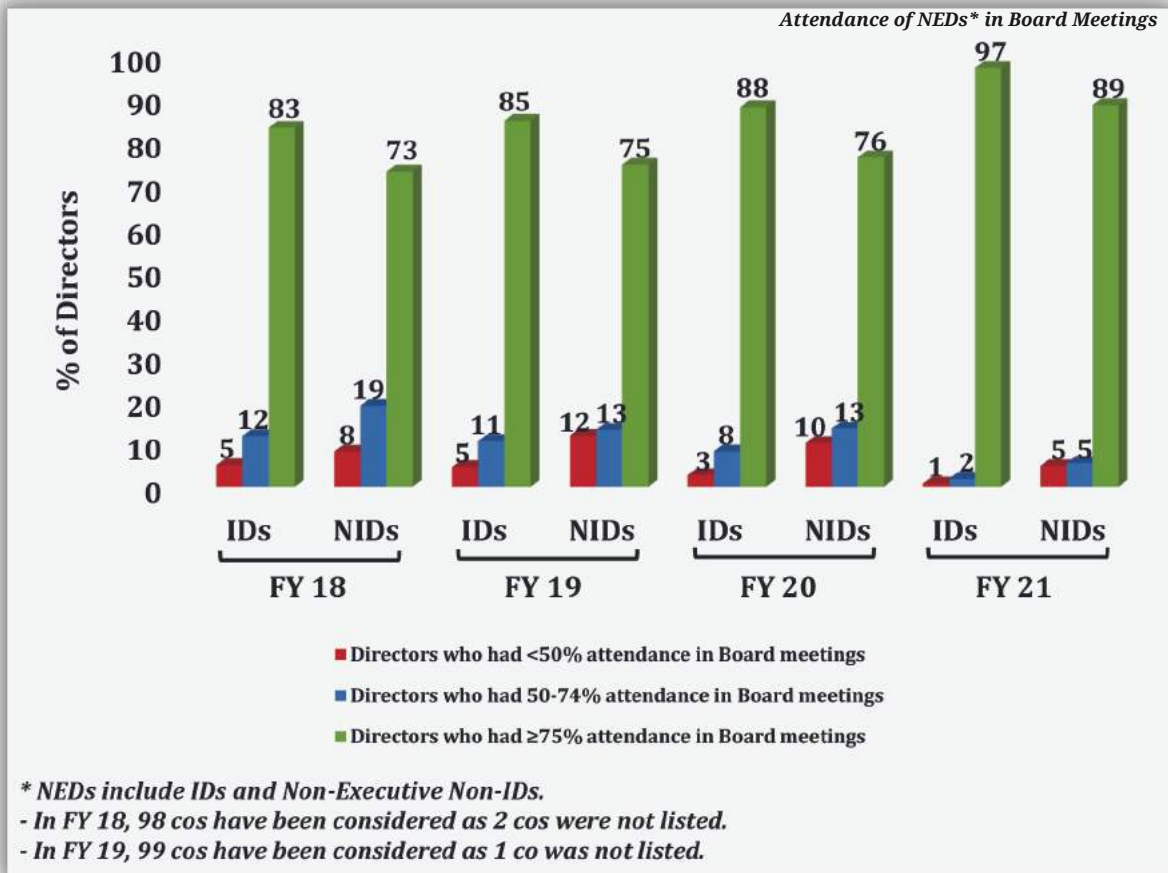
It is a legitimate expectation that every Director, executive or non-executive, attends every meeting of the Board of Directors. Absence from Board meetings has to be for extraordinary reasons, and not for reasons that could have been anticipated. The legal provision that each Director has to attend at least 1 Board meeting in a year, is clearly unsatisfactory.

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.



- In FY 20, 63% of Board members had 100% attendance, and 14 Directors had zero attendance.
- In FY 21, 86% of Board members had 100% attendance, and 6 Directors had zero attendance.

## ATTENDANCE OF NEDs (INCLUDING IDs) IN BOARD MEETINGS



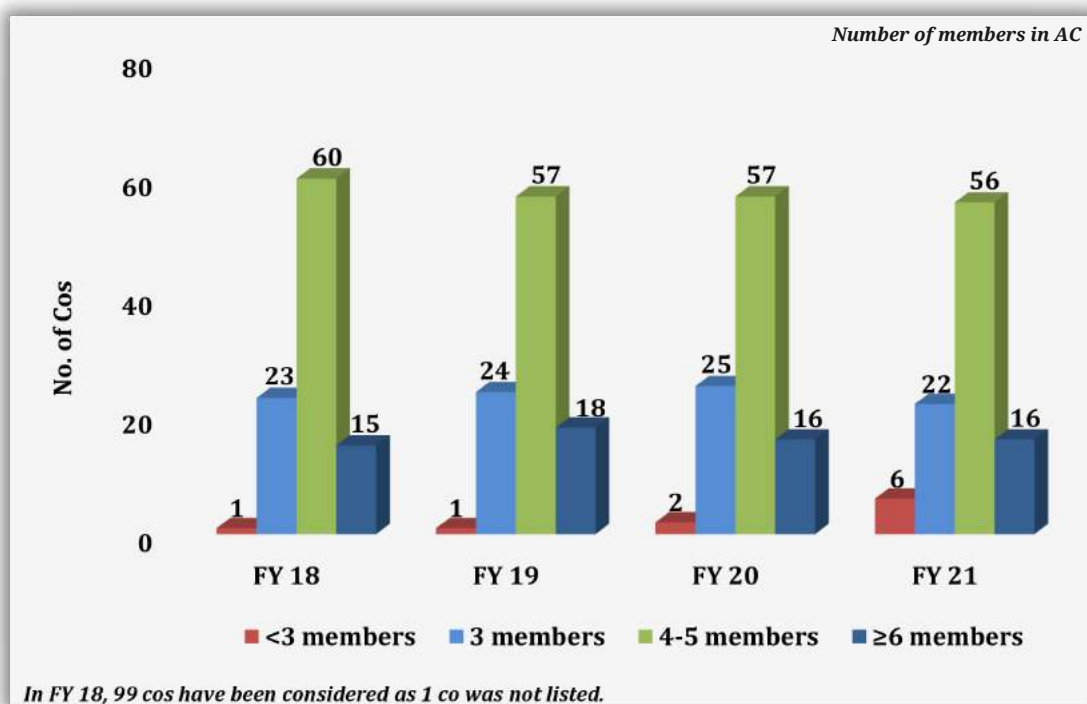
- In FY 18,
  - 55% of IDs and 47% of NIDs had 100% attendance.
  - 4 IDs and 8 NIDs had 0 attendance.
- In FY 19,
  - 57% of IDs and 53% of NIDs had 100% attendance.
  - 5 IDs and 4 NIDs had 0 attendance.
- FY 20,
  - 58% of IDs and 55% of NIDs had 100% attendance.
  - 6 IDs and 7 NIDs had 0 attendance.
- FY 21,
  - 89% of IDs and 73% of NIDs had 100% attendance.
  - 1 ID and 5 NIDs had 0 attendance.
  - Attendance had significantly improved because the meetings were virtual.

# COMMITTEES

## AUDIT COMMITTEE

### COMPOSITION OF AC

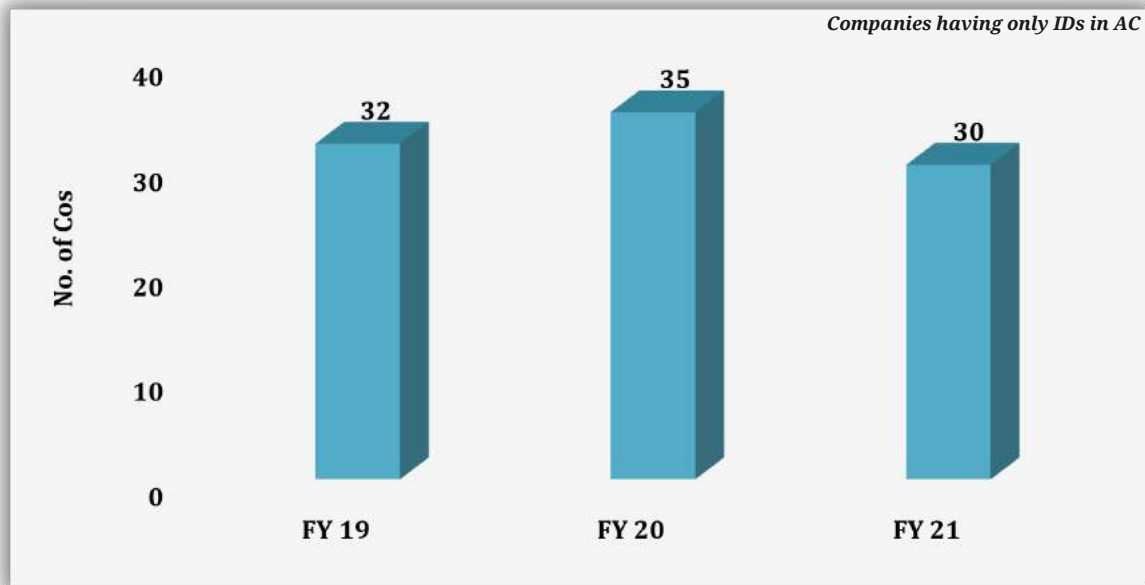
- As per Section 177(2) of the Companies Act, 2013, the audit committee shall consist of a minimum of three directors.
- As per Regulation 18(1) of SEBI LODR Regulations, 2015,
  - a. The audit committee shall have minimum three directors as members.
  - b. Two-thirds of the members of audit committee shall be independent directors.
  - c. The chairperson of the audit committee shall be an independent director and he shall be present at Annual general meeting to answer shareholder queries.



- Highest number of members in FY 18, FY 19 and FY 20 was 9; and in FY 21 was 8.

### AC WITH ONLY IDs

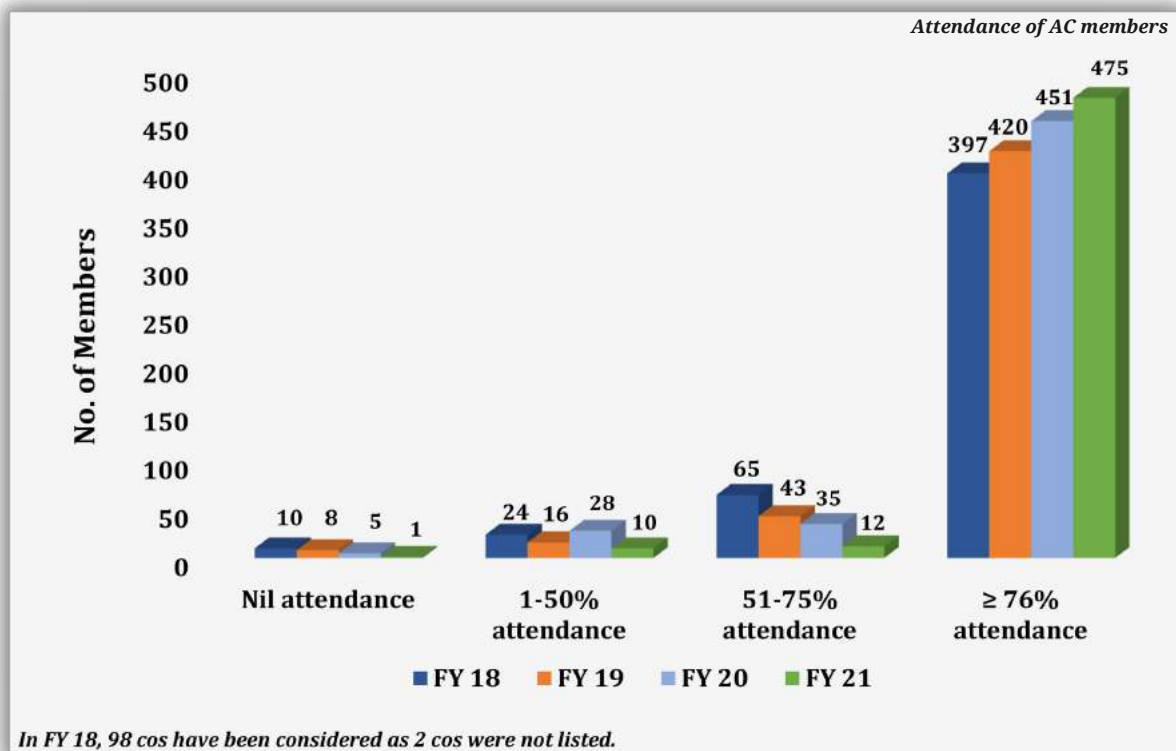
Given that the role of the AC is to judge the legality and propriety of management actions, it would be best if the AC is comprised only of IDs, with management representatives as invitees. While such a stipulation is not on the anvil, companies that recognise the significance of having ACs with only IDs as members, would be in the forefront of Corporate Governance. As a step in this direction, SEBI has mandated (wef January 1, 2022) that RPTs would be cleared only by the IDs on the AC.



- In previous 3 FYs, of the companies which had only IDs as members of AC, 23 were common.

## ATTENDANCE OF AC MEMBERS

AC meetings are excellent clearing houses of information, and fora for exchanging ideas that capture best practices. It follows that all members of the AC must attend each and every meeting. Any member not attending a single meeting throughout the year, should be taken out of the committee.



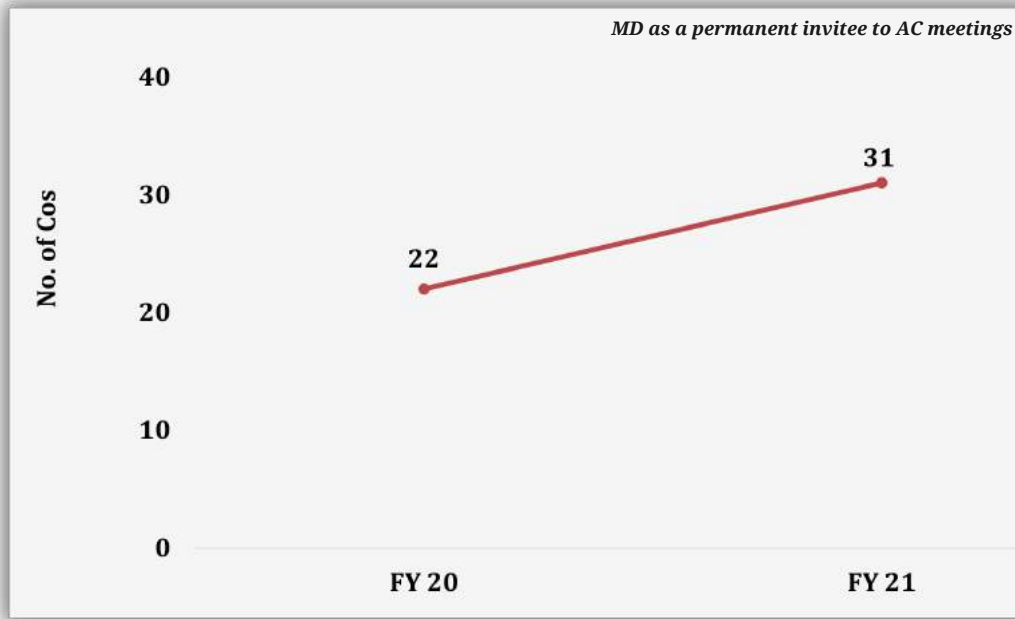
- In FY 18, 67% of members had 100% attendance.
- In FY 19, 70% of members had 100% attendance.
- In FY 20, 70% of members had 100% attendance.
- In FY 21, 89% of members had 100% attendance.

## COMMON CHAIR OF BOARD AND AC

While there is no statutory restriction that the Chair of the Board should not Chair the AC, it is an excellent practice to have 2 different persons manning these 2 positions, as that would ensure the objective functioning of the AC.

- In FY 20 and FY 21, 3 companies had the same person chairing the Board and the AC.

## MD AS A PERMANENT INVITEE TO AC

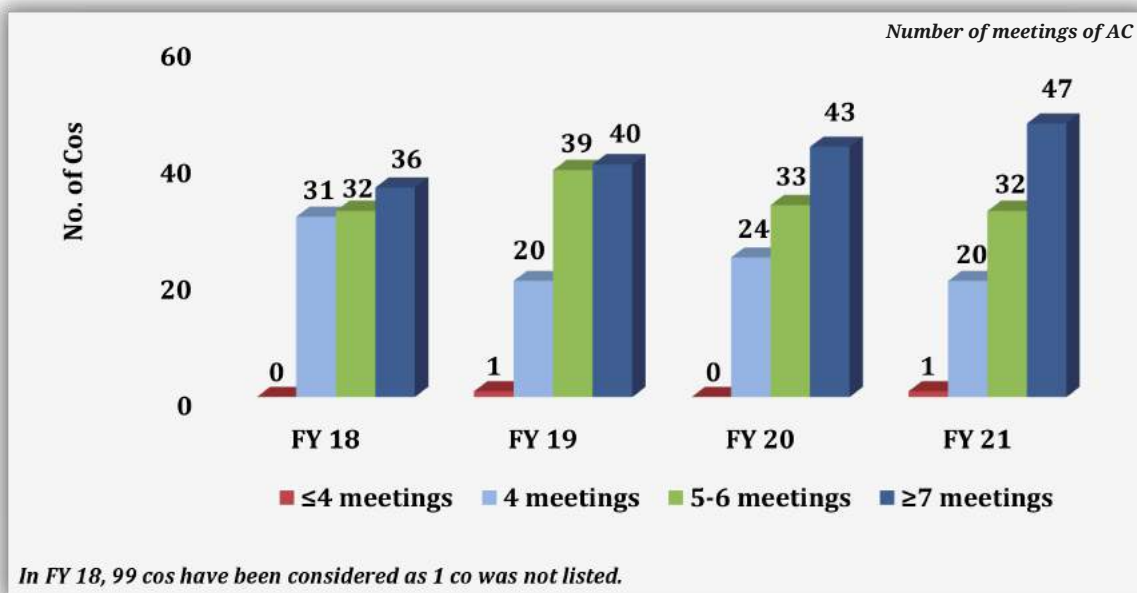


- SEBI LODR Regulations, 2015 do not specifically provide for the inclusion, or otherwise, of the MD of the company in the AC.
- Executives, including the MD, can be invited to be present when the committee feels that they would be in a position to clarify matters or add to the information made available to the AC.
- In the previous 2 FYs, 12 companies are common.

## NUMBER OF MEETINGS

- *As per Regulation 18(2)(a) of SEBI LODR Regulations, 2015, the audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.*

The regulatory prescription that the AC shall meet at least 4 times in anyway does not travel far enough. The 4 quarterly meetings that focus on results and related matters do not enable detailed discussions on matters such as Internal Audit reports, adequacy of internal controls, and several other non-accounting matters. 6 meetings a year would be the minimum number for the efficient performance of duties of an AC.



- In previous 4 FYs, 7 companies have continued to convene only 4 meetings.
- In FY 21, 1 PSU did not convene any AC meeting.
- Highest number of meetings in FY 18 was 16; in FY 19 was 18; in FY 20 was 19; and FY 21 was 16.

# NOMINATION AND REMUNERATION COMMITTEE

## COMPOSITION OF NRC

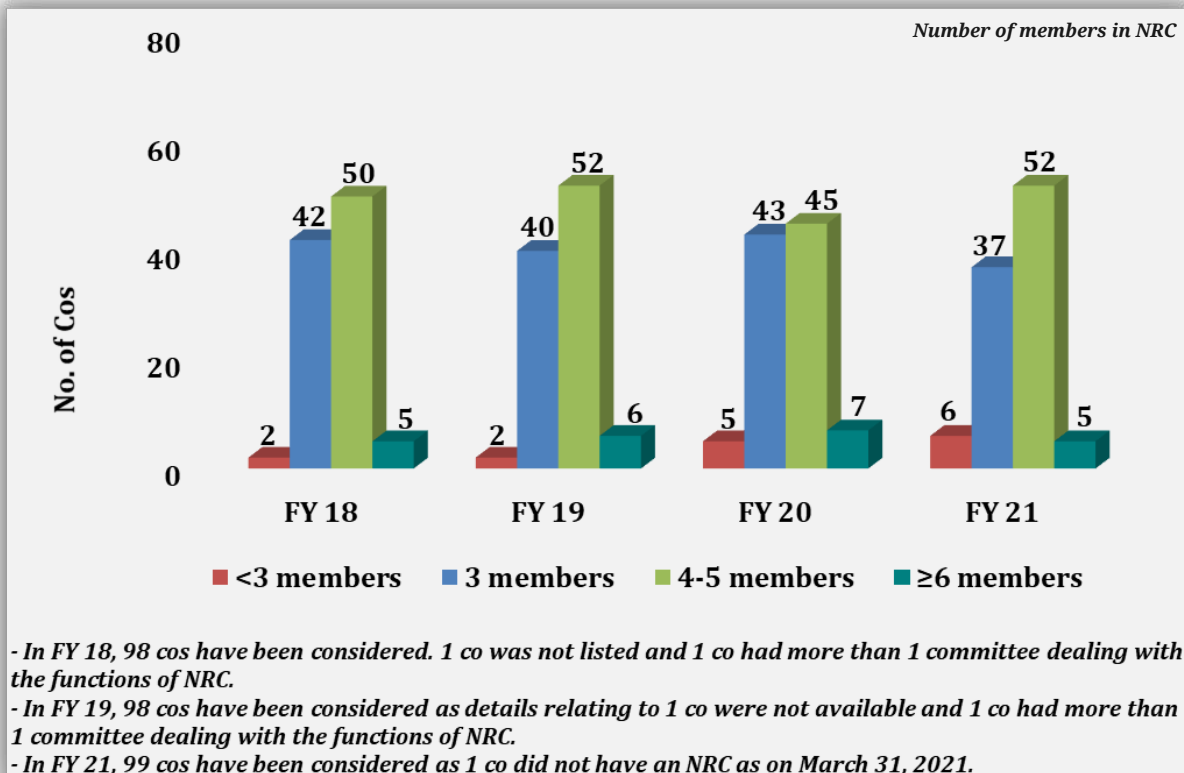
- As per Section 178(1) of the Companies Act, 2013, the Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors.

Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

- As per Regulation 19(1) of SEBI LODR Regulations, 2015, the Board of Directors shall constitute the nomination and remuneration committee as follows:
  - the committee shall comprise of at least three directors;
  - all directors of the committee shall be non-executive directors; and
  - at least fifty percent of the directors shall be independent directors.
- As per Regulation 19(2) of SEBI LODR Regulations, 2015, the Chairperson of the nomination and remuneration committee shall be an independent director:

Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee

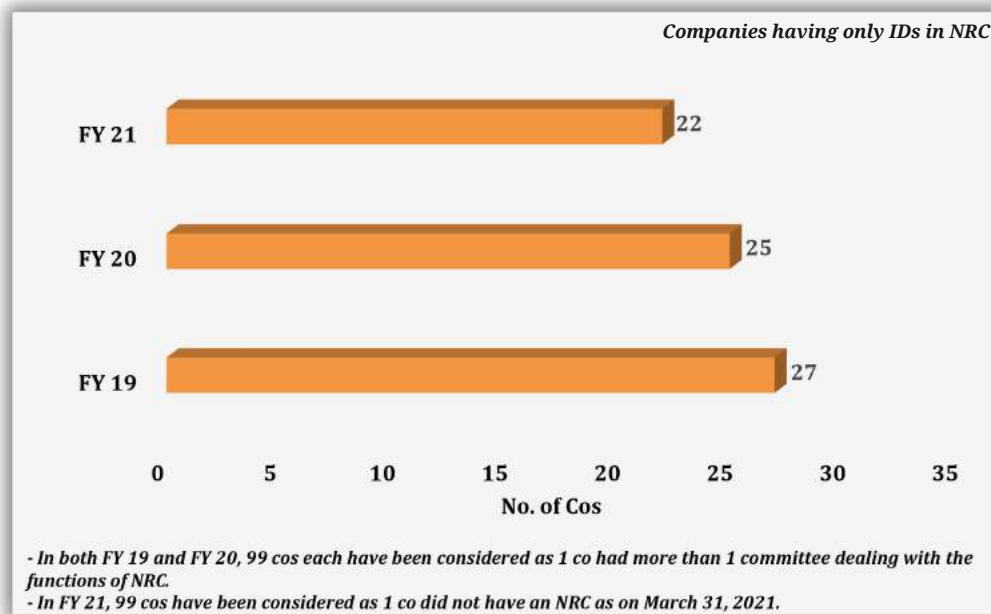
NRCs have come into their own in the last 2 years, partly on account of Covid-derived disruptions in the workforce, and the increasing focus on succession planning, compensation, and the identification of persons with skillsets and expertise relevant to the Board.



- Highest number of members in FY 18 was 9; in FY 19 was 8; and in FY 20 and in FY 21 was 7. This size could be unwieldy, and less productive for the functioning of the NRC.

## NRC WITH ONLY IDs

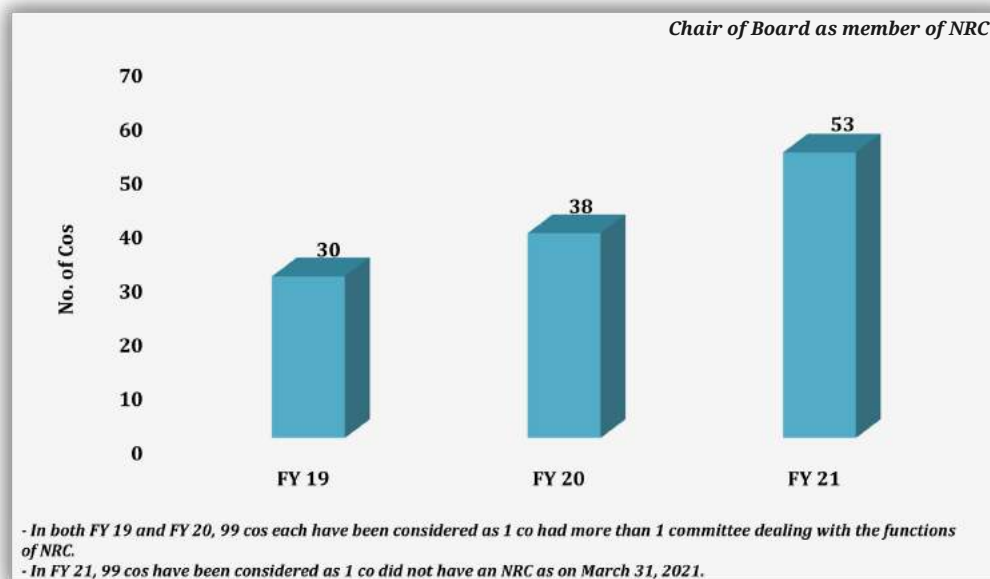
The requirement that IDs should constitute the majority of the members of the NRC, is to ensure objectivity in the composition of Boards and the selection of KMPs and SMPs. This also ensures that remuneration is appropriately benchmarked with that of the peer group, and that performance and remuneration go hand in hand. NRCs with only IDs as members would be a desirable proposition.



- In previous 3 FYs, of the companies which had only IDs as members of the committee, 17 were common.

## CHAIR OF BOARD AS A MEMBER OF NRC

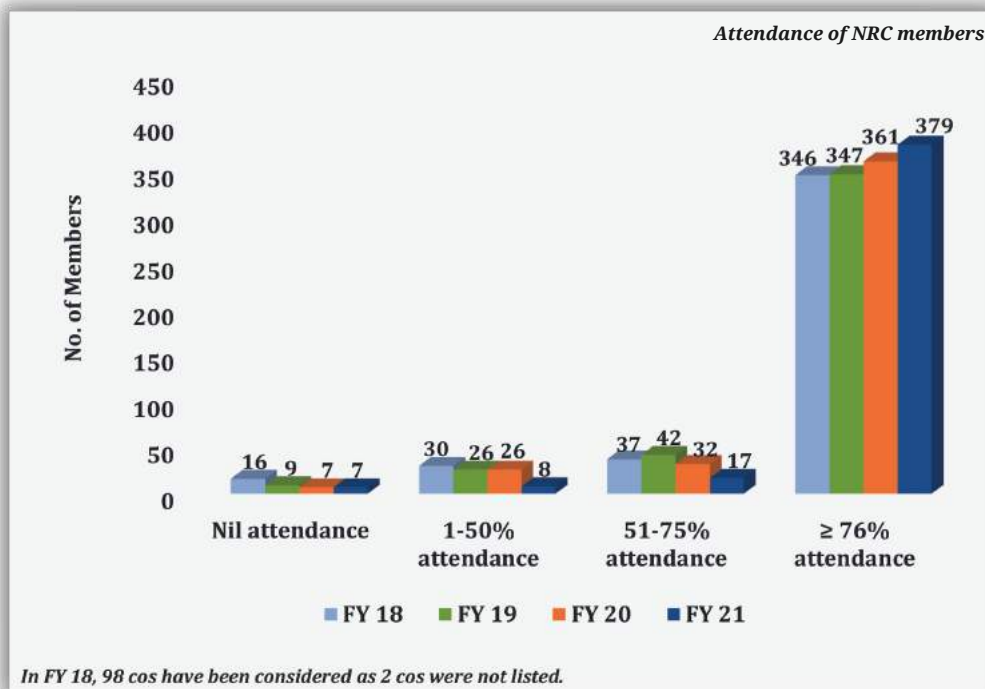
Not having the Chair of the Board as a member of the NRC could lead to the deliberations of the NRC not being informed by the first-hand experience and understanding that the Chair of the Board could bring to the deliberations. Having the Chair of the Board as a member, without him/her being a Chair of the NRC, will balance the availability of appropriate insights, and the independence of the NRC.



- In previous 3 FYs, 23 companies are common.

## ATTENDANCE OF NRC MEMBERS

Given the importance of the NRC, it is of paramount importance that all members should strive to attend every meeting that is scheduled. Continuous absence of any member should lead to his/her being taken out of the committee.

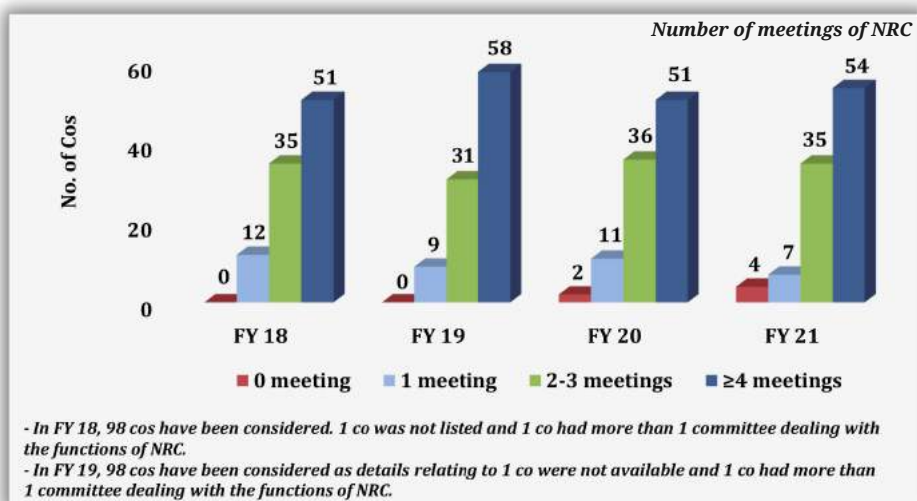


- In FY 18, 75% of members had 100% attendance.
- In FY 19, 76% of members had 100% attendance.
- In FY 20, 81% of members had 100% attendance.
- In FY 21, 89% of members had 100% attendance.

## NUMBER OF MEETINGS

- *As per Regulation 19(3A) of SEBI LODR Regulations, 2015, the nomination and remuneration committee shall meet at least once in a year (wef April 1, 2019).*
- *SEBI vide circular dated March 26, 2020, allowed nomination and remuneration committee to hold its meeting till June 30, 2020 instead of March 31, 2020.*

The regulatory provision that the NRC shall meet at least once a year does not keep pace with the increased remit of the NRC, and the importance of the tasks assigned to it. The workload in most NRCs would seem to indicate that 4 meetings a year would be the minimum required to do justice to the remit of the NRC.



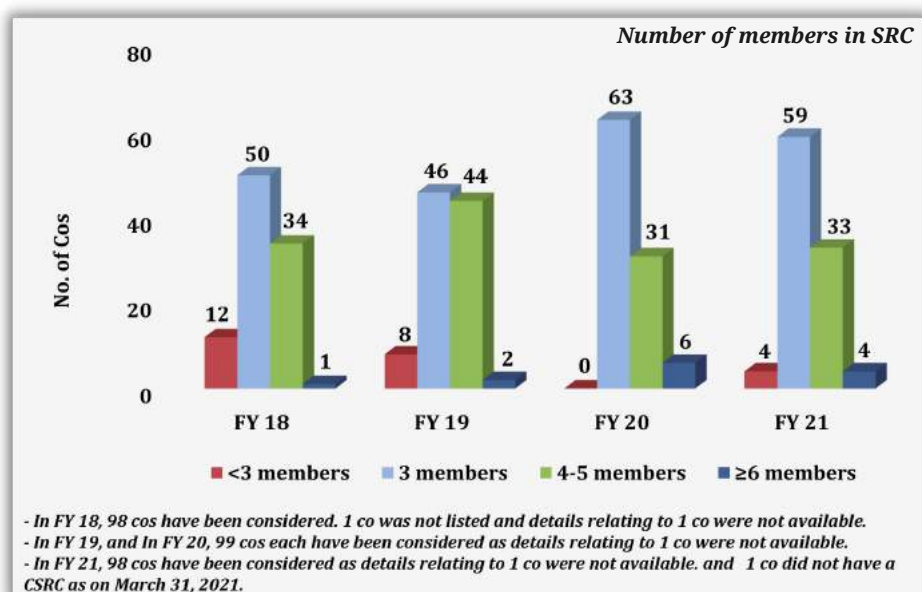
- Highest number of meetings in FY 18 was 9; in FY 19 was 16; in FY 20 was 11; in FY 21 was 28.

# STAKEHOLDERS RELATIONSHIP COMMITTEE

## COMPOSITION OF SRC

- As per Section 178(5) of the Companies Act, 2013, the Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the Board.
- As per Regulation 20(2A) of SEBI LODR Regulations, 2015, at least three directors, with at least one being an independent director, shall be members of the Committee (wef April 1, 2019).
- As per Regulation 20(2) of SEBI LODR Regulations, 2015, the chairperson of this committee shall be a non-executive director.

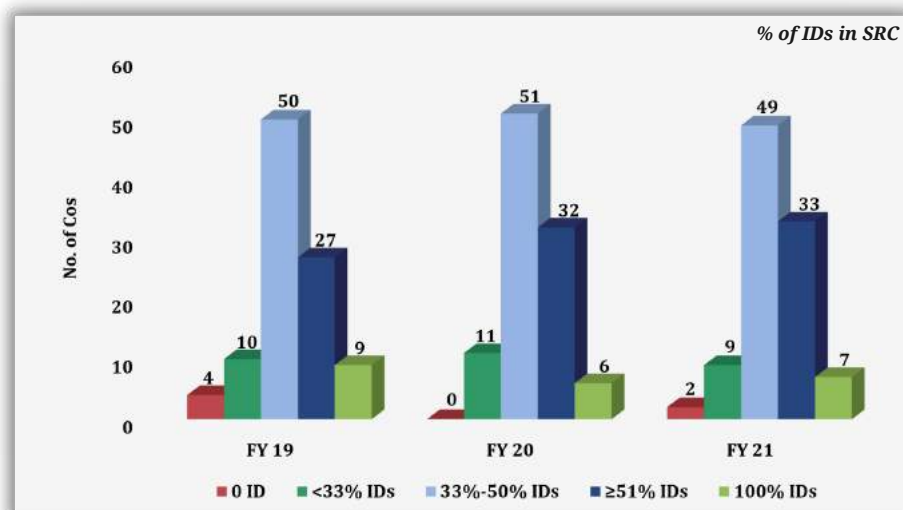
The Companies Act, 2013 requires that the Chair of SRC should be an NED, and other members may be as decided by the Board. SEBI LODR Regulations, 2015 provides that the committee should have at least 3 members, with at least 1 being an ID. This is a fit case for reconciling the provisions of the Act and the Regulations.



- Highest number of members in FY 18 was 6; in FY 19 was 8; in FY 20 was 6; and FY 21 was 8.

## PERCENTAGE OF IDs IN SRC

Since the SRC is tasked to look into the grievances of holders of securities, it is preferable not to leave the satisfactory resolution of these grievances to Board members who are not IDs. Instances of possible minority oppression can be addressed at an early stage by an SRC with IDs constituting the majority.

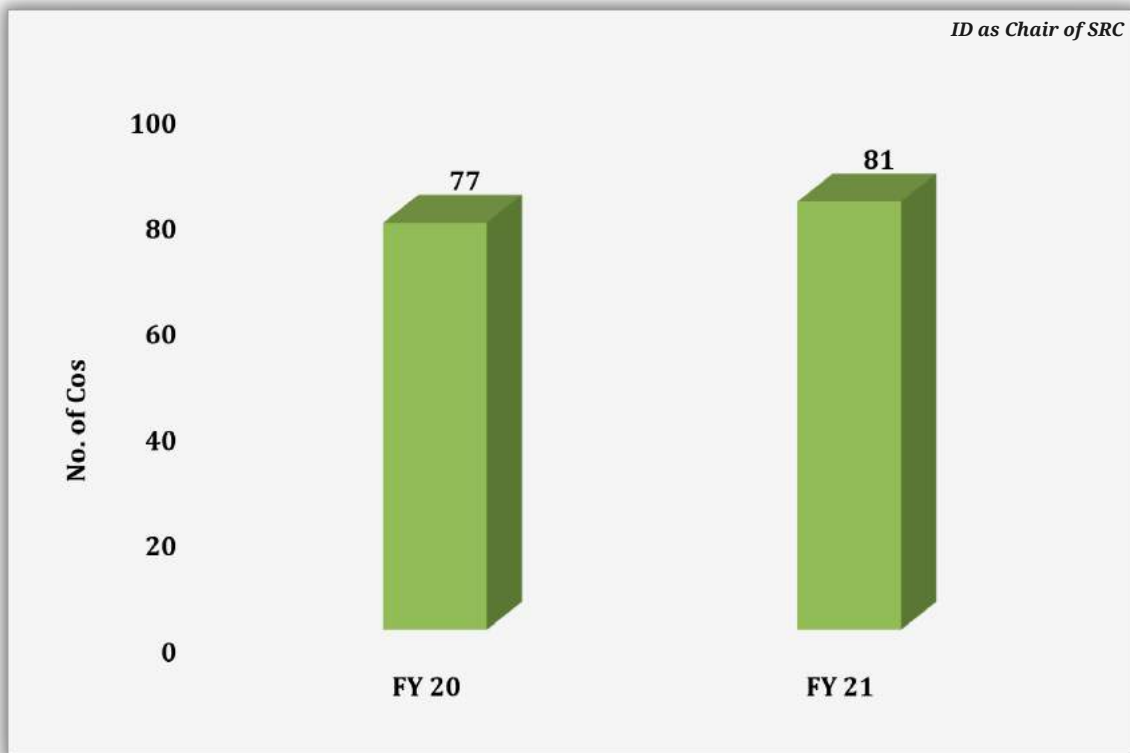


- In previous 3 FYs, 6 companies have all IDs.

## ID AS CHAIR OF SRC

- *As per Section 178(5) of the Companies Act, 2013, ....Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive director...*
- *As per Regulation 20(2) of SEBI LODR Regulations, 2015, the chairperson of this committee shall be a non-executive director.*

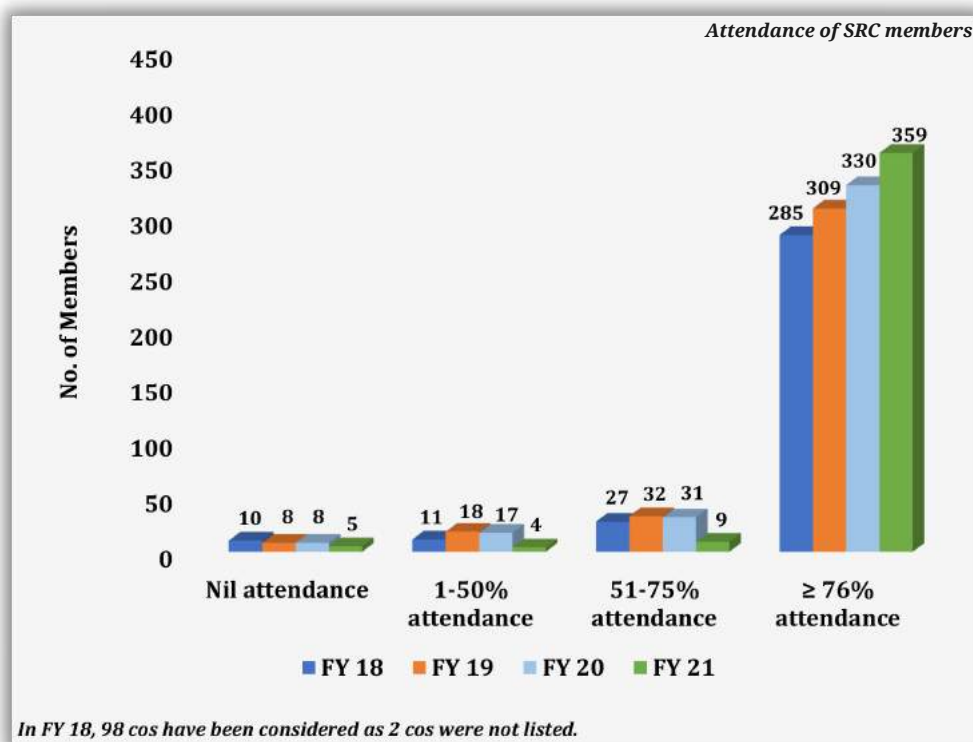
Law and regulations mandate that an NED should Chair the SRC. It would be better to travel further and prescribe that an ID should Chair the SRC given its role.



- In FY 20 and FY 21, 73 companies are common.

## ATTENDANCE OF SRC MEMBERS

Non-attendance or inadequate attendance at SRC meetings is indicative of a lack of attention being paid to stakeholders. Any member not attending a single meeting throughout the year should be taken out of the committee.



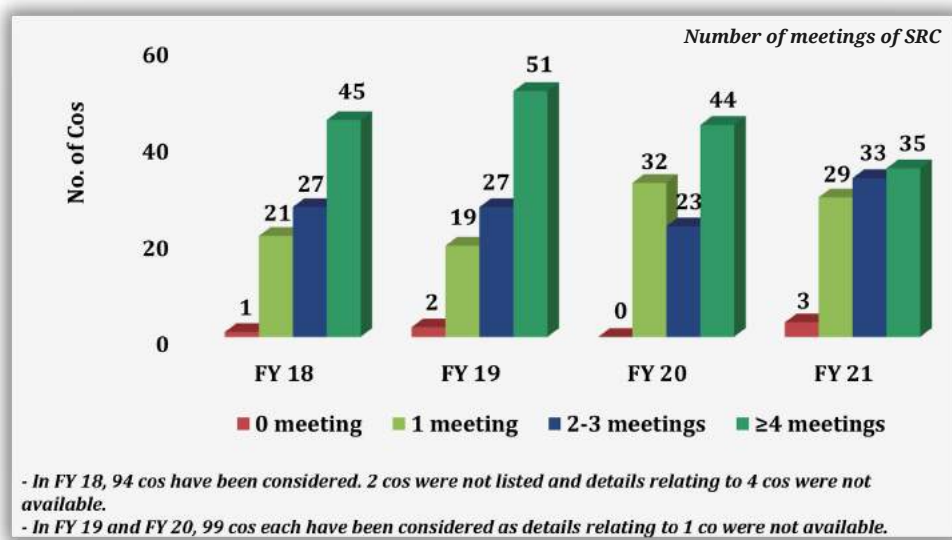
- In FY 18, 78% of members had 100% attendance.
- In FY 19, 82% of members had 100% attendance.
- In FY 20, 83% of members had 100% attendance.
- In FY 21, 91% of members had 100% attendance.

## NUMBER OF MEETINGS

- *As per Regulation 20(3A) of SEBI LODR Regulations, 2015, the stakeholders relationship committee shall meet at least once in a year (wef April 1, 2019).*
- *SEBI vide circular dated March 26, 2020, allowed stakeholders relationship committee to hold its meeting till June 30, 2020 instead of March 31, 2020.*

Since the SRC has evolved into its present avatar from the erstwhile Shareholders Grievance Committee, it would be appropriate to expand its remit to cover other categories of stakeholders. Having only 1 meeting of the SRC each year is reflective of inadequate concern for the legitimate grievances of stakeholders.

However, having a large number of meetings, with only a few complaints to be resolved, would also be counterproductive, unless the remit of the SRC is expanded to include concerns of stakeholders, other than those of holders of securities.

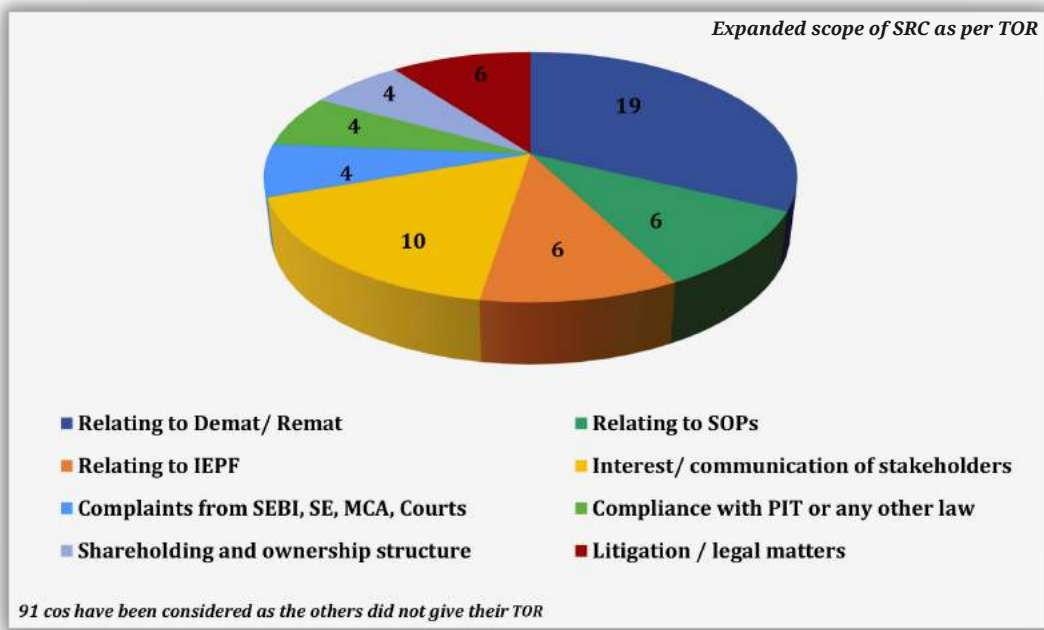


- In previous 4 FYs, 11 companies continued to convene only 1 meeting.
- Highest number of meetings in FY 18 was 14; FY 19 was 19; FY 20 was 18; and FY 21 was 9. The reason for conducting so many meetings is not clear given the limited remit, as per statute, of the SRC.
- In FY 20 and FY 21, there were 15 companies and 12 companies respectively in which complaints received by SRC were equal to or less than the number of committee meetings held during the year. Of these, 3 companies in each year have expanded the scope of SRC beyond the prescription under SEBI LODR Regulations, 2015.

## EXPANDED SCOPE OF SRC

- *As per Section 178(6) of the Companies Act, 2013, the Stakeholders Relationship Committee shall consider and resolve the grievances of security holders of the company.*
- *As per Regulation 20(1) of SEBI LODR Regulations, 2015, the listed entity shall constitute a Stakeholders Relationship Committee to specifically look into various aspects of interest of shareholders, debenture holders and other security holders.*
- *As per Schedule II - Part D of SEBI LODR Regulations, 2015, the role of the committee shall inter-alia include the following:*
  - (1) *Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.*
  - (2) *Review of measures taken for effective exercise of voting rights by shareholders.*
  - (3) *Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.*
  - (4) *Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.*

The SRC which is a successor of the Shareholder Grievance Committee, has a very limited statutory remit, which is not in sync with the expansionist name which it bears. It is necessary to expand the scope of work of this committee by including in its remit, stakeholders other than holders of securities.

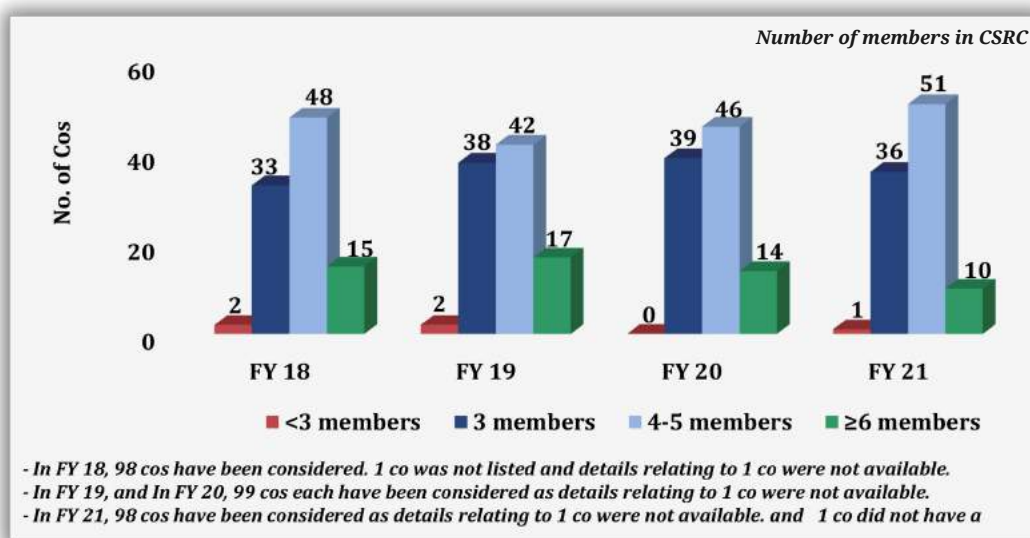


- TOR of SRC of 55 companies has only the mandatory provisions.
- Some of the additional terms include looking into money laundering cases, secretarial audit report review, shareholder satisfaction survey, ensuring controls etc.

# CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

## COMPOSITION OF CSRC

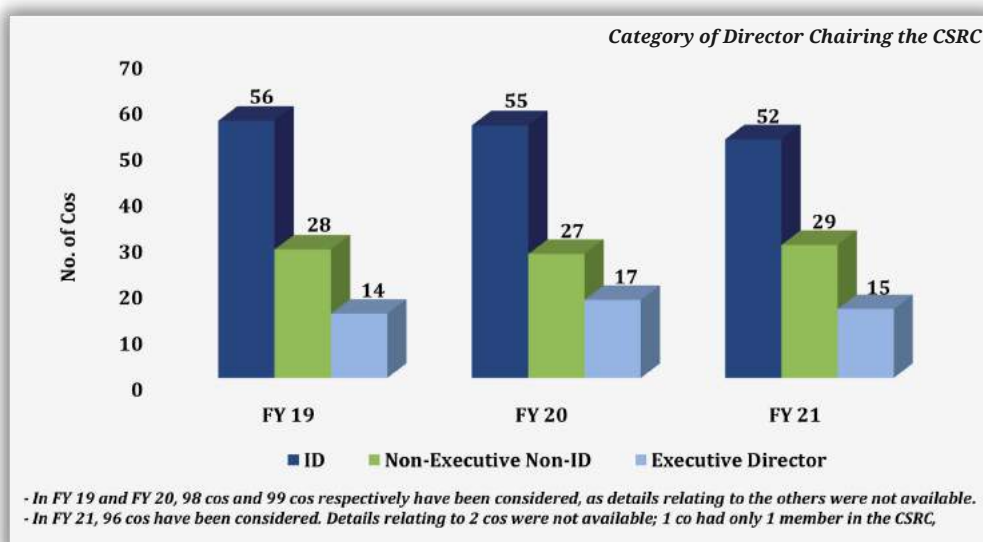
- As per Section 135(1) of the Companies Act, 2013, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.



- Highest number of members in FY 18 was 8; in FY 19 was 9; and in FY 20 and in FY 21 was 8.

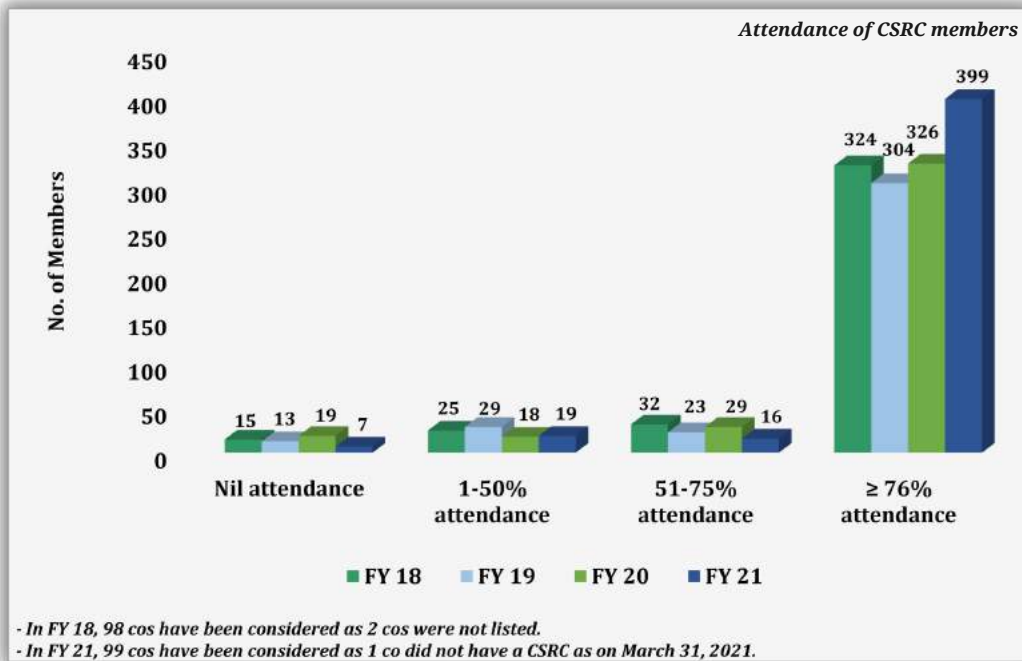
## CATEGORY OF DIRECTOR CHAIRING CSRC

There is no legal provision to indicate which category of Director should Chair the CSRC. Different companies have adopted different approaches.



## ATTENDANCE OF CSRC MEMBERS

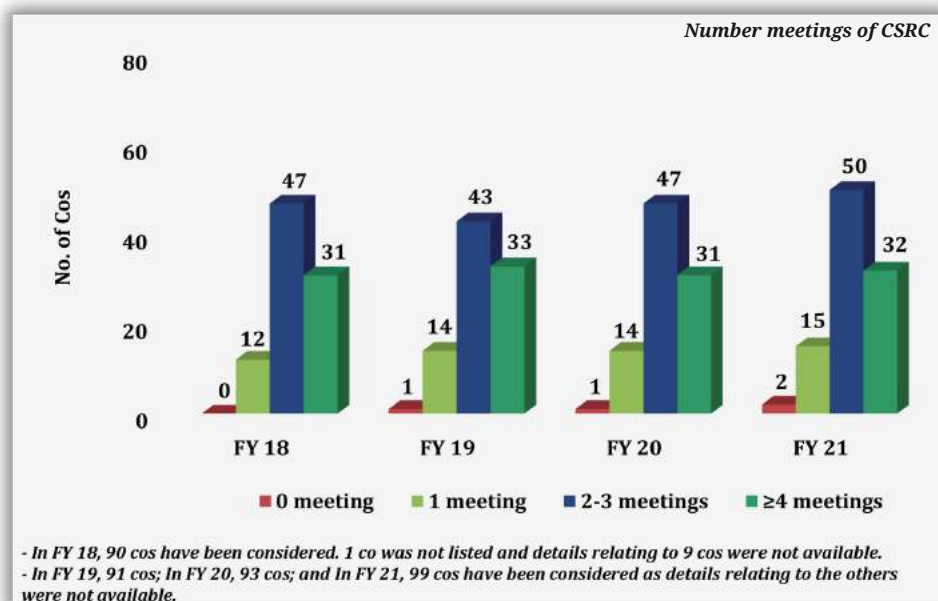
Non-attendance or inadequate attendance at the meetings of a Board-level committee is indicative of a lack of seriousness towards the role as a member of the committee. Any member not attending a single meeting throughout the year should be taken out of the committee.



- In FY 18, 69% of members had 100% attendance.
- In FY 19, 67% of members had 100% attendance.
- In FY 20, 70% of members had 100% attendance.
- In FY 21, 90% of members had 100% attendance.

## NUMBER OF MEETINGS

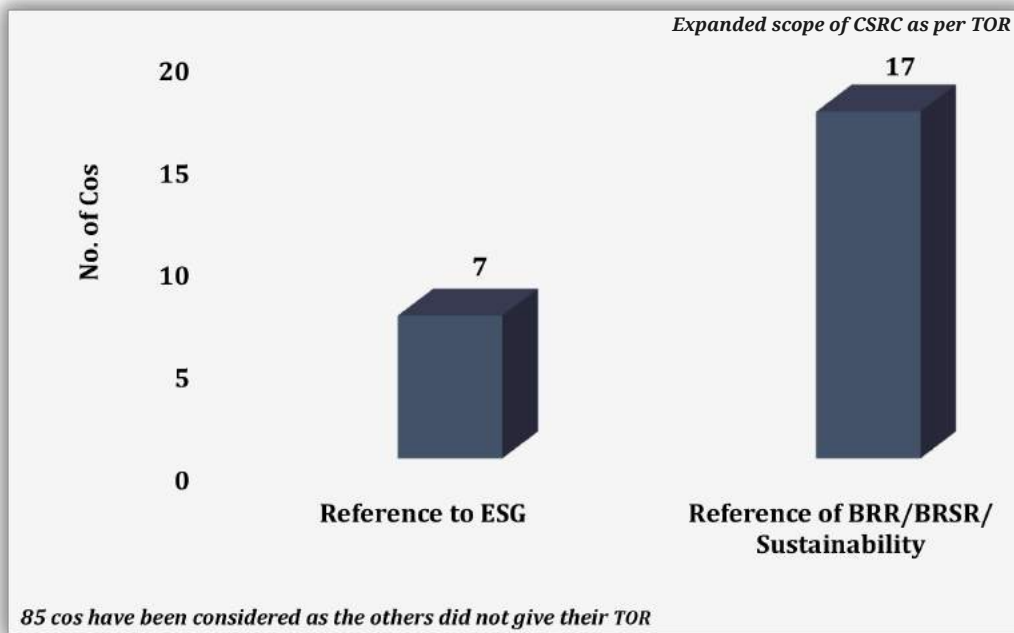
While there is no provision in the Act prescribing the minimum number of meetings of CSRC, given the enhanced emphasis on the role of the CSRC, it should ideally have 3 meetings during a FY. These could look at sanctioning projects, monitoring the progress of implementation, and assessing the impact of the programmes.



- In previous 3 FYs, 1 company did not convene a CSRC meeting.
- In previous 4 FYs, 4 companies continued to convene only 1 meeting.
- Highest number of meetings in FY 18 was 8; in FY 19 was 11; in FY 20 was 8; and in FY 21 was 7.

## EXPANDED SCOPE OF CSRC

This is the committee that is tasked with protecting and preserving the interest of society as a stakeholder in the corporate entity. Till recently, most companies saw this committee as a channelising agent for the funds that they were supposed to provide for CSR. In the present context, with ESG having assumed criticality, it is necessary for the CSRC to significantly expand its scope, in order to address the 3 elements of the ESG mandate. In doing so, the company would have to provide for constructive cooperation and collaboration by all relevant Board committees, so that no element of ESG is given less attention. A few companies have chosen to house ESG in other committees.

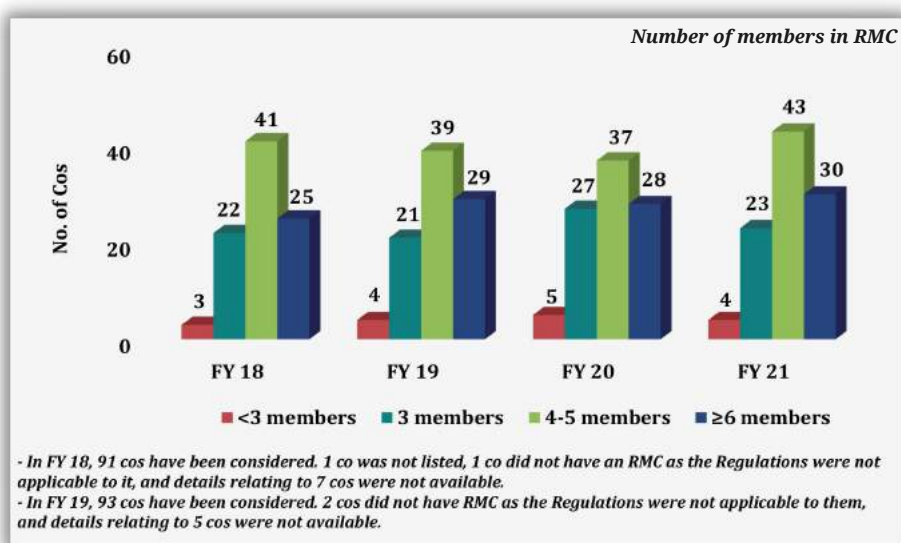


# RISK MANAGEMENT COMMITTEE

## COMPOSITION OF RMC

- As per Regulation 21(5) of SEBI LODR Regulations, 2015, the provisions of this regulation shall be applicable to the top 500 listed entities determined on the basis of market capitalization as at the end of the immediate preceding financial year.
- As per Regulation 21(2) of SEBI LODR Regulations, 2015, the majority of members of Risk Management Committee shall consist of members of the board of directors.
- As per Regulation 21(3) of SEBI LODR Regulations, 2015, the Chairperson of the risk management committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.

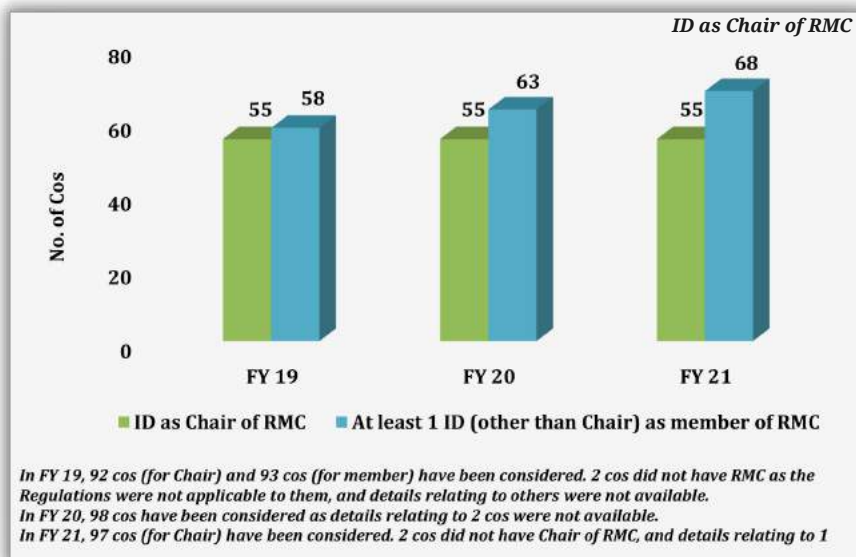
With risk management requiring increased focus, and with the committee having to identify and address risks, other than operational risks, it would be desirable to have more Board members, especially IDs, on the RMC. RMC should be given statutory recognition, in addition to regulatory recognition, in view of its importance.



- Highest number of members in FY 18 was 11; in FY 19 was 10; in FY 20 was 8; and in FY 21 was 9.

## ID AS CHAIR AND/OR MEMBER OF RMC

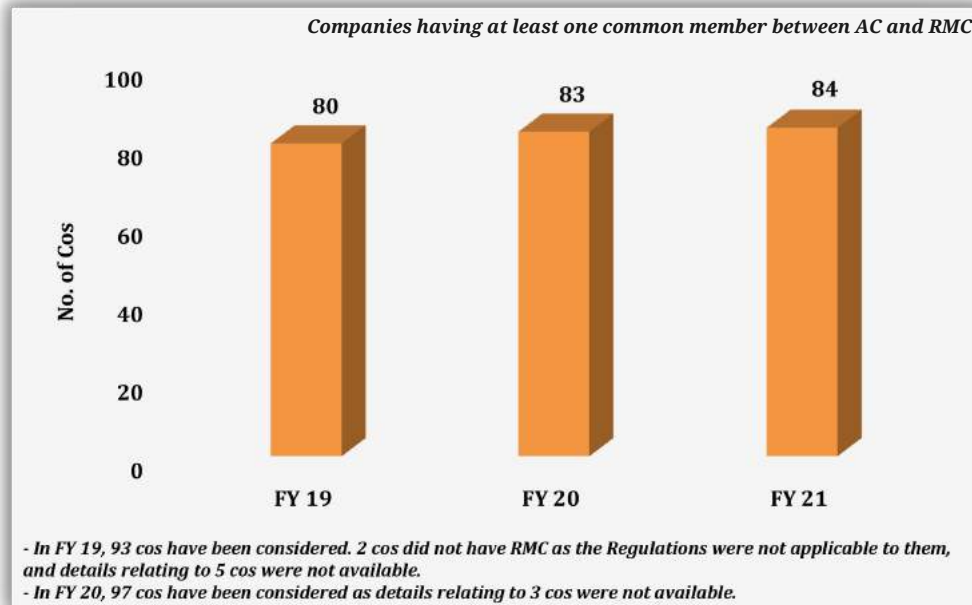
An ID being a member of the RMC is useful since an external perspective can be brought to a committee which more often than not is likely to have a significant management/ executive presence on the committee.



- In FY 21, 1 company, which has all IDs in its RMC, did not continue with the practice.

## COMMON MEMBERSHIP BETWEEN AC AND RMC

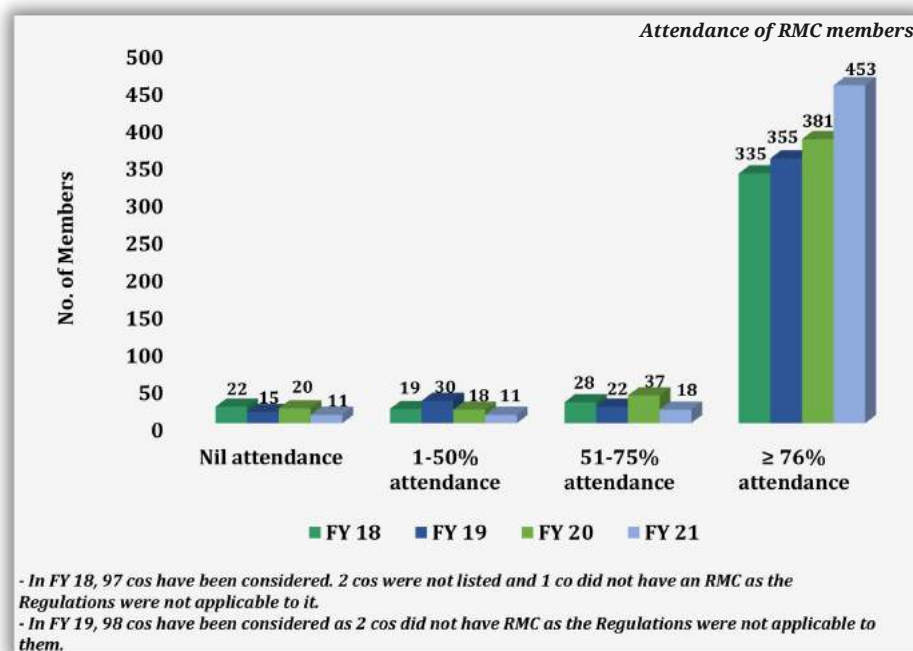
Even with the constitution of the RMC, risk management does not cease to be in the charter of the AC. Further, there are synergies between the committees, with Internal Audit being an integral input in the risk management function. Commonality of membership is useful for the 2 committees to work together. At the other extreme, it would be useful to avoid all members of both these committees being common.



- In previous 3 FYs, 70 companies are common.

## ATTENDANCE OF RMC MEMBERS

Given the increasing importance of risk management, non-attendance or inadequate attendance at the meetings of RMC is unacceptable. Any member not attending a single meeting throughout the year should be taken out of the committee.

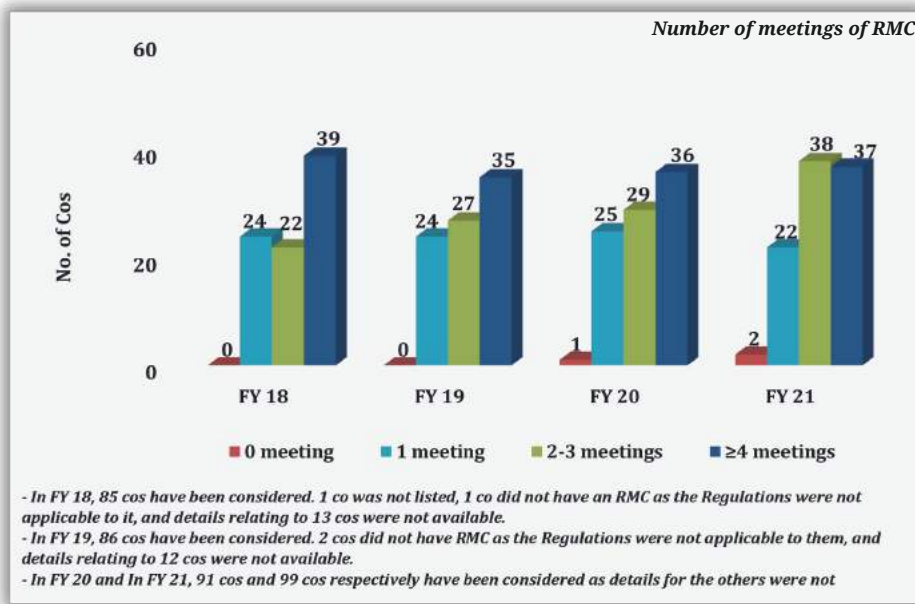


- In FY 18, 66% of members had 100% attendance.
- In FY 19, 71% of members had 100% attendance.
- In FY 20, 73% of members had 100% attendance.
- In FY 21, 85% of members had 100% attendance.

## NUMBER OF MEETINGS

- As per Regulation 21(3A) of SEBI LODR Regulations, 2015, the risk management committee shall meet at least once in a year (wef April 1, 2019).
- SEBI vide circular dated March 26, 2020, allowed risk management committee to hold its meeting till June 30, 2020 instead of March 31, 2020.

Given that risk management is central to the existence and the operations of companies, and with the likelihood and impact of risks having increased significantly, one meeting per year does not even scratch the surface. This is not an area where the box-ticking approach to regulations will yield results.

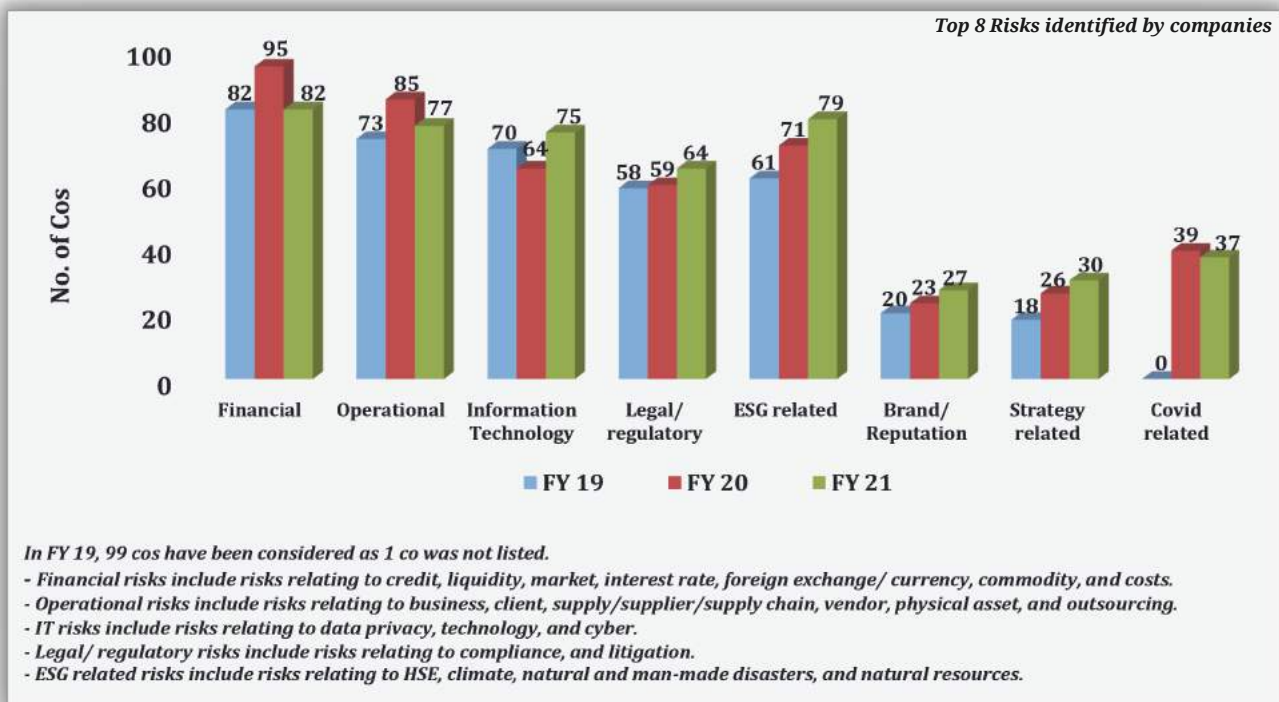


- In previous 4 FYs, 8 companies continued to convene 1 meeting.
- Highest number of meetings in FY 18 was 8; in FY 19 was 9; in FY 20 was 8; and in FY 21 was 9.

# TOP 8 RISKS IDENTIFIED BY COMPANIES

- As per Schedule II (Part D) of SEBI LODR Regulations, 2015,
- The role of the committee shall, inter alia, include the following:
  1. To formulate a detailed risk management policy which shall include:
    - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
- As per Schedule V (B) (1)(e) of SEBI LODR Regulations, 2015 Management Discussion and Analysis: This section shall include discussion on the following matters within the limits set by the listed entity's competitive position
  - (e) Risks and concerns

Risk mitigation commences with a robust process for identification of risks, and an assessment of their impact and probability.

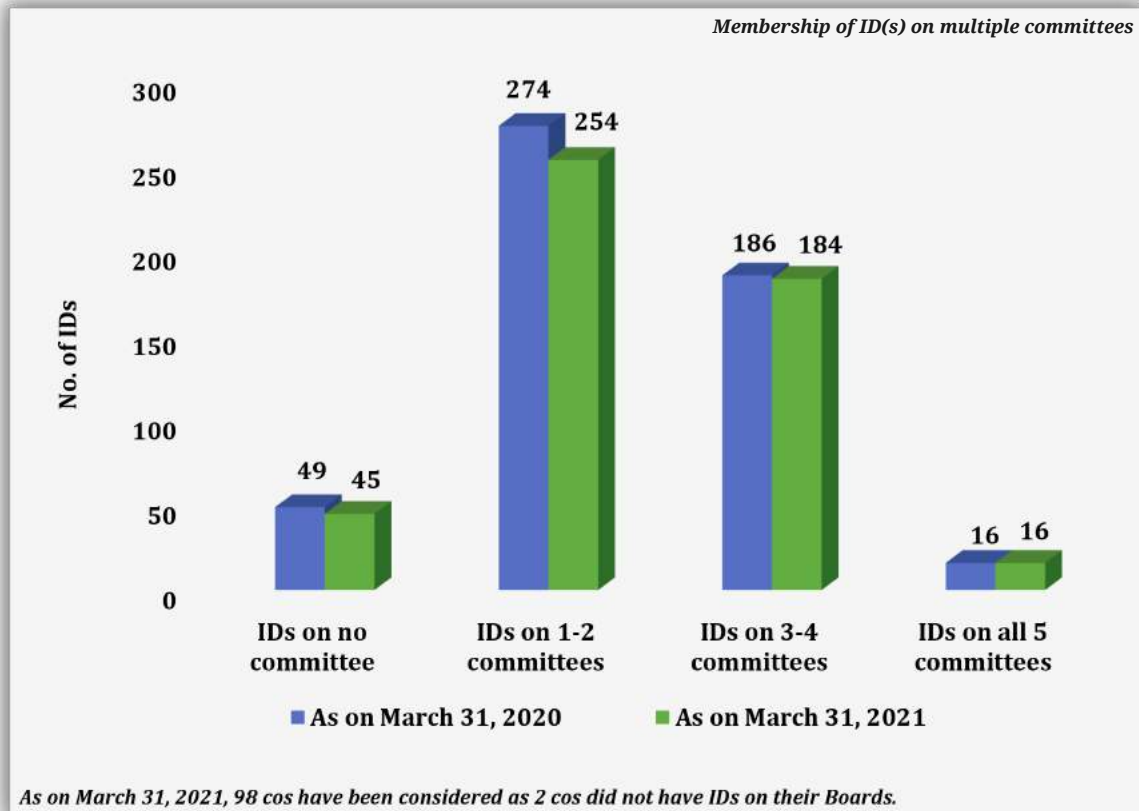


- Some of the other risks which stand out in the 3 FYs are shareholder activism, lack of succession planning, absence of business continuity plan, inadequate HR/ talent management, geo-political risks and the scope and coverage of D&O Liability Insurance Policy.

# COMMITTEE MEMBERSHIP

## DISTRIBUTION OF COMMITTEE MEMBERSHIP AMONG IDs

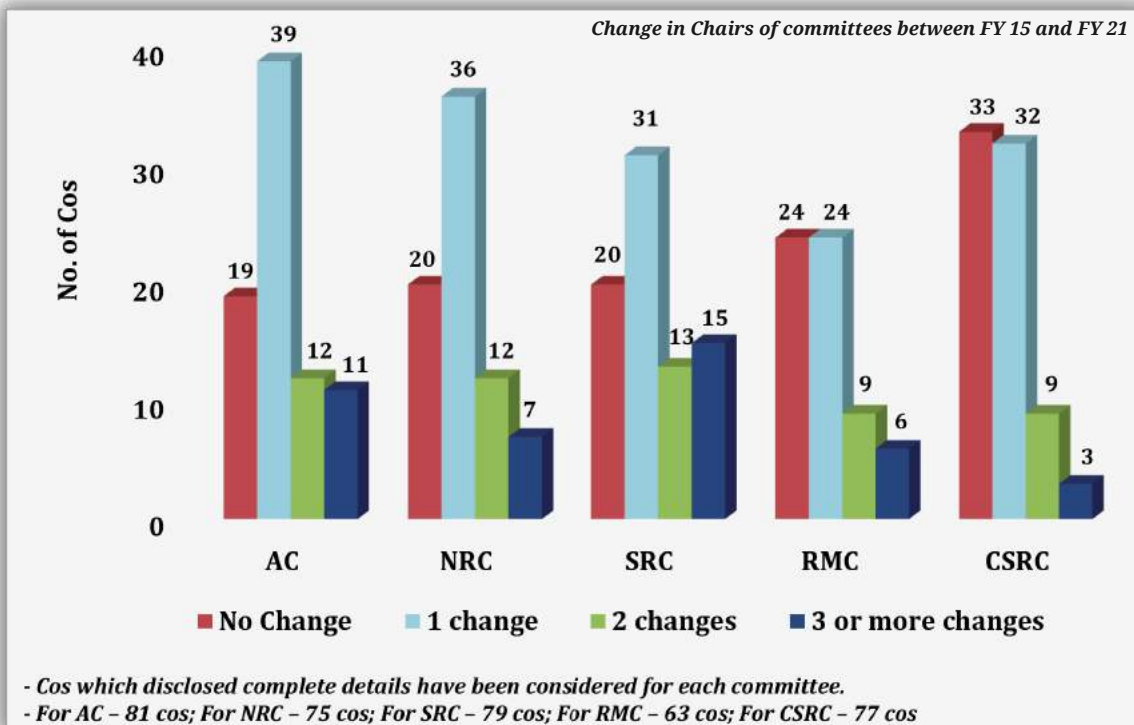
With in-depth discussion being possible at the committee level, rather than the Board level, it is necessary to ensure that all IDs are members of one or more Board committees. If one or more IDs choose(s) to stay away from the membership of Board committees, the information asymmetry among IDs would be significant, compounding the existing problem of information asymmetry among EDs and NEDs.



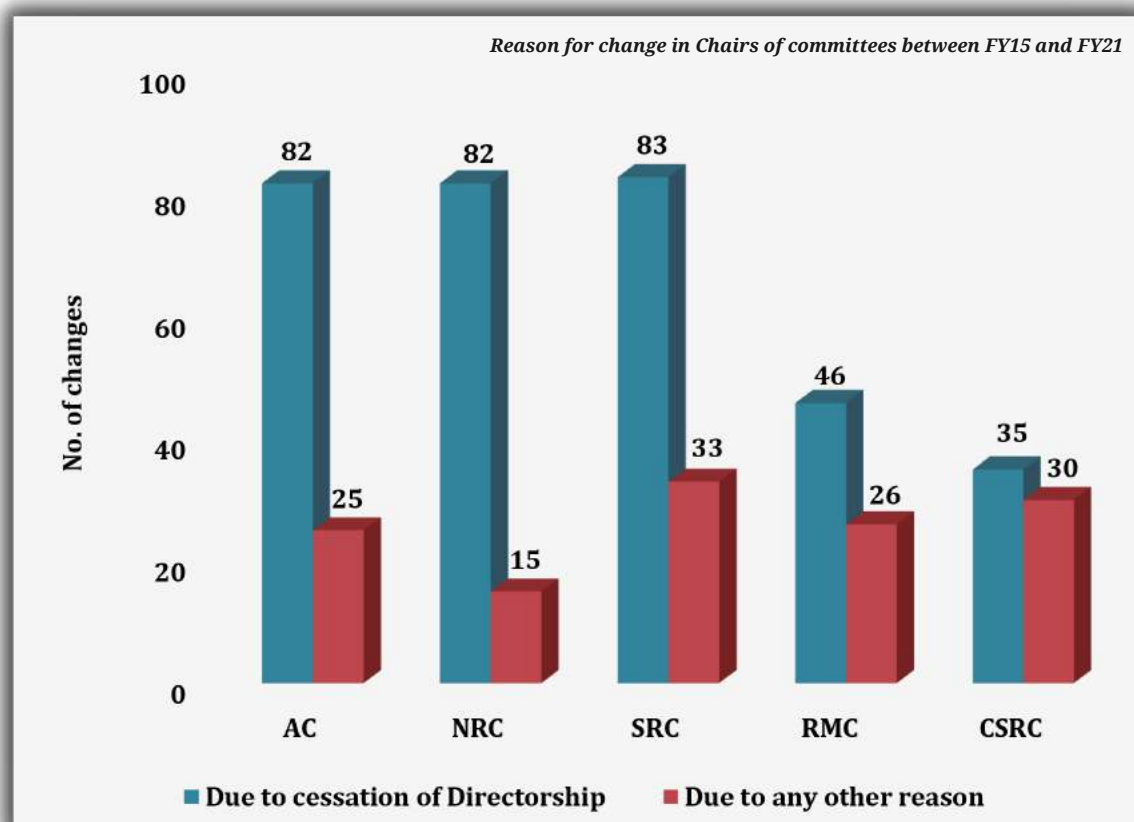
- In the previous 2 FYs, 26 companies continued to have 1 or more of their ID on no committees. This could be a major contributory factor to inter se information asymmetry among IDs.
- In the previous 2 FYs, 8 companies continued to have at least 1 of their IDs on all 5 committees.

## CHANGE IN CHAIRS OF COMMITTEES

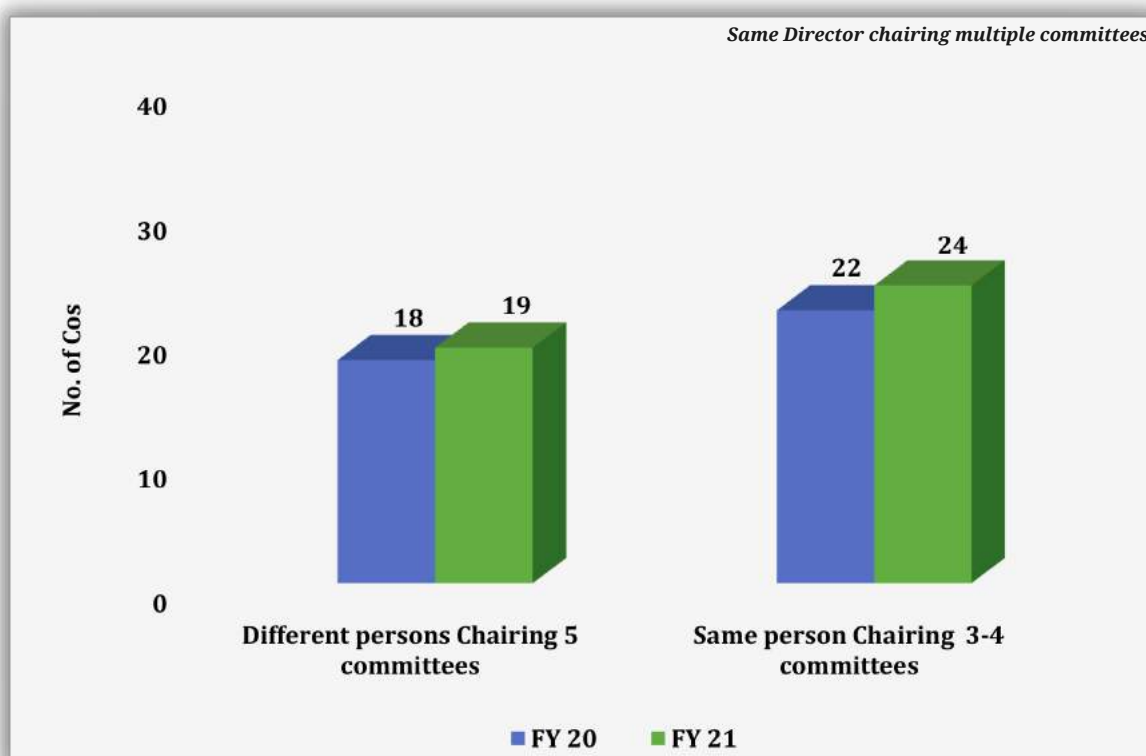
Constituting committees, and making no changes in the membership or to the Chairpersonship of the committees over a long period, prevents a fresh look being given to the remit of the committees, and the way it is handled. While frequent changes are disruptive, having no change over several years is a sub-optimal arrangement.



## REASON FOR CHANGES IN CHAIRS OF COMMITTEES



## SAME DIRECTOR CHAIRING MULTIPLE COMMITTEES

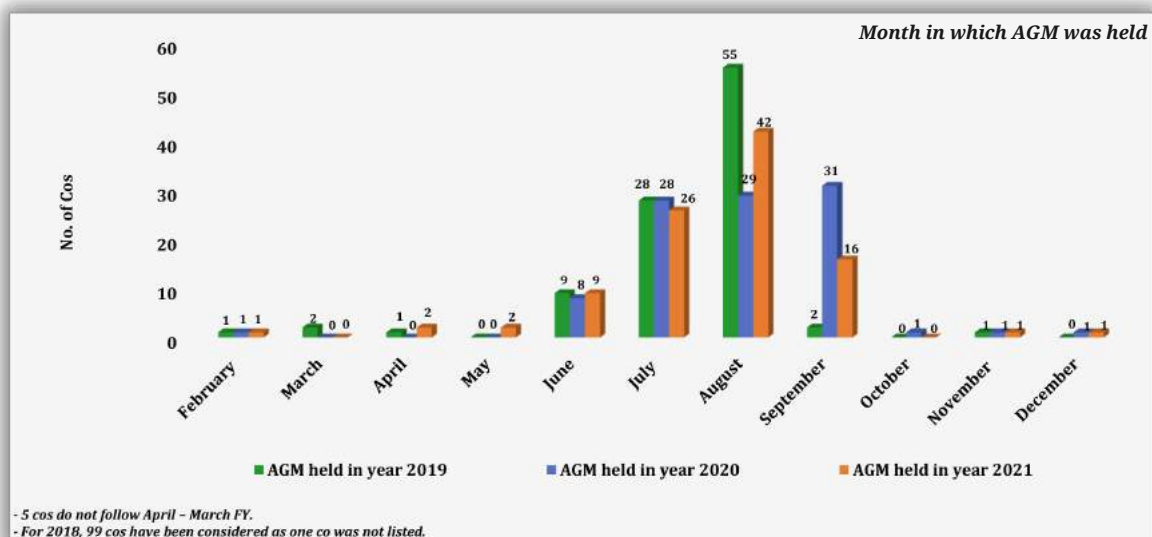


- In previous 2 FYs, 11 companies continued to have different Directors chairing each of the 5 mandatory committees.
- In previous 2 FYs, no company had the same Director chairing all 5 mandatory committees.
- In FY 20 and FY 21, there were 22 companies and 24 companies respectively which had the same person as the Chair of 3-4 mandatory committees. It is necessary for these companies to examine whether the responsibilities of the same person chairing multiple committees should be reduced so that the concerned Director can provide focussed leadership to a lesser number of committees, while enabling other Directors to assume leadership roles in different committees.

## MONTH IN WHICH AGM WAS HELD

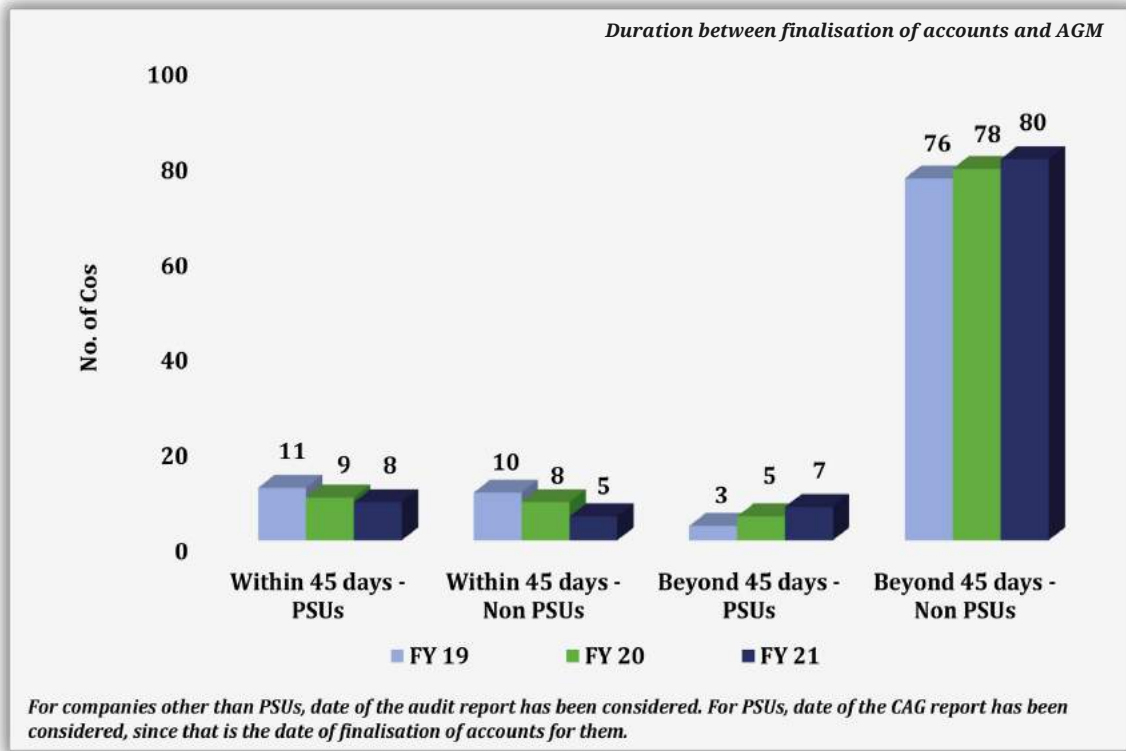
- As per Section 96(1) of the Companies Act, 2013, every company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting.
- Provided that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year.
- As per Regulation 44(5) of SEBI LODR Regulations, 2015, the top 100 listed entities by market capitalization, determined as on March 31st of every financial year, shall hold their annual general meetings within a period of five months from the date of closing of the financial year. (wef April 1, 2019).
- Due to Covid-19, the following extension of time were granted in respect of holding of AGMs
  - MCA granted extension of time to companies whose financial year ended on 31st December, 2019, to hold their AGM by 30th September, 2020.
  - MCA granted extension of time to companies whose financial year ended on 31st March, 2020, to hold their AGM by 31st December, 2020. SEBI also gave a similar extension.
  - MCA granted extension of time to companies whose financial year ended on 31st March, 2021, to hold their AGM by 30th November, 2021.
  - SEBI granted extension of time to hold the AGM within a period of six months from the date of closing of the financial year for 2020-21.

The AGM is the forum in which shareholders get to interact with the Board of Directors and the senior management of the company. It is the only occasion in which a large body of shareholders expresses itself by voting on important resolutions such as the financial statements of the company, the appointment of Directors, the appointment of auditors and relevant matters brought out in the annual report. Since the Board of Directors acts on behalf of the shareholders, and other stakeholders, the AGM presents the opportunity for shareholders to ask them questions germane to the manner in which the affairs of the company have been conducted in the previous year. During the year, AGMs were held virtually, thus, reducing significantly the interaction between the shareholders and the Board and management of the company.



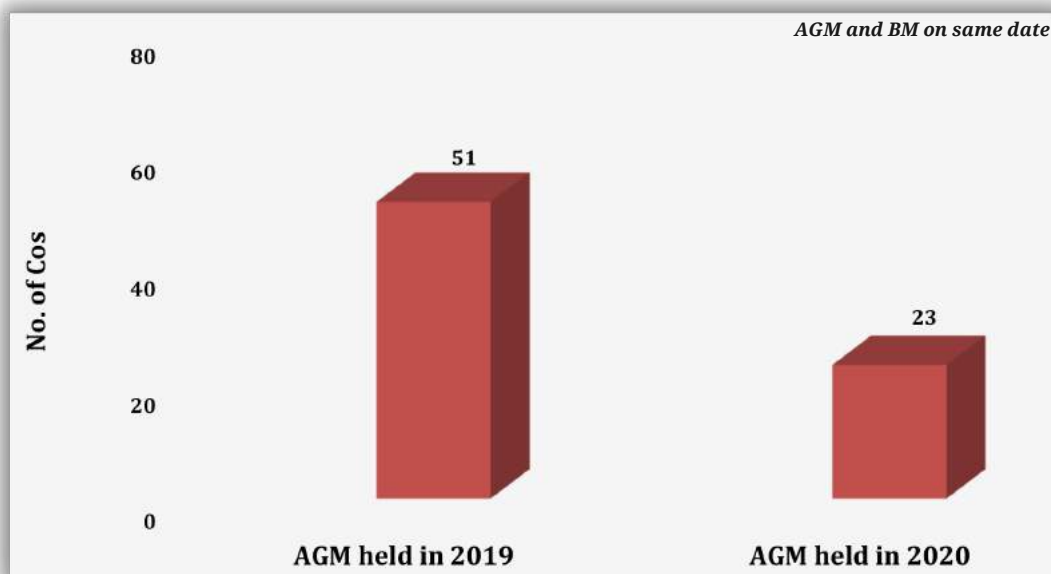
- Given its importance, it is in the interest of all concerned that the AGM is not unduly delayed. Until March 31, 2019, it was open to top 100 companies to conduct their AGMs on any date upto September 30. When the last date for holding AGMs for top 100 companies, was moved to August, companies managed to conduct their AGMs during this time.
- On account of Covid, the last date had been shifted to November 30, 2021. While this is an episodic regulatory response, given the impact of Covid on the functioning of companies, it is desirable that sooner rather than later, companies revert to the practice of holding their AGMs by the end of August.
- In FY 21, 99 cos convened their AGMs within the stipulated timeframe.

## DURATION BETWEEN FINALISATION OF ACCOUNTS AND DATE OF AGM



- It has been noticed that a number of companies hold their AGMs long after the finalisation of accounts. Normally, once the accounts are finalised, it should be the endeavour of Boards and managements to schedule the AGM without any undue delay.
- Since some companies have managed to hold their AGMs, year after year, within 45 days of finalisation of accounts, it should be possible for many others to follow suit, rather than keep the shareholders waiting for unjustifiably longer periods.
- The maximum duration in FY 19 was 138 days; in FY 20 was 151 days; and in FY 21 was 132 days. All the 3 companies are non-PSUs.

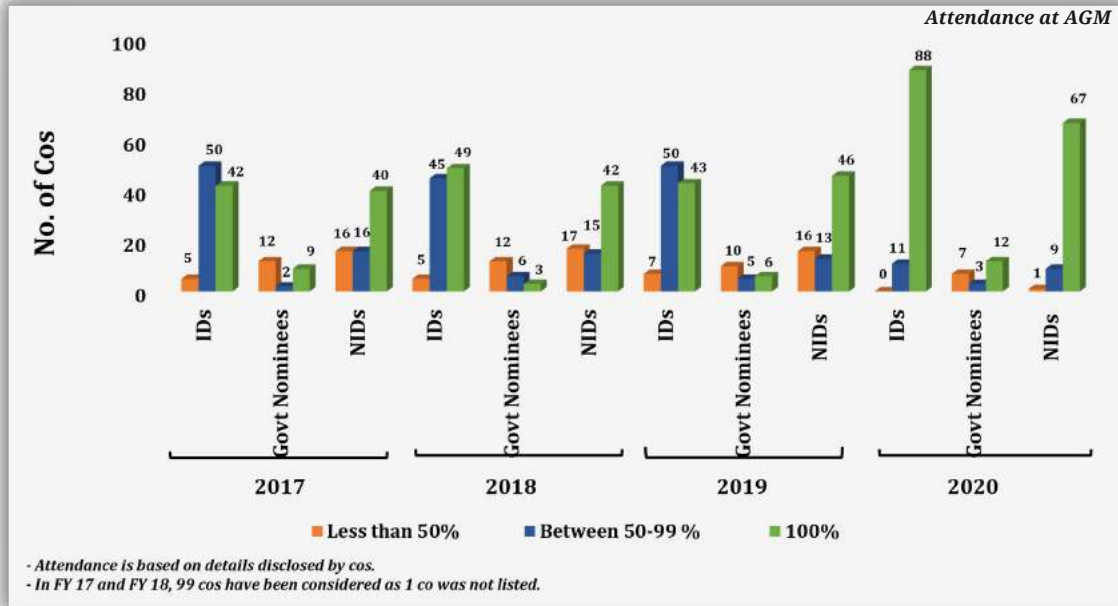
## AGM AND BOARD MEETING ON THE SAME DATE



- In both FYs, 19 companies were common.
- A little more than one-fourth of the companies, had a meeting of their Boards on the date of the AGM. This is presumably a method by which the attendance of Directors at the AGM is maximised.

## ATTENDANCE AT AGMs

While the law provides for the attendance of the Chairs of the AC, the NRC and the SRC at the AGMs, there is no similar provisions for the Chairs of other committees or for Directors who are not Chairs of any committee. Since the AGM is the one opportunity that a large number of shareholders get to interact with Directors, it is necessary that all Directors participate in AGMs. Not to do so would be to show scant regard to the shareholders and the company. In the interest of promoting good Corporate Governance, law and regulations should mandate that all the Directors should attend AGMs and EGMs, unless there is a valid reason for their absence.



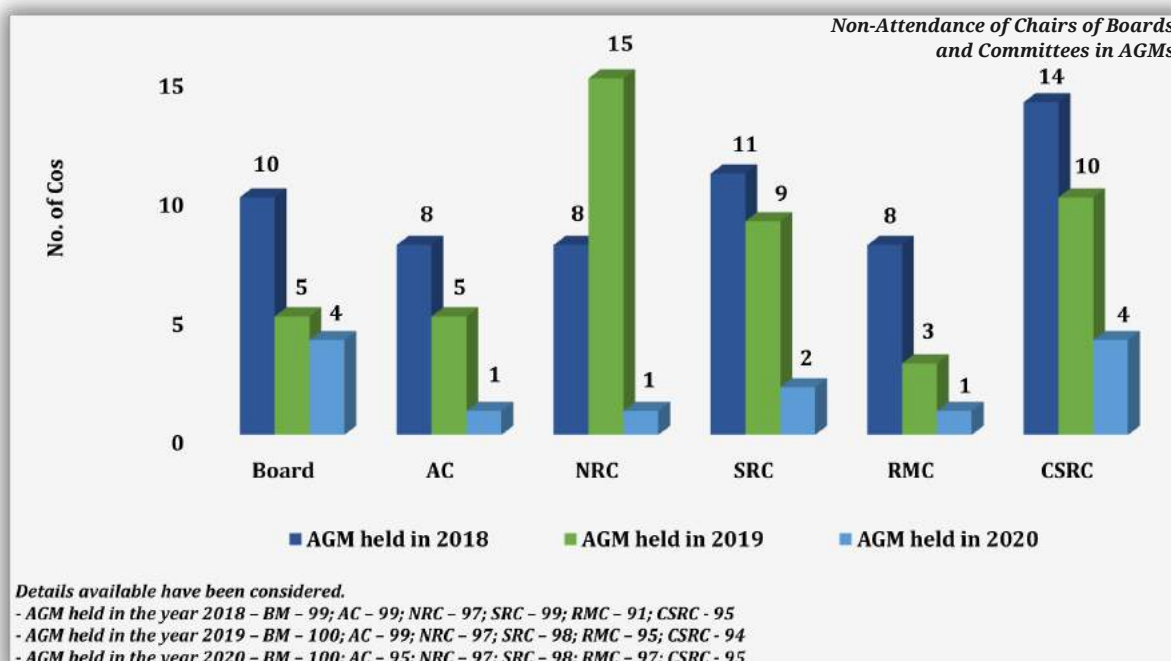
- In 2019, in 1 company, only 25% of the Directors attended the AGM. In 2020, this was 57% in another company.

## ATTENDANCE OF CHAIRS OF BOARDS AND COMMITTEES AT AGMs

- As per Section 178(7) of the Companies Act, 2013, the chairperson of each of the committees constituted under this section (NRC and SRC) or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.
- As per Regulation 18(1)(d) of SEBI LODR Regulations, 2015, the chairperson of the audit committee shall be present at annual general meeting to answer shareholder queries.
- As per Regulation 19(3) of SEBI LODR Regulations, 2015, the chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries (wef April 1, 2019).
- As per Regulation 20(3) of SEBI LODR Regulations, 2015, the chairperson of the Stakeholders Relationship Committee shall be present at the annual general meetings to answer queries of the security holders (wef April 1, 2019).

The presumption that the Chair of the Board is invariably present at the AGM has been belied in a few cases. The absence of the Chair of the Board, at the AGM, is indicative of both a lack of seriousness, as well as a lack of respect to the shareholders.

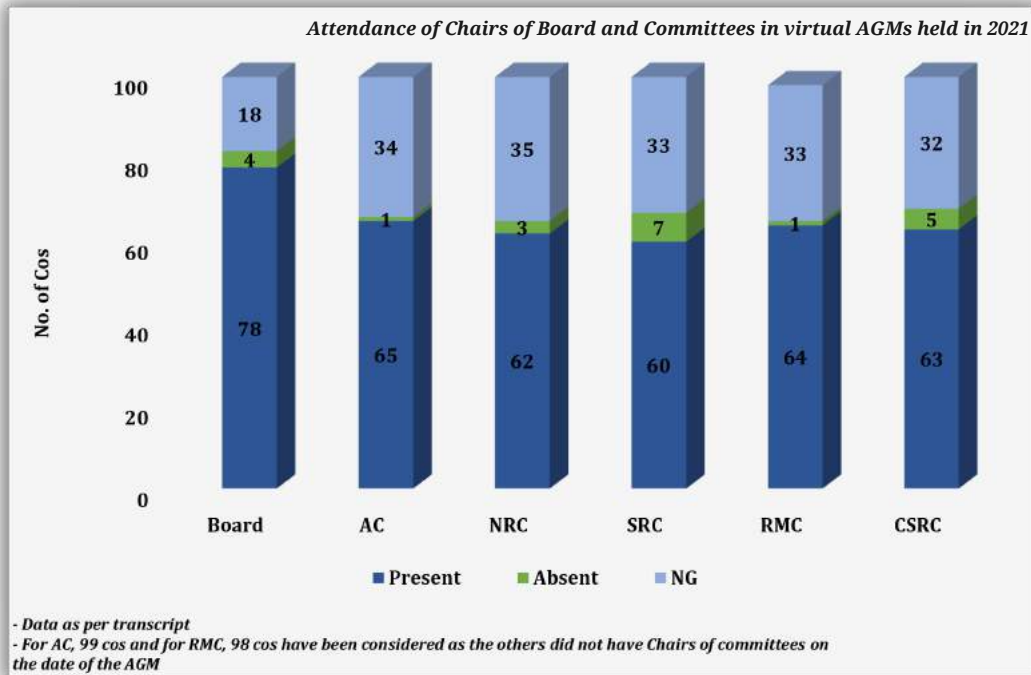
Further, while law and regulations prescribe that the Chairs of the AC and SRC should be present at the AGMs, they seem to be less prescriptive in the case of the Chair of NRC by providing that the Chair of NRC may be present at the AGM. There is no similar provision in law or in regulation regarding the Chair of CSRC or the Chair of RMC. Having regard to the importance of the AGM, and the fact that it enables Directors to hear directly from shareholders, and respond wherever necessary, it would be of great value if the Chairs of all Board committees attend the AGM every year.



- In previous 3 FYs, Chair of Board of 1 company has not attended the AGM (he did not attend the virtual AGM in 2021 too).
- In previous 3 FYs, Chair of SRC of 1 company has not attended the AGM (he did not attend the virtual AGM in 2021 too).

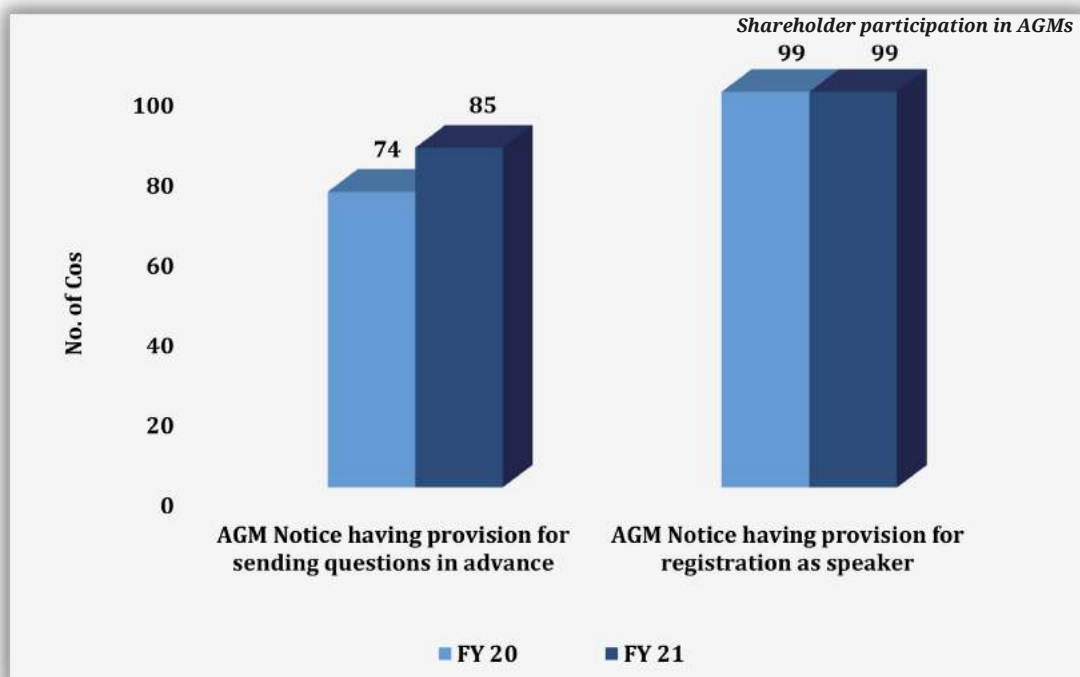
## ATTENDANCE OF CHAIRS OF BOARDS AND COMMITTEES AT AGMs (IN VIRTUAL AGMs HELD IN 2021)

Owing to Covid-19 related difficulties, all companies held their AGMs virtually. The transcripts of the same were to be uploaded on the websites of the company.



## COMPANIES INVITING SHAREHOLDER QUESTIONS IN ADVANCE

Given that all AGMs were conducted virtually last year, and that there were time constraints and technological constraints, in some cases, to take questions from shareholders and to respond thereto, some companies resorted to the practice of inviting questions in advance of the meeting. This is a useful practice since more questions can be taken up, and the responses can be more detailed, and accurate.



- In previous 2 FYs, 1 company did not provide either of the facilities to its shareholders.

# RESOLUTIONS

## VOTING PATTERN OF RESOLUTIONS IN THE LAST 1 YEAR

- In the AGMs held in 2021, 757 resolutions were proposed, of which 4 resolutions did not get the requisite shareholder support. These were related to re-appointment as MD, and 3 on employee incentive scheme / approval of ESOPs.
- In the AGMs held in 2020, 721 resolutions were proposed, of which 1 resolution, relating to RPTs, did not get the requisite shareholder support.
- Between April, 2020 and December, 2021, there were 203 resolutions relating to appointment/ re-appointment of IDs. Further, there were 33 resolutions proposed in EGMs, 89 resolutions proposed through postal ballots and 12 resolutions proposed in Court convened meetings. All of these were passed by the shareholders.

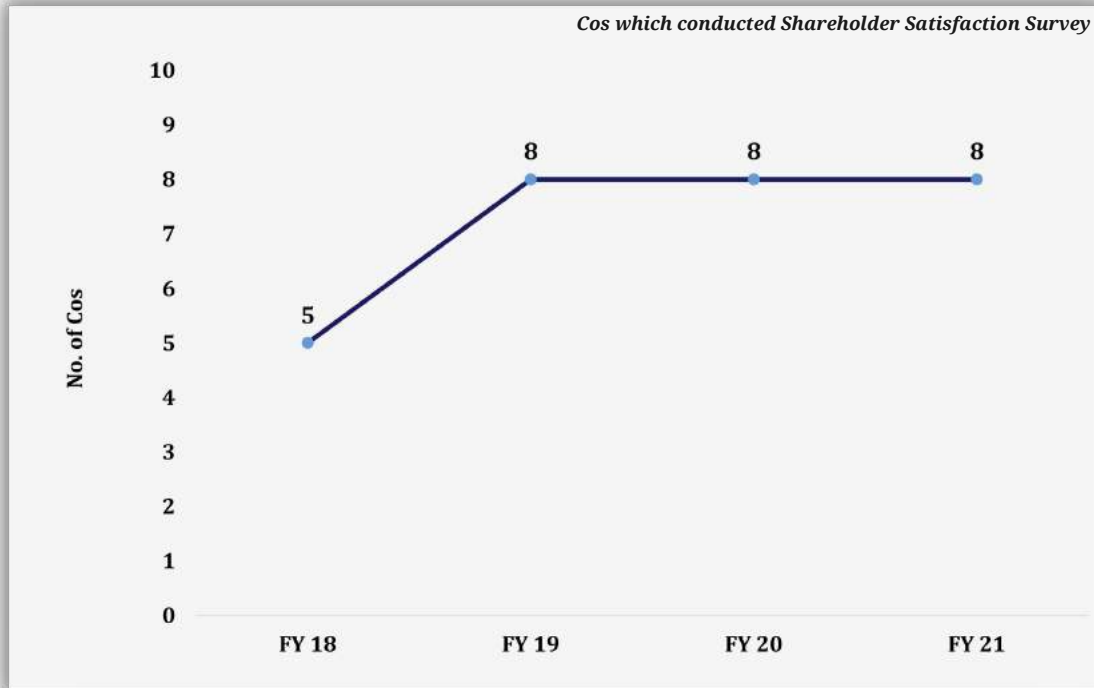
## RESOLUTIONS RELATING TO APPOINTMENT OF WTD

Executive compensation should have a significant component of variable pay, premised on performance measured against predetermined KRAs. Ideally, a variable element should not be less than the fixed element in percentage terms while determining the compensation. Making these details available in the public domain will promote a sense of confidence in the company, this being an important task of the NRC.

- As on March 31, 2021, of 264 WTDs on Boards, reference to compensation was made in the appointment resolutions of 205 WTDs. Of these, 125 resolutions referred to profit linked commission, and of them, 66 quantified the same.
- The lowest profit linked incentive was 20%, and the highest was 300%.

# SHAREHOLDER SATISFACTION SURVEY

The Shareholder Satisfaction Survey, that some companies conduct, enables them to identify areas for improvement that need to be worked on and to reinforce those aspects that seem to be meeting with the approval of the shareholders. However, a survey conducted through the process of administering questionnaires, many of which can be responded to mechanically, does not serve the purpose that is intended. Questionnaires should contain questions that are open-ended, and invite the respondents to express, in their own words, their thoughts, ideas, and concerns. The multiple-answer format may not yield the desired results.



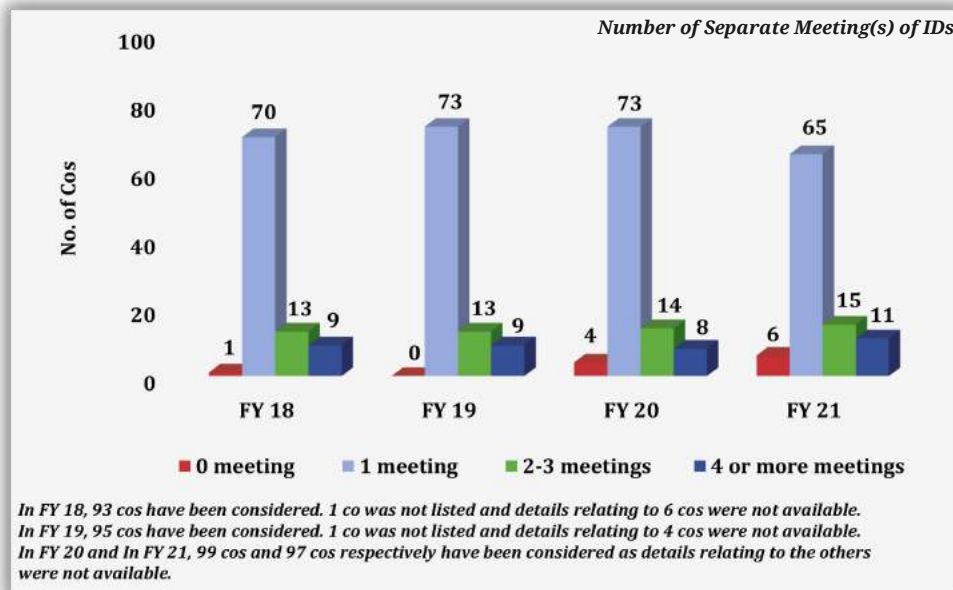
- In previous 4 FYs, 3 companies are common.

# SEPARATE MEETING OF IDs

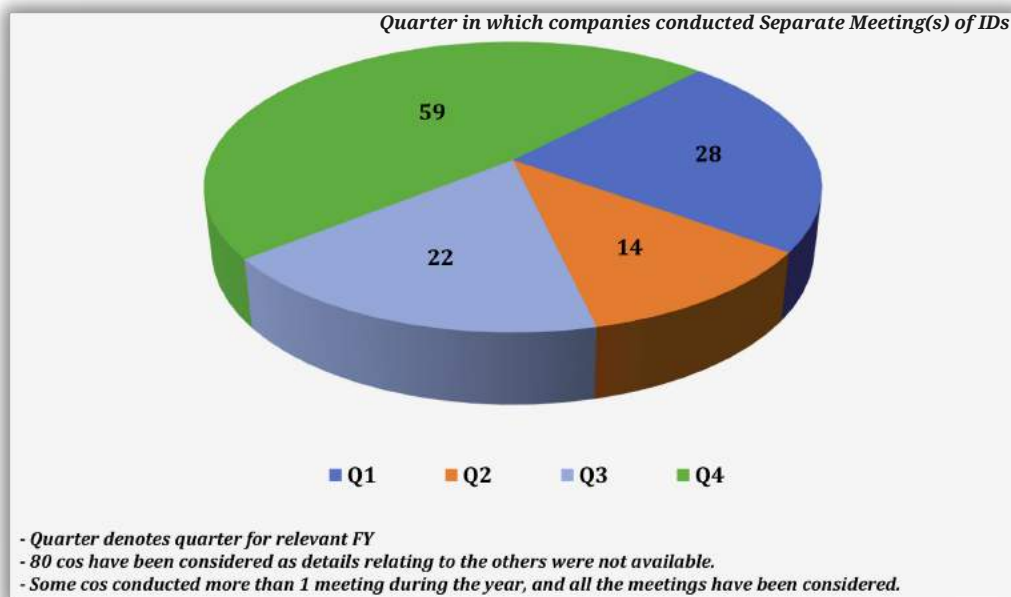
- As per Schedule IV of the Companies Act, 2013, the independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management.
- MCA vide circular dated March 24, 2020, stated that as per Para VII (1) of Schedule IV to the CA-13, Independent Directors (IDs) are required to hold at least one meeting without the attendance of Non independent directors and members of management. For the financial year 2019-20, if the IDs of a company have not been able to hold such a meeting, the same shall not be viewed as a violation. The IDs, however, may share their views amongst themselves through telephone or e-mail or any other mode of communication, if they deem it to be necessary.

The prescription that the separate meeting of IDs should be held at least once in a FY, has led to some companies having only one such meeting conducted each year. This meeting of IDs is a forum for exchange of ideas, and for articulating shared concerns and suggestions that can be projected to management. Since it has been provided in Schedule IV in the portion relating to Board evaluation, the inference seems to be that the meeting should address only the subject of evaluation, and nothing else. Such an approach would be a gross under-utilisation of a very valuable forum.

## NUMBER OF MEETINGS



## QUARTERS IN WHICH HELD



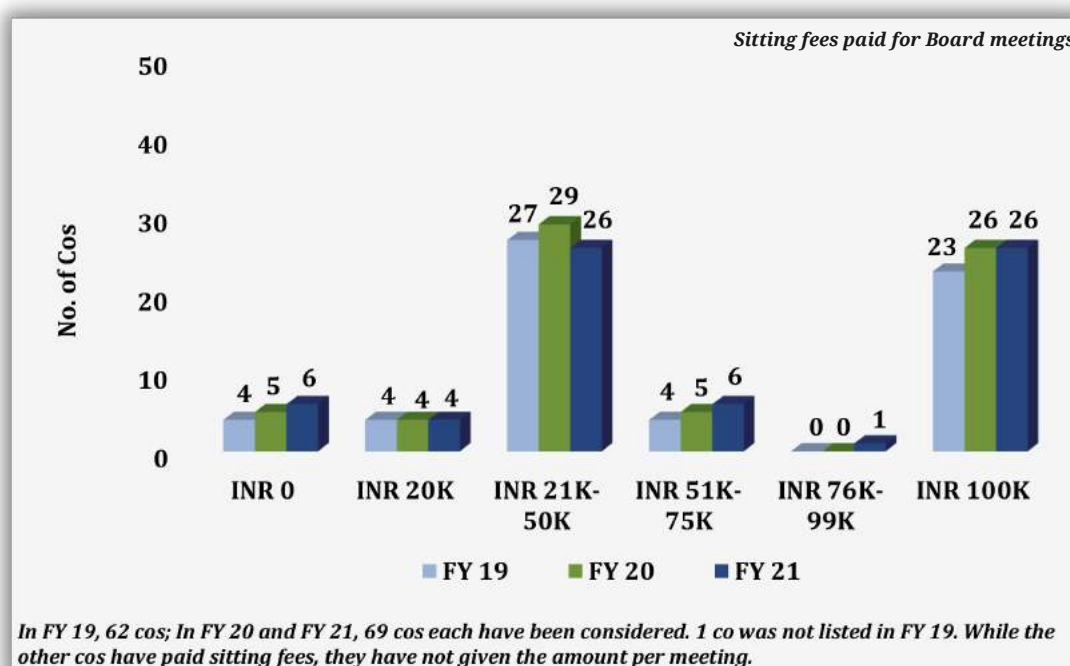
- In FY 21, of 65 companies which conducted only 1 separate meeting of IDs, 29 companies conducted the meeting in the month of March.

# COMPENSATION TO DIRECTORS

## SITTING FEES PAID FOR BOARD MEETINGS

- As per Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a company may pay a sitting fee to a director for attending meetings of the Board or committees thereof, such sum as may be decided by the Board of directors thereof which shall not exceed one lakh rupees per meeting of the Board or committee thereof:
- Provided that for Independent Directors and Women Directors, the sitting fee shall not be less than the sitting fee payable to other directors.

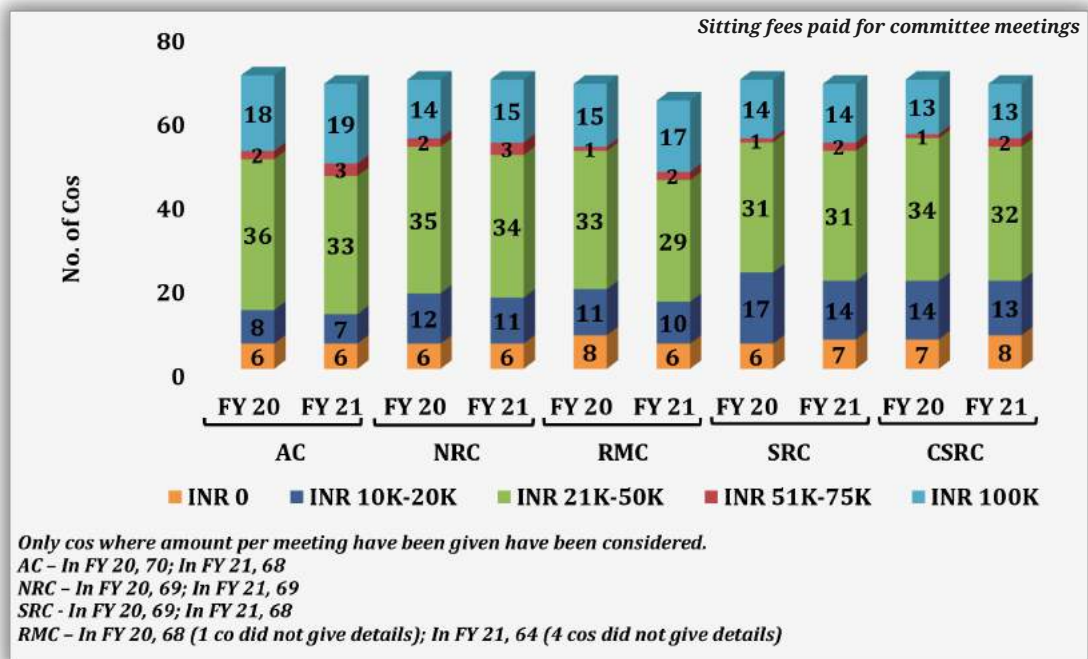
If Directors are expected to commit quality time, and to contribute to improving corporate performance, it is necessary to compensate them appropriately for attending meetings. The expectation is that Directors of all categories will be paid the same amount of sitting fees per meeting. In this context, the proviso (mentioned above), especially the reference to “woman directors” is interesting, to say the least.



- Taking into account the vastly increased responsibilities of the Board and the Directors, as well as the longer number of hours required for productive Board meetings, it would be appropriate for more companies to increase the sitting fees to INR 1 lakh per meeting.
- This might also persuade persons who can add value to the Board, but are staying away from Boards, to reconsider their position vis-à-vis Board directorship.
- In FY 19, 3 companies, and in FY 20 and FY 21, 1 company paid additional sitting fees to the Chair of the Board/ committees. In previous 3 FYs, 1 company is common.

## SITTING FEES PAID FOR COMMITTEE MEETINGS

The work of the Board-level committees, especially that of the AC and the NRC, has increased substantially over the years. In addition, RMC, both because of its newness as well as its vast coverage, is also time-taking and requires careful attention. Stated differently, these 3 Board committees should take almost as much time, and at least as much incisive analysis, as meetings of the Board. Accordingly, the time has come to enhance the sitting fees for the meetings of at least these committees significantly, keeping the statutory limit in mind.



- During FY 21, 13 companies have paid the maximum permissible amount of INR 1 lakh per meeting of each of the 5 mandatory committees. For FY 19 and FY 20, the number of such companies was 10 and 14 respectively.

### SITTING FEES PAID FOR SEPARATE MEETING OF IDs

The separate meetings of IDs are meetings that have their origin in the statute. Hence not paying sitting fees for these meetings detracts from the seriousness attached by the Board and the management to such meetings.



- In previous 3 FYs, 9 companies are common.
- In FY 19, FY 20 and FY 21, 3, 2 and 2 companies respectively paid the maximum permissible amount of INR 1 lakh per meeting.

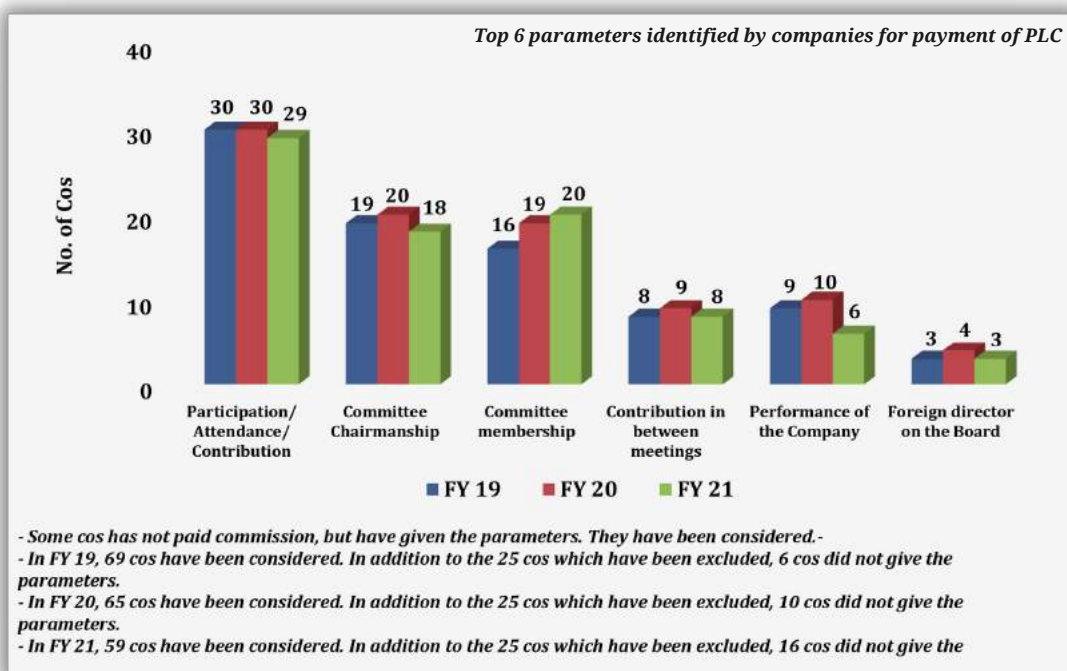
## PROFIT LINKED COMMISSION

- The second proviso of Section 197(1) of the Companies Act, 2013 provides as under:
  - Provided further that, except with the approval of the company in general meeting by a special resolution, —
    - (ii) the remuneration payable to directors who are neither managing directors nor whole-time directors shall not exceed—
      - (j) (A) one per Cent. of the net profits of the company, if there is a managing or whole-time director or manager.
- As per Section 178(4) of the Companies Act, 2013, the Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that—
  - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
  - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

Recognising that Directors ought to be suitably compensated for their contribution towards the performance and the profits of the company, law has envisaged the payment of PLC to different categories of Directors. While the statutory ceiling for the amount of PLC to be paid to NEDs is 1% of the net profits of the company, the actual amounts paid, especially to IDs in some cases, falls woefully short of this prescribed limit. With stock options no longer available to IDs, companies need to revisit the amount of PLC paid so that Directors of acceptable quality are enthused to join Boards, and to stay on.

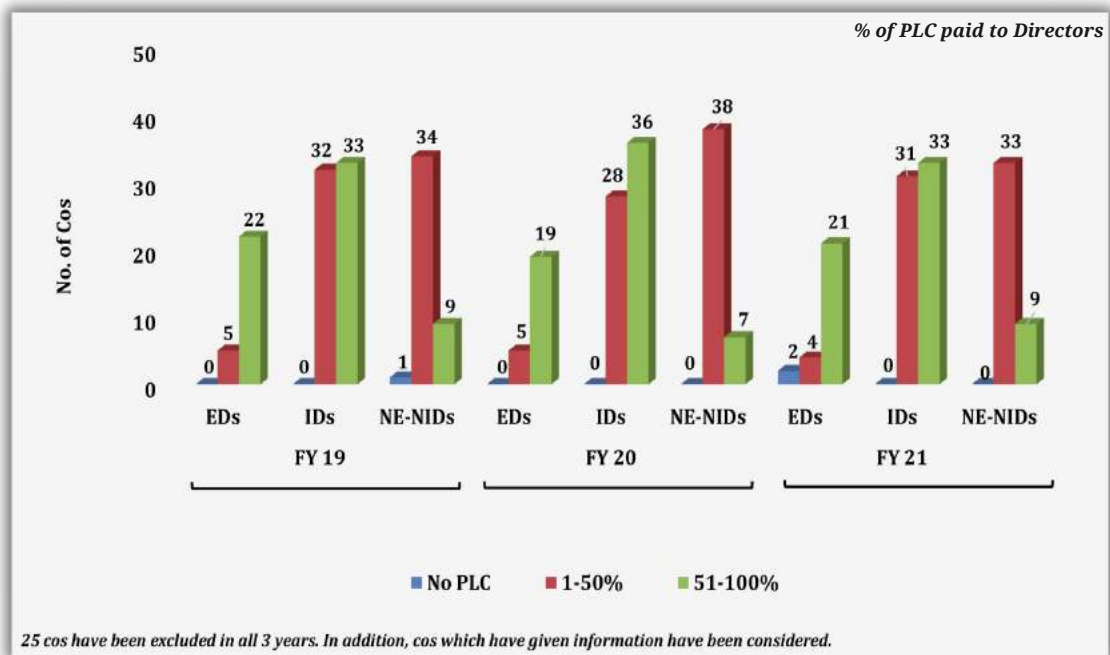
The payment of PLC, as distinguished from sitting fees, should be based on the contribution of each Director to the Board, as per parameters defined by the company, and not entirely on the basis of attendance.

Since IDs are not entitled to stock options, they can be compensated only through sitting fees and profit linked commission. Sitting fees are subject to a statutorily mandated ceiling of Rs 1 lakh per meeting. Good IDs, who commit valuable time to the company, need to be appropriately compensated, in the interest of the company. Deciding on a number as the total amount of commission to be paid, and using only a part of that amount for compensating IDs, is an unacceptable proposition. From the amounts derived as a percentage of profit, a significant amount should be set apart for compensating IDs, so that their involvement in the affairs of the company can be ensured.



- 25 cos have been excluded –
  - 9 banks and 4 insurance companies are governed by RBI/ IRDAI stipulations and so have been excluded.
  - 12 PSUs have not been considered.

## PERCENTAGE OF PLC PAID TO DIRECTORS



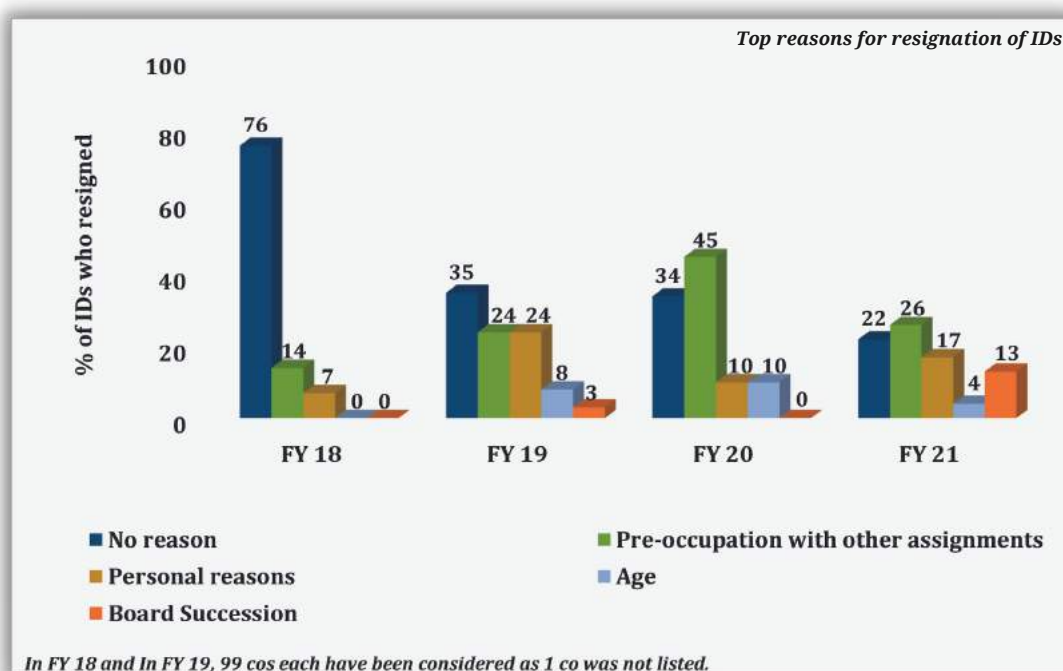
- 25 companies have been excluded –
  - 9 banks and 4 insurance companies are governed by RBI/ IRDAI stipulations and so have been excluded.
  - 12 PSUs have not been considered.
- In FY 19,
  - 1 NID in 3 companies each were paid PLC amounting to 40-50% of the total.
  - 1 NID in 7 companies each were paid PLC in excess of 50% of the total.
  - 14 companies paid 100% PLC to IDs. 3 companies paid 0% to IDs, of which in 2 companies 100% was paid to WTDs.
- In FY 20,
  - 1 NID in 6 companies each were paid PLC amounting to 40-50% of the total.
  - 1 NID in 3 companies each were being paid more than 50% of the total PLC.
  - 14 companies paid 100% PLC to IDs. 2 cos paid 0% to IDs, and paid 100% to WTDs.
- In FY 21,
  - 1 NID in 3 companies each were paid PLC amounting to 40-50% of the total.
  - 1 NID in 1 company was paid more than 50% of the total PLC.
  - 15 companies paid 100% PLC to IDs. 1 company paid 2.06% to IDs, and 97.35% to WTDs.
- The highest % of total PLC paid to 1 NID in FY 19, FY 20 and FY 21 was 88.97%, 82.24% and 66.67% respectively.
- 2 companies which paid 100% PLC to WTDs in FY 19 and FY 20, did not continue the practice.

# REASONS MENTIONED FOR RESIGNATION OF IDs

As per Schedule V of SEBI LODR Regulations, 2015, the following disclosures shall be made in the section on the corporate governance of the annual report -

(j) detailed reasons for the resignation of an independent director who resigns before the expiry of his tenure along with a confirmation by such director that there are no other material reasons other than those provided (wef April 1, 2019).

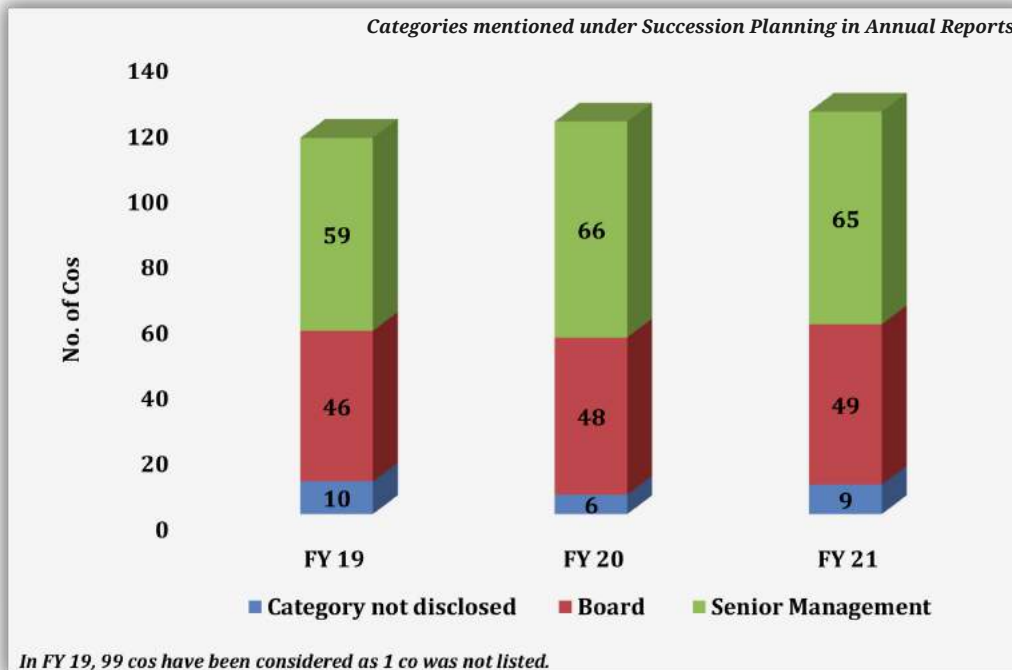
When an ID steps off a Board during his/her term, it is necessary for all stakeholders to understand the real reasons why the ID is leaving the Board. If dissatisfaction with the manner in which the company is being run is a major reason for resignation, stakeholders could raise issues and draw appropriate conclusions. “Personal reasons” and “pre-occupation with other assignments” often do not reveal the real reason for resignation.



# SUCCESSION PLANNING

- As per Regulation 17(4) of SEBI LODR Regulation 2015, the Board of Directors of the listed entity shall satisfy itself that plans are in place for orderly succession for appointment to the Board of Directors and senior management.

Succession planning is one of the major functions of the NRC and/or Board, and the action taken or being taken is required to be indicated in the Annual report. In the absence of a robust succession planning process, the sudden departure of a Board member or a KMP/ SMP could be disruptive.



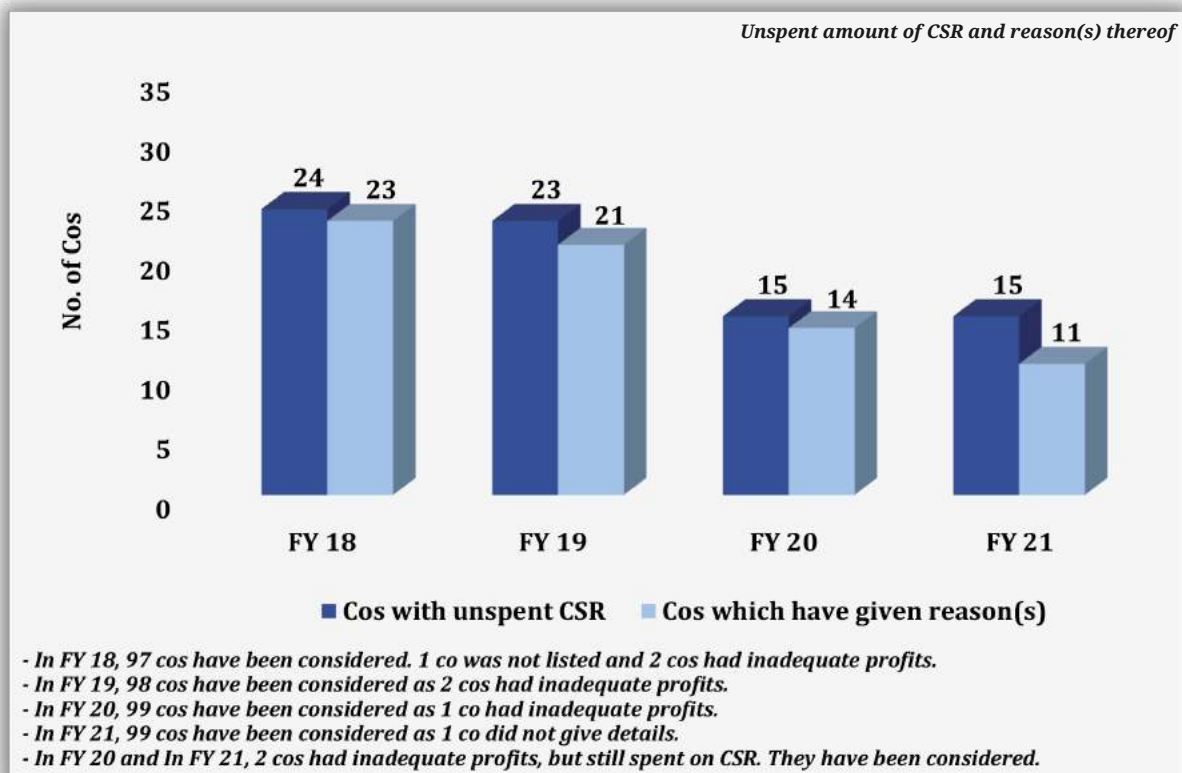
- In previous 3 FYs, 66 companies, which have disclosed details on succession planning, are common.
- In previous 3 FYs, 38 companies, which have disclosed details on succession planning of Board, are common.
- In previous 3 FYs, 52 companies, which have disclosed details on succession planning of management, are common.

# CORPORATE SOCIAL RESPONSIBILITY

## UNSPENT AMOUNT OF CSR AND REASONS THEREOF

- As per Section 135 (5) of the Companies Act, 2013, the Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years [or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years,] (wef January 22, 2021) in pursuance of its Corporate Social Responsibility Policy:  
*Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount [and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.] (wef January 22, 2021)*  
*Provided also that if the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed. (wef January 22, 2021)*
- As per Section 135 (6) of the Companies Act, 2013, any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year (wef January 22, 2021).

Spending less than the statutory minimum is indicative of inadequate attention being given to society as a stakeholder. Blaming the shortfall in expenditure on implementing agencies or the lack of projects seems to be an excuse, rather an explanation.

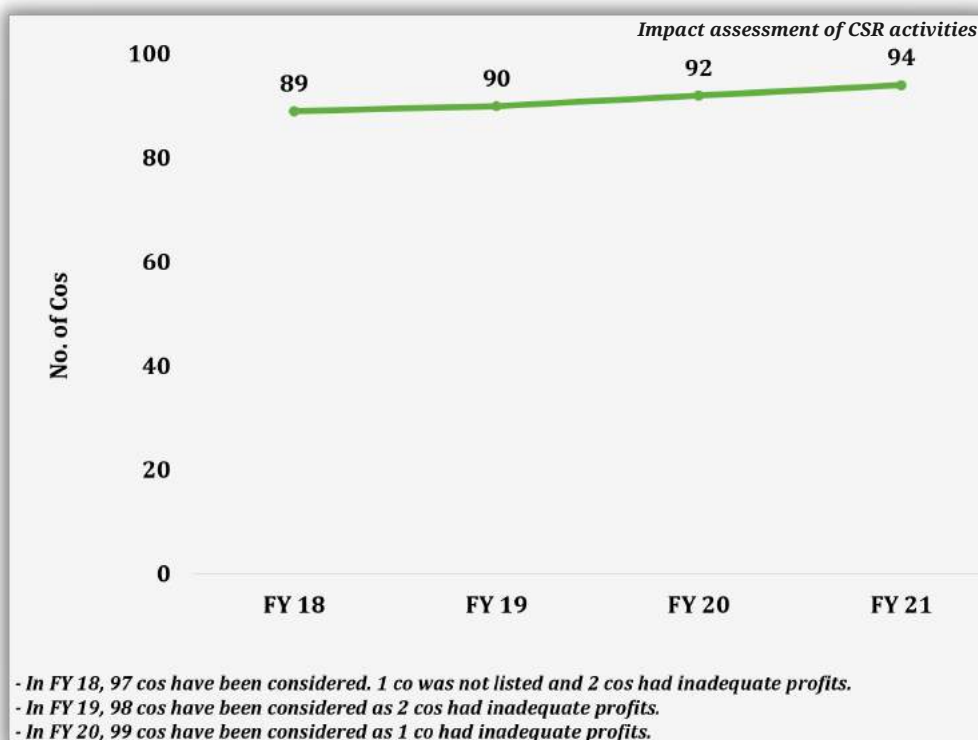


- In FY 18, out of 24 companies with unspent CSR amount, 7 companies stated that they faced difficulty in finding a suitable project, 9 companies stated that they had ongoing projects and 1 company stated that the NGO did not utilise the funds.
- In FY 19, out of 23 companies with unspent CSR amount, 8 companies stated that they faced difficulty in finding a suitable project, 11 companies stated that they had ongoing projects and 1 company stated that the NGO did not utilise the funds.
- In FY 20, out of 15 companies with unspent CSR amount, 7 companies stated that they had ongoing projects, 4 companies faced problems due to Covid and 1 company stated that the NGO did not utilise the funds.
- In FY 21, out of 15 companies with unspent CSR amount, 6 companies faced problems due to Covid and 5 companies stated that there were ongoing projects and the unspent amount has been transferred to the unspent CSR account.
- In previous 4 FYs, 6 companies are common.

## IMPACT ASSESSMENT OF CSR ACTIVITIES

- Wef January 22, 2021, as per Rule 5(2) of the Companies (Corporate Social Responsibility (CSR) Policy) Amendment Rules, 2021, the CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-
  - (e) details of need and impact assessment, if any, for the projects undertaken by the company:
    - Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.
- Wef January 22, 2021, as per Rule 8(3) of the Companies (Corporate Social Responsibility (CSR) Policy) Amendment Rules, 2021,
  - (b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
  - (c) Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.
- MCA vide general circular no. 14/2021 dated August 25, 2021, issued an FAQ, which stated that the provisions for impact assessment have come into effect from 22nd January, 2021. Accordingly, the company is required to undertake impact assessment of the CSR projects completed on or after January 22, 2021

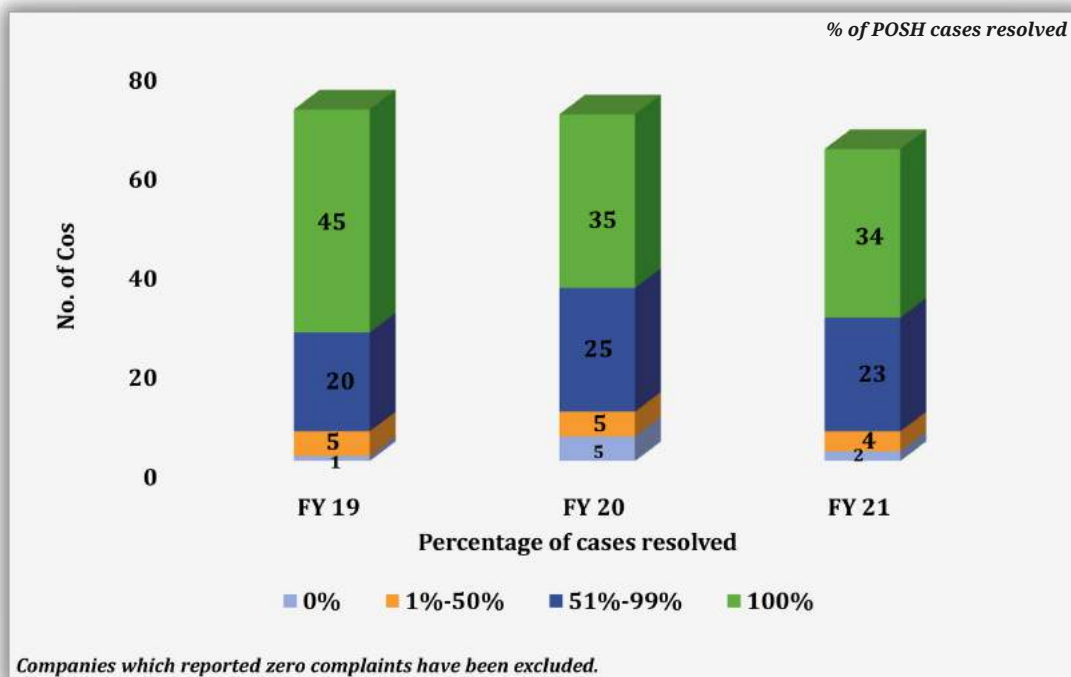
Focus on expenditure on CSR activities, without assessing the impact of the activities, would seem to be an incomplete exercise.



# DISCLOSURE RELATING TO POSH

- As per Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the employer shall include in its report the number of cases filed, if any, and their disposal under this Act in the annual report of his organization or where no such report is required to be prepared, intimate such number of cases, if any, to the District Officer.
- As per Schedule V (C) (1) (l) of the SEBI LODR Regulations, 2015, a listed Company shall make a disclosure in the section on the corporate governance of the annual report in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:
  - number of complaints filed during the financial year
  - number of complaints disposed of during the financial year
  - number of complaints pending as on end of the financial year

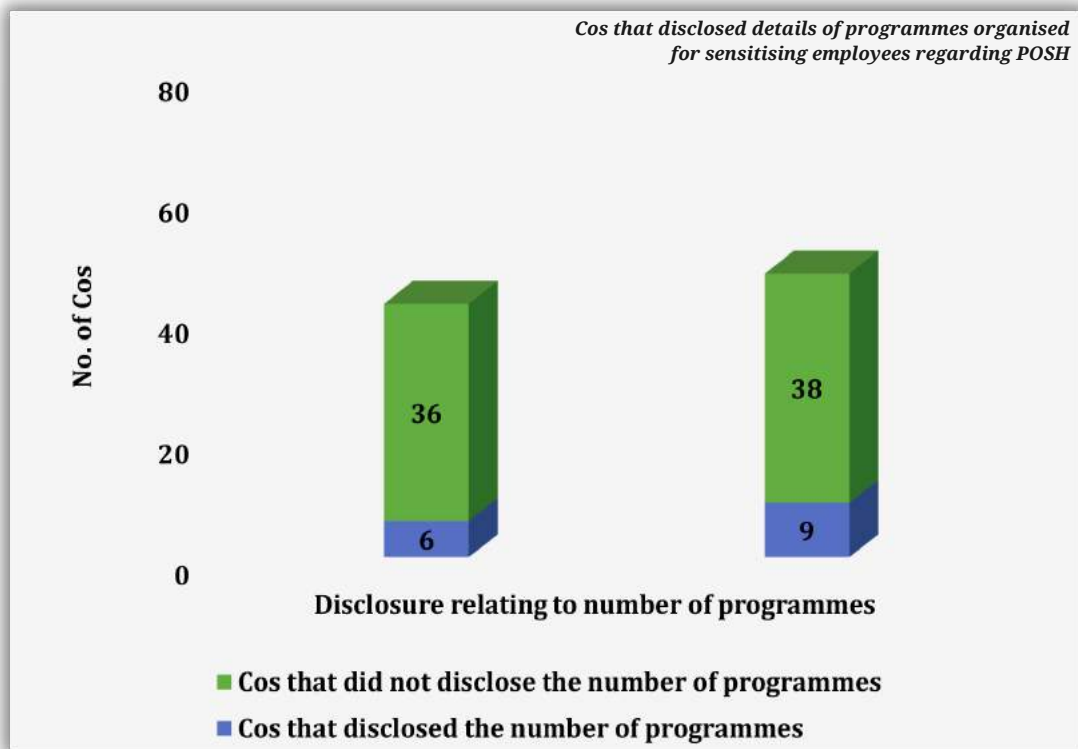
The Prevention of Sexual Harassment (POSH) of women in the workplace is one of the most important responsibilities of management. Towards this end, cases of this nature are expected to be examined and disposed of, fixing responsibility in instances where the allegation is established. The 2 major weaknesses seem to be the mechanical manner in which cases are “disposed of” and the inadequate punishment that often does not serve as a deterrent or help to create the right working environment.



- In FY 21, 635 cases were reported, and 533 cases were shown as disposed of. From the reporting, it is not clear in how many of these, the allegations were established, and appropriate remedial action was taken. Since creation of a safer workplace is the objective, clarity on this account would have been helpful.
- In FY 21, 37 companies reported receiving 0 complaints. In FY 19 and FY 20, 29 companies and 30 companies respectively reported receiving 0 complaints. The absence of complaints would seem to indicate either an ideal workplace or the lack of confidence among employees in reporting cases of this nature.
- In previous 3 FYs, the highest number of cases were reported by 1 company. In FY 19, 142 cases; in FY 20, 156 cases; and in FY 21, 38 cases, with an average resolution of 80%, 78% and 80% per year respectively.

## WORKSHOPS FOR POSH

All companies have set up Internal Complaints Committees to deal with POSH cases, and also to report the number of cases dealt with. However, there is major lack of awareness in the workforce regarding what constitutes an offence under POSH, and why an inappropriate behaviour pattern has no place in the working environment. To address this, more workshops that educate as well as inform should be conducted by the corporates. Separately, the association of male champions for this cause should be encouraged.



- In FY 20, highest number of programmes that were organised by a company were 854.
- In FY 21, highest number of programmes that were organised by a company were over 140.

## STATUTORY AUDITOR

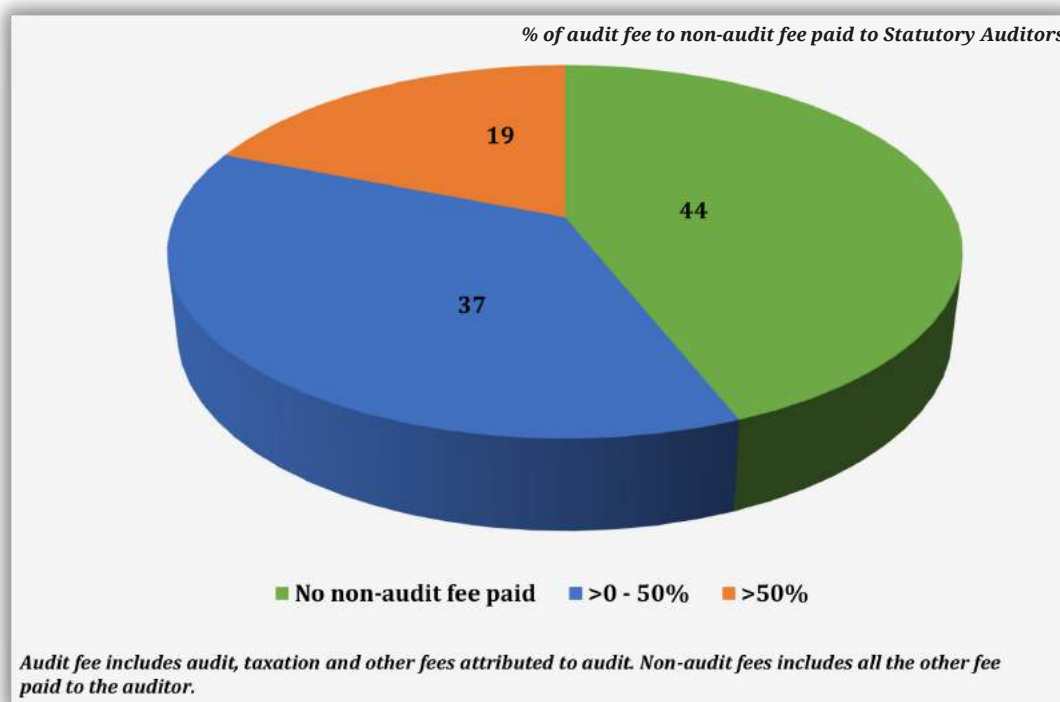
### SINGLE OR JOINT

Joint audit, which has been in vogue for public sector financial institutions, and has been recently prescribed by RBI for NBFCs, ensures continuity with change. Having the same set of auditors, over a long period, will lead to becoming less probing over the course of time, and the creation of an attitude of acceptance. Joint audit, with tenures that are marginally overlapping, will ensure a fresh perspective, while retaining the benefit of existing domain familiarity. Joint audit should be seen as an extension of the principle of rotation of auditors.

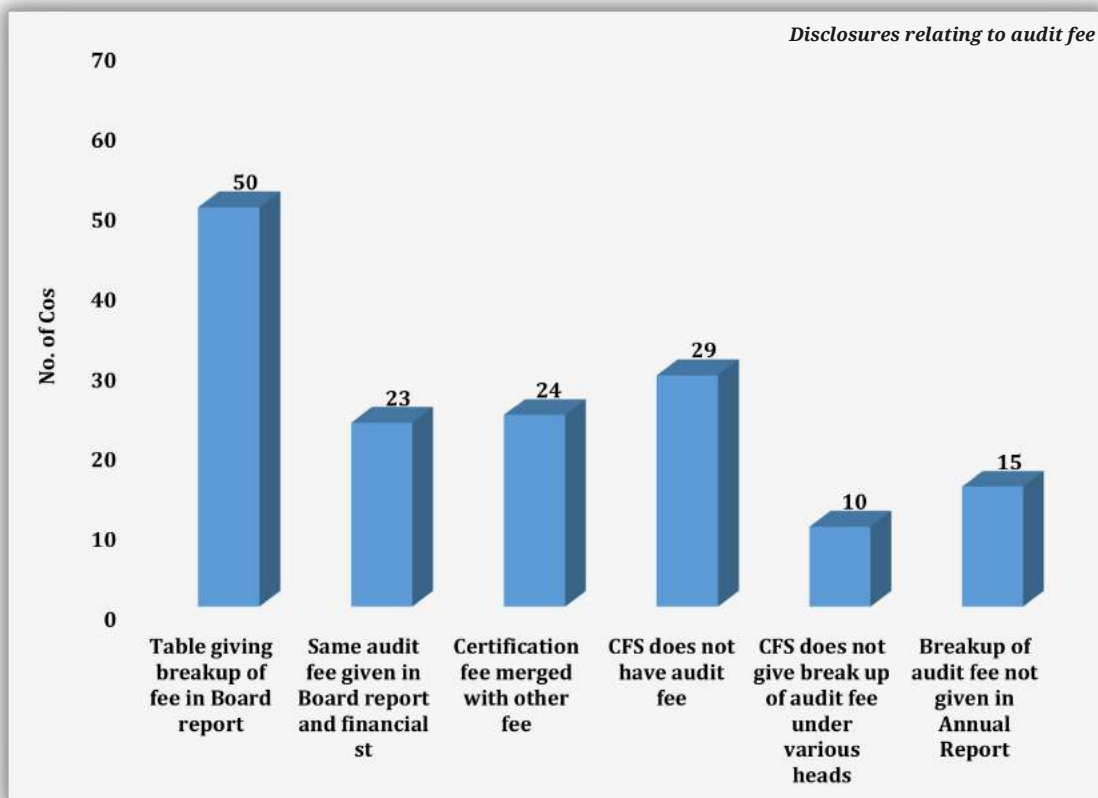
- In FY 20 and in FY 21, 20 companies had joint statutory auditors.

### AUDIT FEE BREAKUP

Independence is one of the most important expectations from Statutory auditors. To ensure this, there has been increasing focus on reducing, if not eliminating, non-audit functions being performed by Statutory auditors. Information regarding non-audit services provided by Statutory auditors, and the amount paid to them for such services, is difficult to access given the wide variations in the manner in which these matters are reported in the Annual reports.

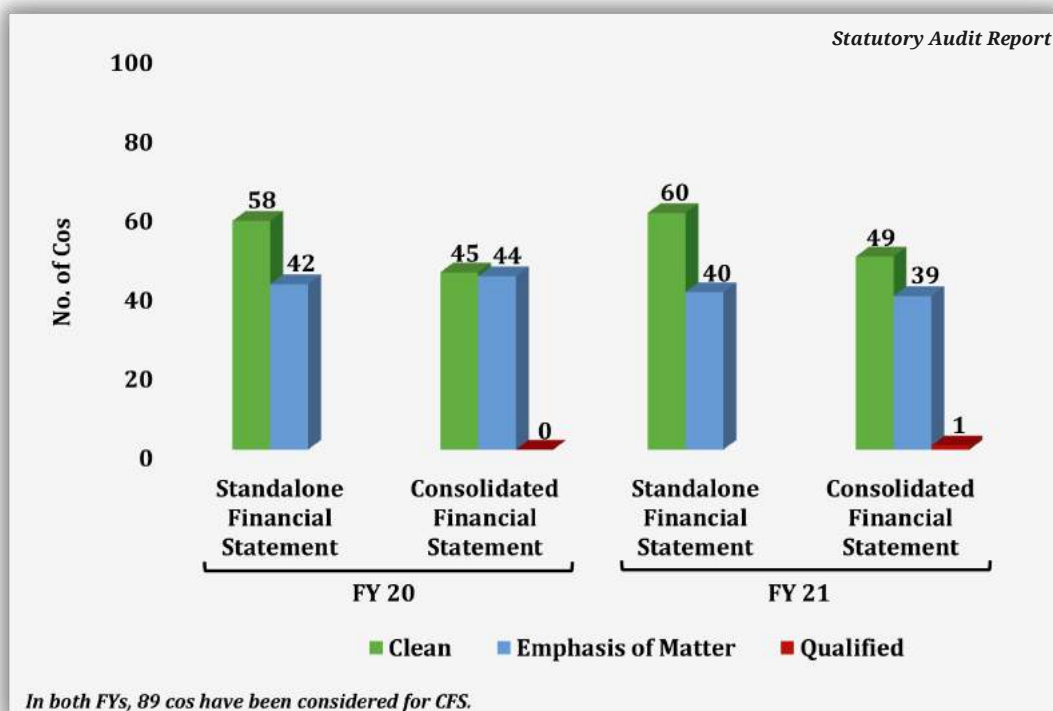


- Highest ratio of non-audit fee paid to audit fee was 160%.



- Audit fee finds mention in 3 places in the Annual Report – Board report, SFS and CFS. Ideally, the fee given under the Board report and the CFS should be identical. Also, the fee paid to the Auditor under various heads (audit, taxation, certification, consultancy etc) should be given clearly and separately.

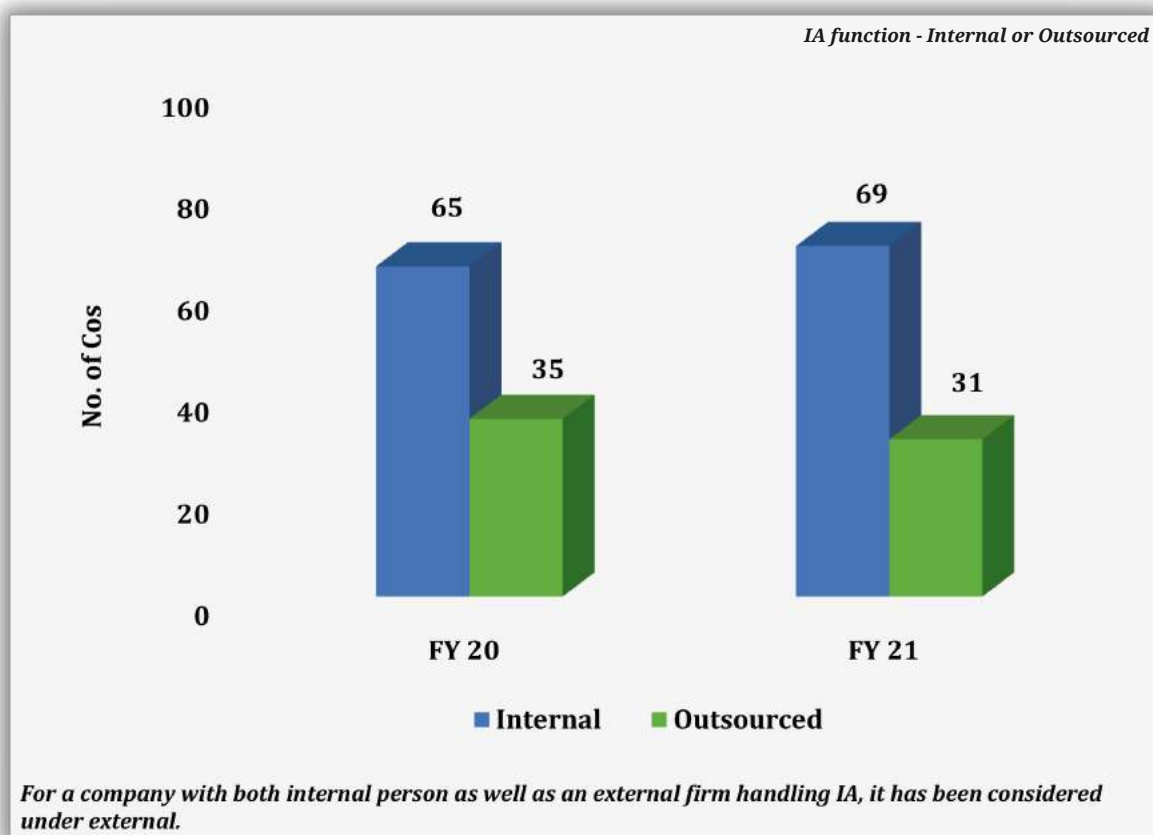
## STATUTORY AUDIT REPORT



- In FY 20, all PSUs had qualified reports.
- In FY 21, only 1 PSU had a clean report.

## INTERNAL AUDITOR

The function of IA is, in some companies, discharged by an internal team, and in some other companies, is outsourced to an external auditor. A few companies have a combination of an internal team and an external auditor dealing with different business segments or functions. No matter whether the agency is internal or external, it is for the AC to extract value from the function of IA, and to ensure that through direct reporting to the AC, there is no pressure, real or imaginary, exerted on the IA function.



## SECRETARIAL AUDITOR

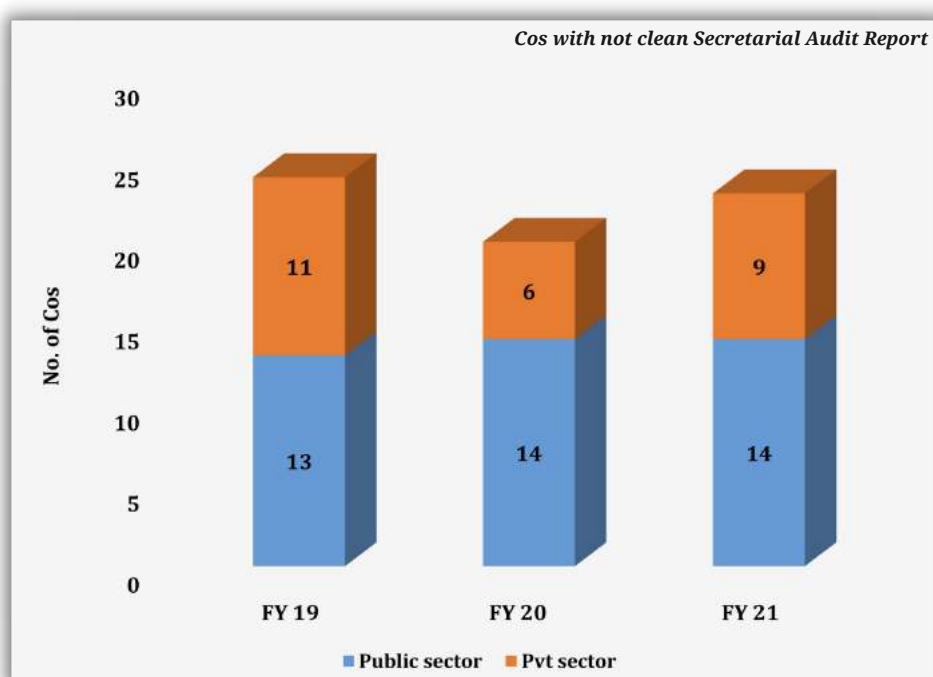
Secretarial audit is one of the mandatory instruments for ensuring compliance. As in the case of all auditor-auditee relationships, rotation of the audit firm and/or signing partner is essential to rule out the possibility of familiarity, leading to ignoring or underplaying cases of non-compliance.

### ROTATION OF SECRETARIAL AUDITOR

- In previous 7 FYs, 57 companies have had the same audit firm and/or the same signing partner.
- In FY 21, 10 companies changed their audit firm. All the companies were non-PSUs.

### SECRETARIAL AUDIT REPORT

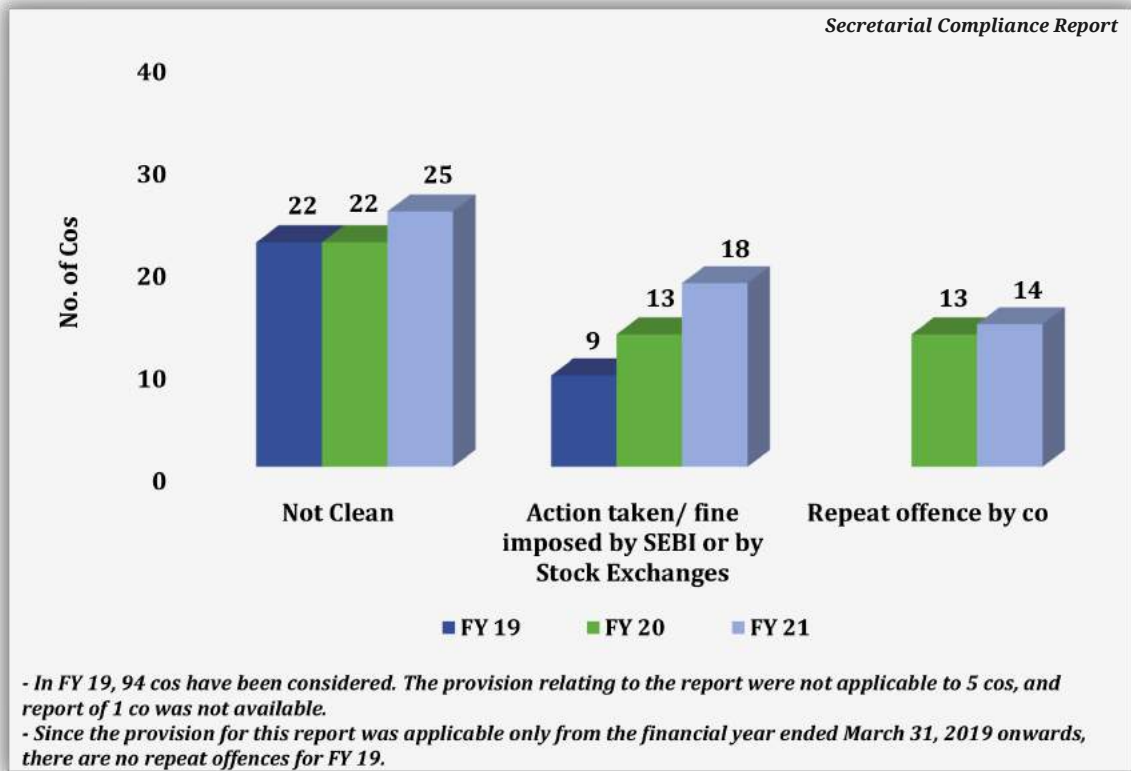
- *As per Section 204(1) of Companies Act, 2013, every listed company and a company belonging to other class of companies as may be prescribed shall annex with its Board's report made in terms of sub-section (3) of section 134, a secretarial audit report, given by a company secretary in practice, in such form as may be prescribed.*



- In previous 3 FYs, 15 companies, which did not have a clean report, are common. Of these, 10 are PSUs.
- In FY 19, out of 76 clean reports, 6 reports are not clean as per us since they have some observations from the auditor.
- In FY 20, out of 80 clean reports, 7 reports are not clean as per us since they have some observations from the auditor.
- In FY 21, out of 77 clean reports, 12 reports are not clean as per us since they have some observations from the auditor.

## SECRETARIAL COMPLIANCE REPORT

*As per SEBI Circular dated February 8, 2019, every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year (wef March 31, 2019)*



Secretarial compliance report which is a more recent phenomenon, provides an excellent snapshot of the history and the status of compliance, and points to matters that are pending for management's action.

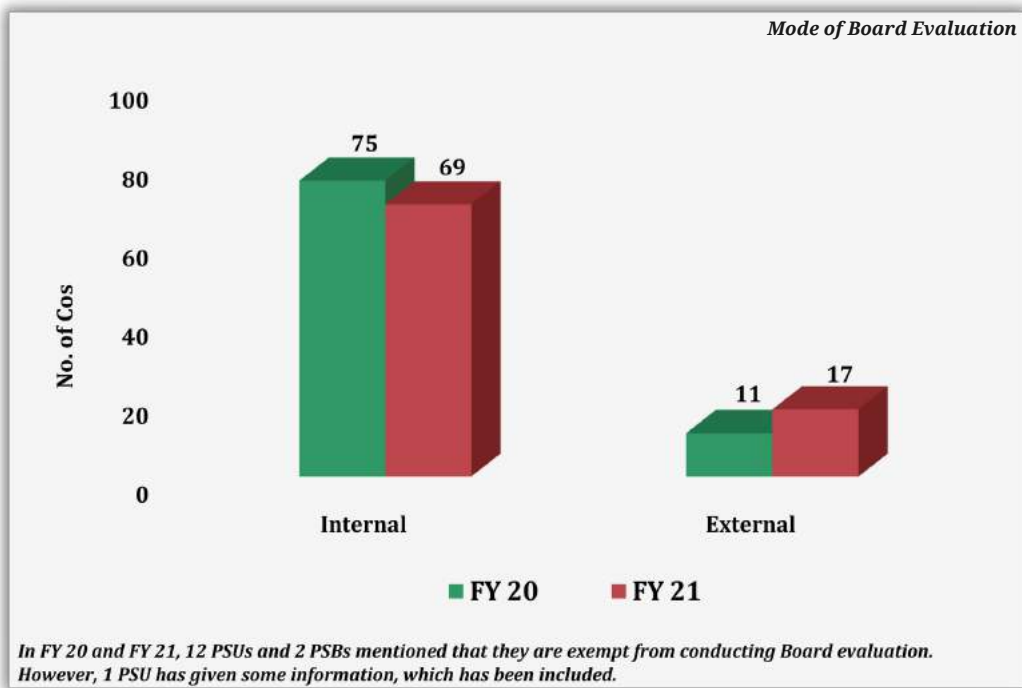
# BOARD EVALUATION

- *As per Section 178(2) of the Companies Act, 2013, the Nomination and Remuneration Committee shall.... specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.*
- *As per Schedule IV of the Companies Act, 2013,*
  - 1) *The independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management*
  - 2) *The meeting shall:*
    - (a) *review the performance of non-independent directors and the Board as a whole;*
    - (b) *review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;*
    - (c) *assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.*
- *As per Regulation 17(10) of SEBI LODR Regulations, 2015, the evaluation of independent directors shall be done by the entire board of directors which shall include -*
  - (a) *performance of the directors; and*
  - (b) *fulfillment of the independence criteria as specified in these regulations and their independence from the management:*

*Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.*
- *As per Regulation 25(4) of SEBI LODR Regulations, 2015, the independent directors in the meeting referred in sub-regulation (3) shall, inter alia-*
  - (a) *review the performance of non-independent directors and the board of directors as a whole;*
  - (b) *review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;*
  - (c) *assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.*

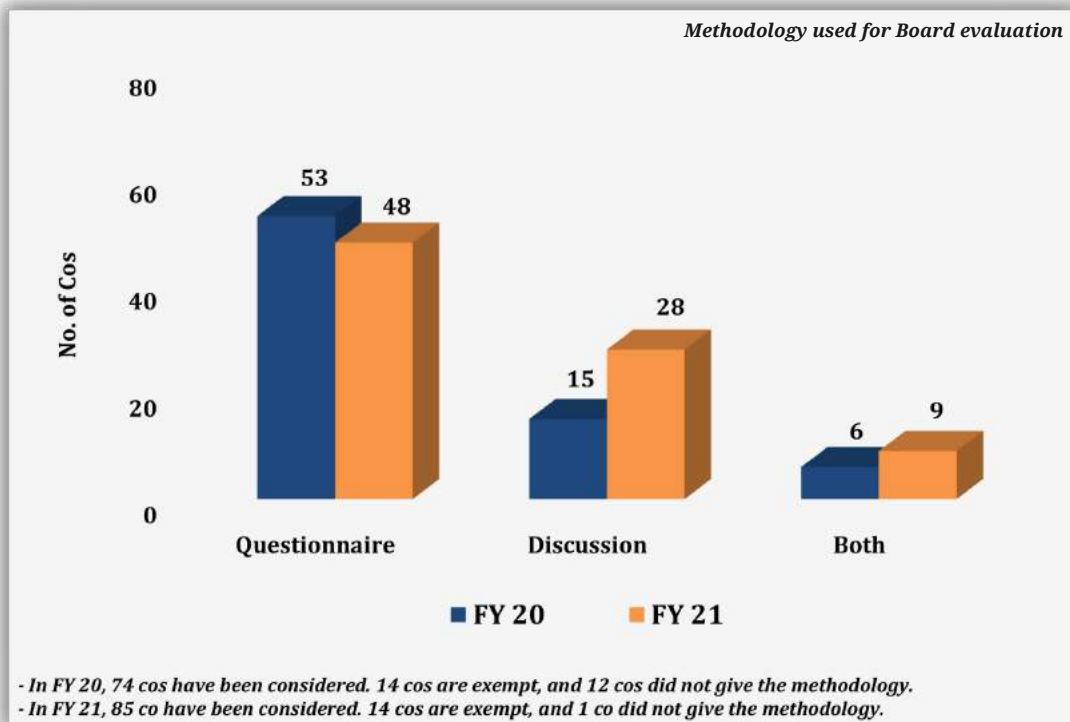
## MODE OF BOARD EVALUATION

When carried out with sufficient seriousness and rigour, Board evaluation is a very important tool to enable the Board, its committees, its Chairperson and the Directors to significantly improve performance. Presently, most Board evaluation exercises are carried out in a routine fashion, with no attempt to extract value from the exercise. A major failure is that following the process of evaluation, no feedback is given to the persons concerned, to improve their performance. A few progressive companies have embarked on preparing action plans arising out of Board evaluation, with the intention of monitoring the implementation, and reporting the performance in the subsequent year.

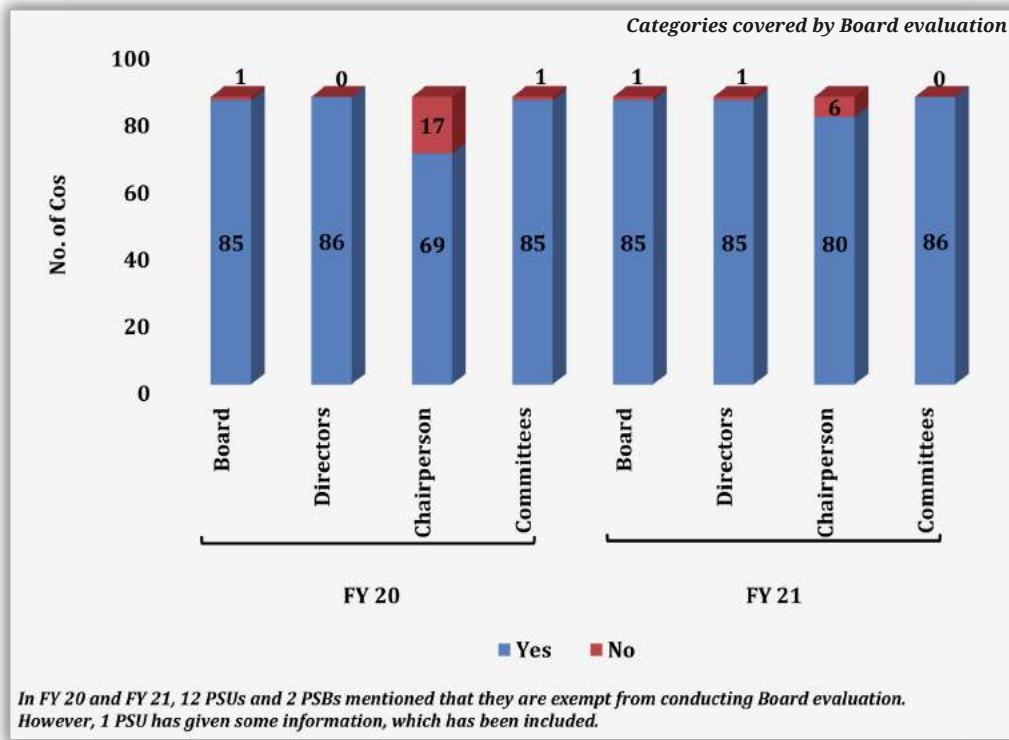


## METHODOLOGY

Experience has shown that neither a questionnaire approach, nor a discussion approach, is, by itself, a satisfactory method. A robust process should involve both these elements.



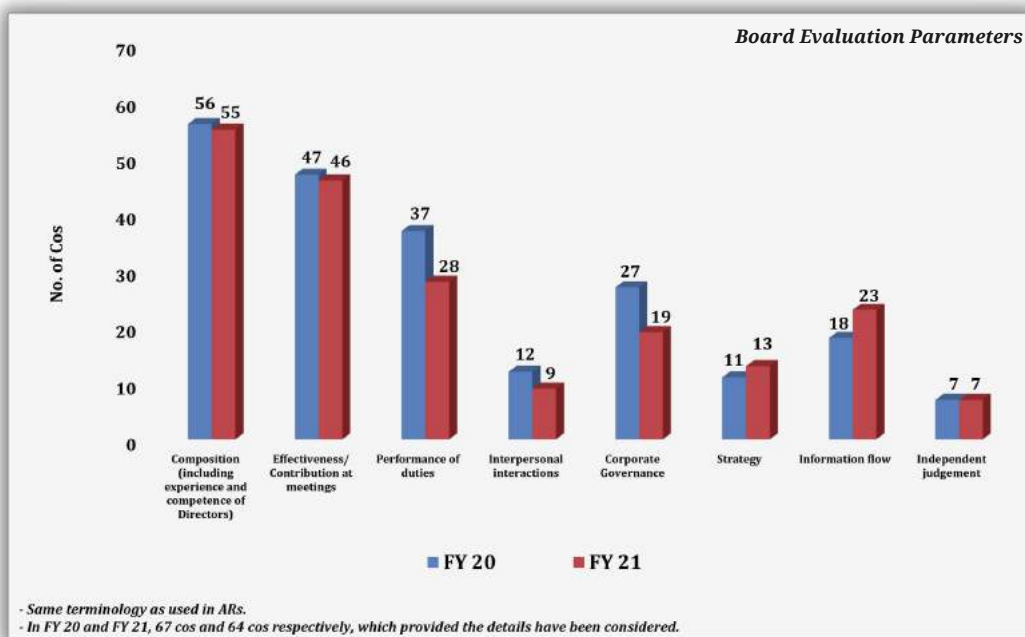
## CATEGORIES EVALUATED



## TOP PARAMETERS FOR EACH CATEGORY

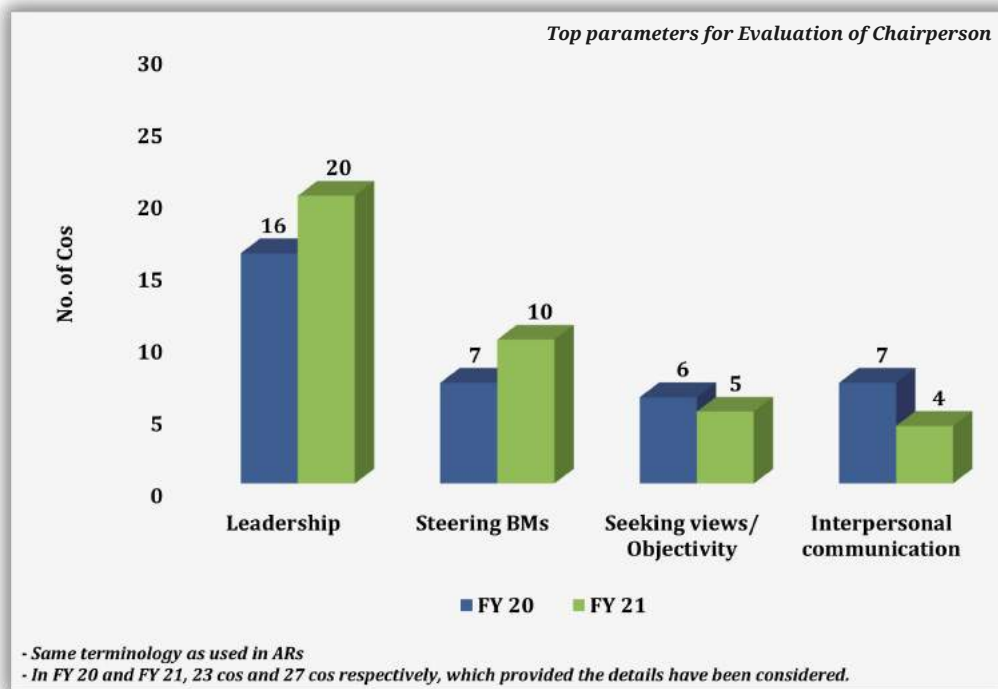
- 2PSBs and 12 PSUs are exempt.

### BOARD



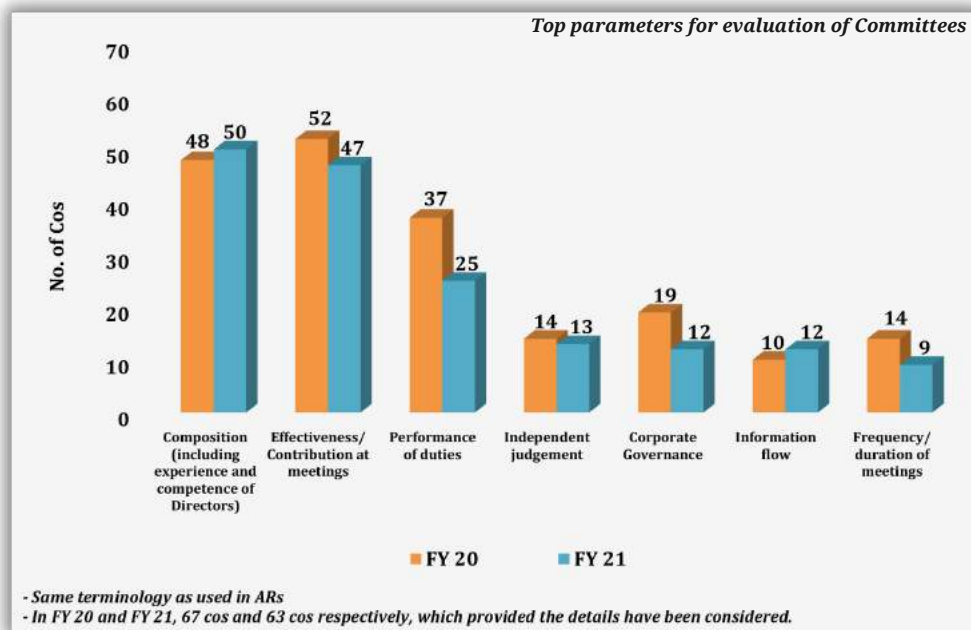
- In both FYs, 1 company has mentioned 'handling dissent' as one of the parameters.

## CHAIRPERSON

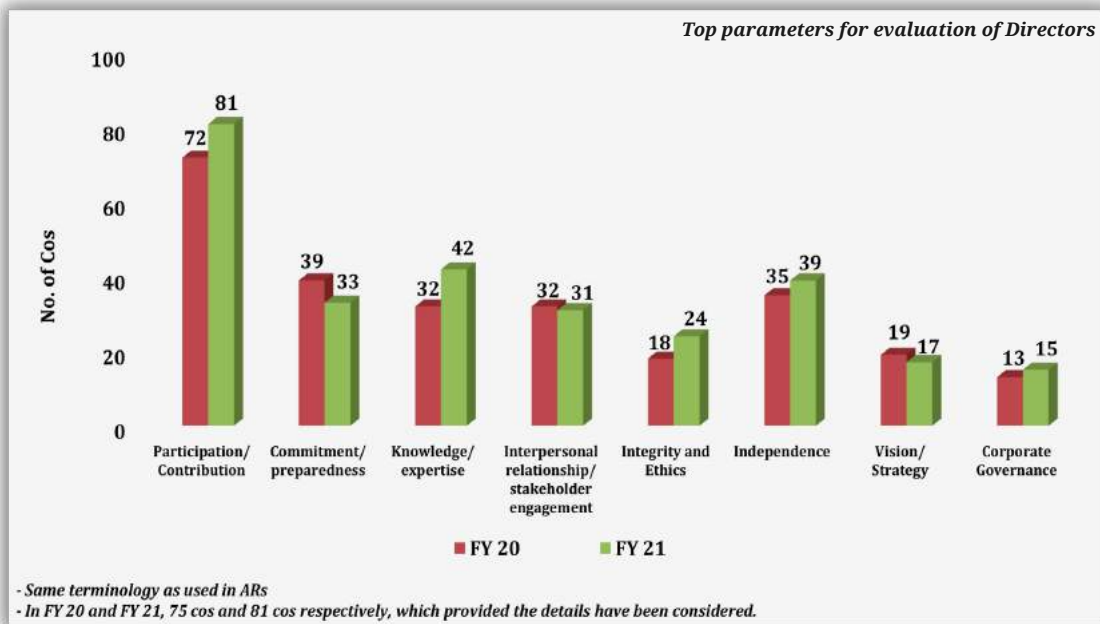


- In both FYs, 1 company has mentioned 'handling dissent' as one of the parameters.

## COMMITTEES

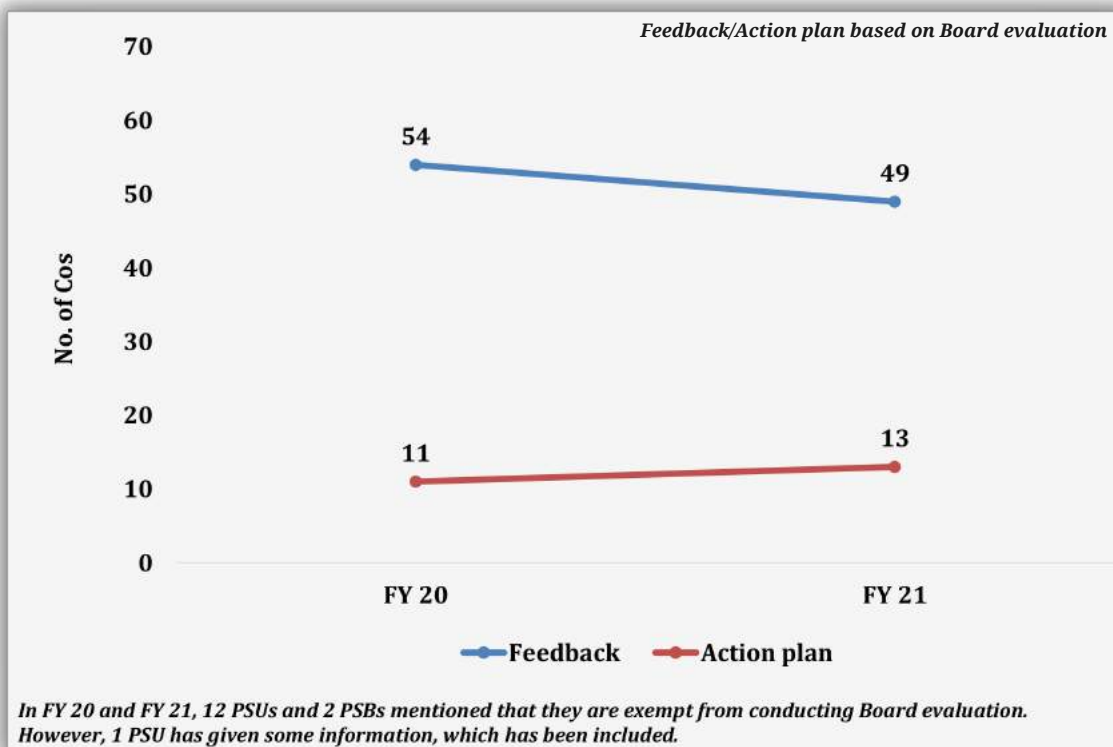


- In both FYs, 1 company has mentioned 'handling dissent' as one of the parameters.



### FEEDBACK/ACTION PLAN

Any evaluation exercise is sterile and unproductive if it is not concluded with feedback being given to the evaluated entities, and an action plan is set in motion to work on the areas identified for improvement.



### REFERENCE TO FLOW OF INFORMATION

- In FY 21, 58 companies have made reference to flow of information.

### ROLE OF NRC IN BOARD EVALUATION

- In FY 20 and FY 21, 82 companies and 78 companies respectively have mentioned a role for NRC in the evaluation exercise.

# DISCRETIONARY REQUIREMENTS UNDER SEBI LODR REGULATIONS, 2015

- As per Regulation 27(1) of SEBI LODR Regulations, 2015, the listed entity may, at its discretion, comply with requirements as specified in Part E of Schedule II.

- As per Schedule II - Part E,

### **A. The Board**

A non-executive chairperson may be entitled to maintain a chairperson's office at the listed entity's expense and also allowed reimbursement of expenses incurred in performance of his duties.

### **B. Shareholder Rights**

A half-yearly declaration of financial performance including summary of the significant events in last six-months, may be sent to each household of shareholders.

### **C. Modified opinion(s) in audit report**

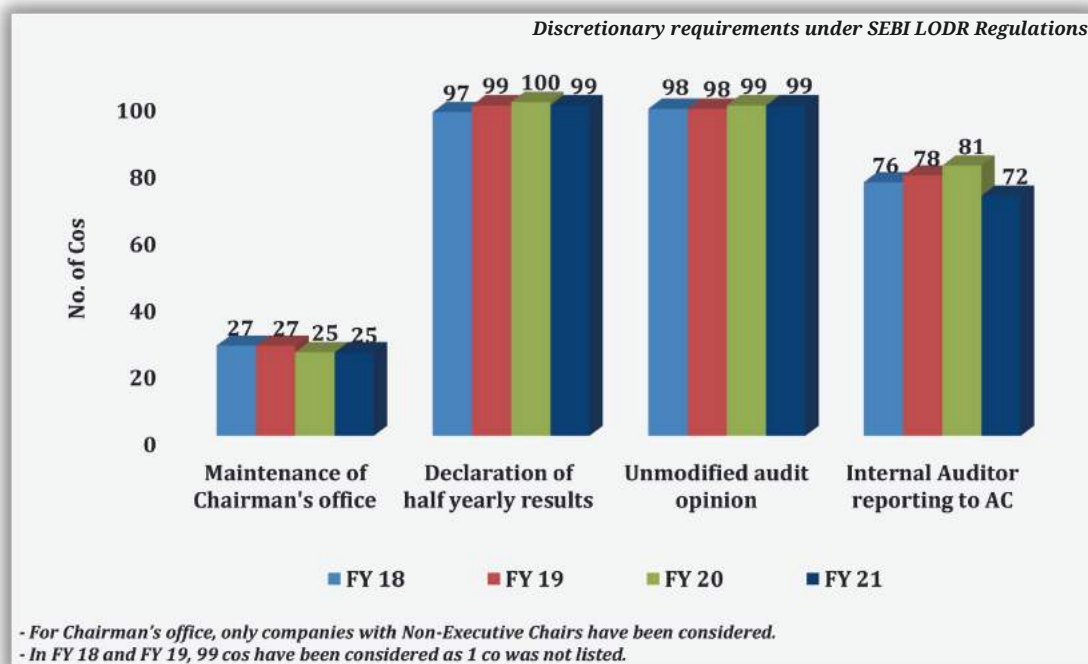
The listed entity may move towards a regime of financial statements with unmodified audit opinion.

### **D. Deleted**

### **E. Reporting of internal auditor**

The internal auditor may report directly to the audit committee.

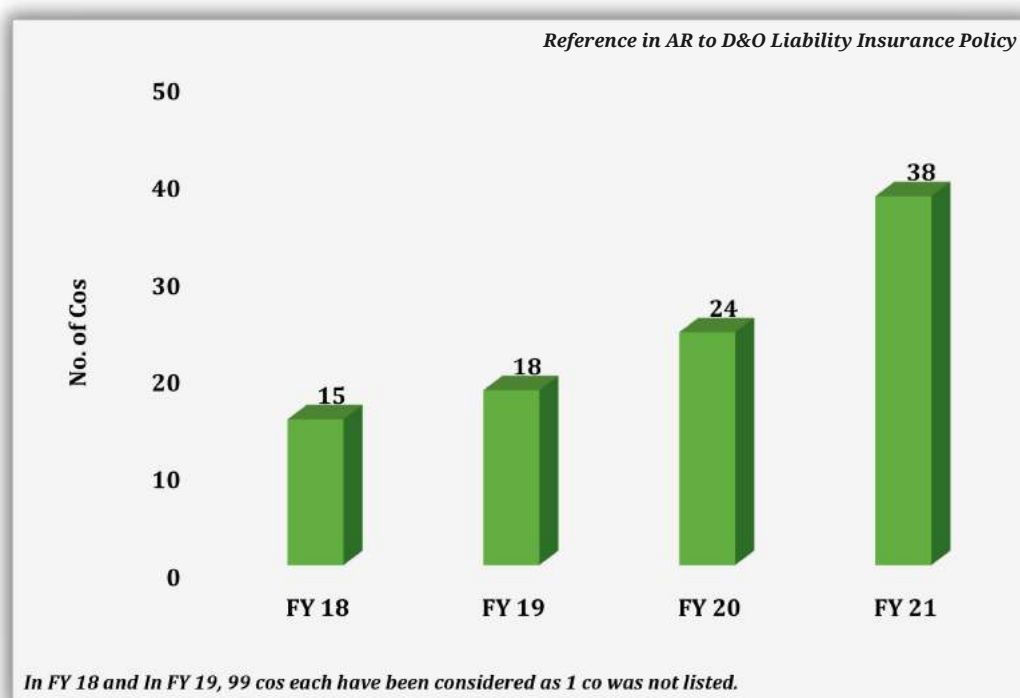
SEBI LODR Regulations, 2015 indicate the matters which companies may, at their discretion, disclose in the Corporate Governance report. Even though these are discretionary matters, a number of companies have disclosed some of these items in the annual report.



- Companies that follow all the discretionary practices in FY 18 are 23; in FY 19 are 24; in FY 20 are 23; and in FY 21 are 21. Of these, in all 4 FYs, 15 companies are common.
- Going forward, it is to be hoped that there would be more such disclosures, without waiting for SEBI to convert these to non-discretionary requirements.

# D&O LIABILITY INSURANCE POLICY

- As per Schedule IV of the Companies Act, 2013,
  - The appointment of independent directors shall be formalized through a letter of appointment, which shall set out :
    - provision for Directors and Officers (D and O) insurance, if any.
- As per Regulation 25(10) of SEBI LODR Regulations, 2015, the top 500 listed entities by market capitalization calculated as on March 31 of the preceding financial year, shall undertake Directors and Officers insurance ('D and O insurance') for all their independent directors of such quantum and for such risks as may be determined by its board of directors.

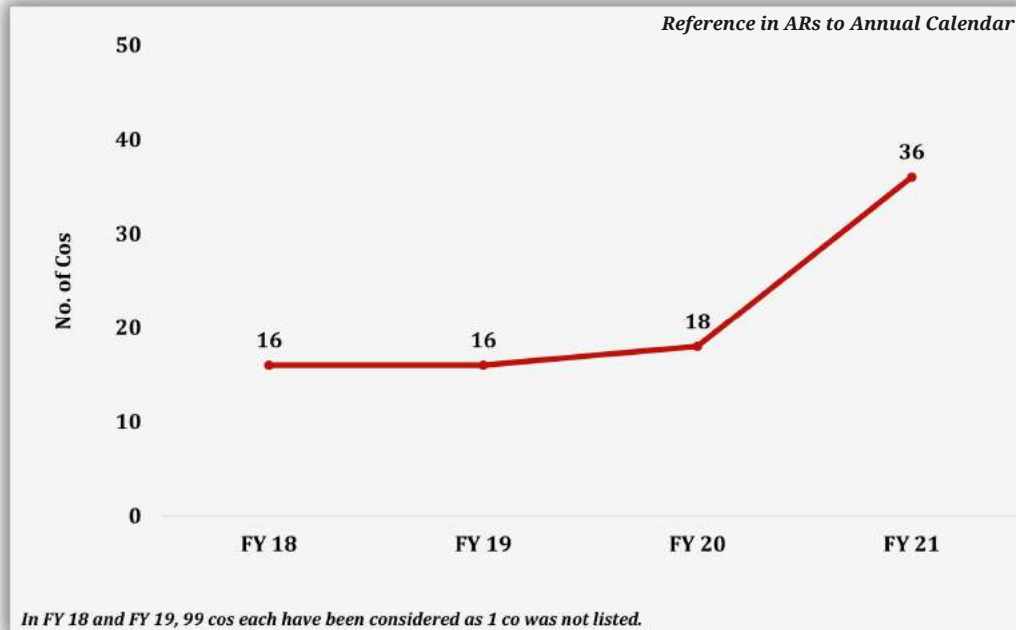


Given the increasing responsibilities and attendant liabilities that Directors and KMPs have, a D&O Liability Insurance policy is necessary to attract competent persons to Boards/ companies, and to retain them. It would be useful for Boards to study their insurance policies to keep themselves informed of the exclusions, so that any additional arrangement required to be made is addressed without loss of time.

# OTHER PROCESSES

## ANNUAL CALENDAR

Directors on Boards are normally expected to be busy persons who might be unavailable for very short notice meetings. Hence, an annual calendar, prepared in advance, would be useful to ensure their attendance at meetings.



- In all 4 FYs, 16 companies have continued the practice of having annual calendars.

## BOARD PORTAL

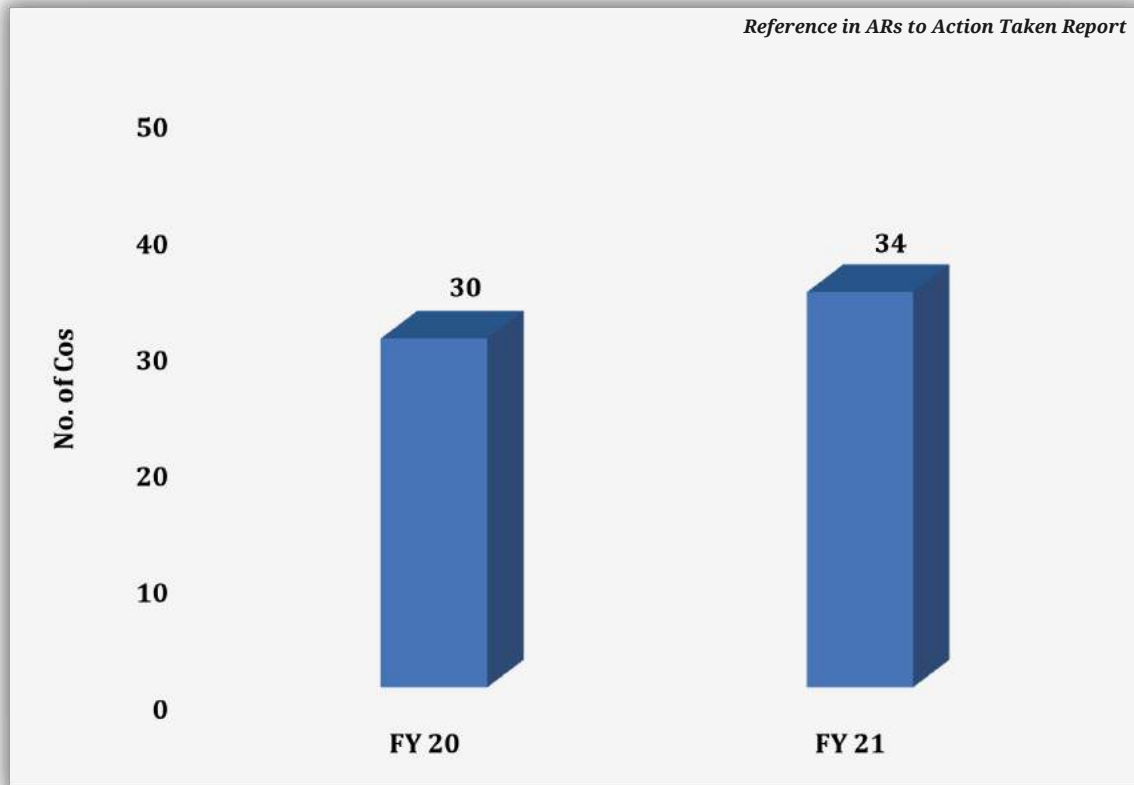
In an environment which is seeking to be progressively paperless, the Board portal is an important requirement. It enables easier and timely transmission of agenda papers and the minutes, and is a useful archival tool to access information relating to earlier meetings.



- In both FYs, 16 companies are common.

## ACTION TAKEN REPORT

The ATR is the control document available to Directors to determine whether decisions taken by the Board have been, or are being, acted upon.

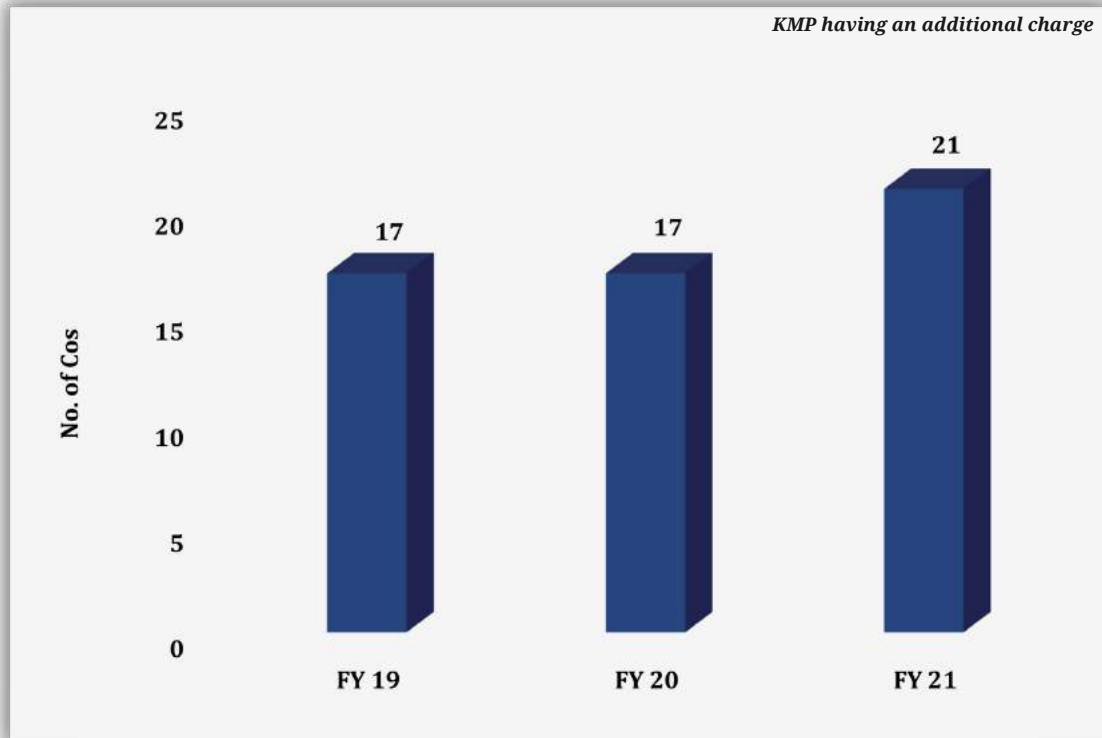


- In both FYs, 28 companies are common.

# KEY MANAGERIAL PERSONNEL

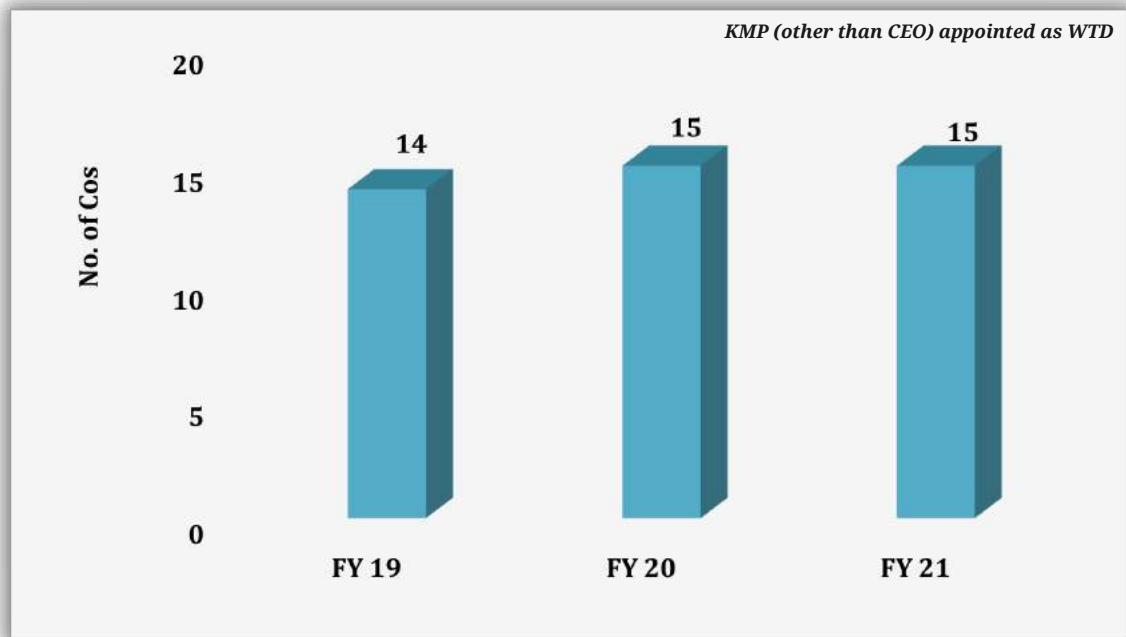
## KMP HAVING ADDITIONAL CHARGE

Given the responsibilities and the need for focus among the KMPs, giving any of them additional charge, especially for an extended period, would detract from their core functions.



- In previous 3 FYs, 14 companies are common.

## KMP (OTHER THAN CEO) APPOINTED AS WTD



- In previous 3 FYs, 14 companies are common.

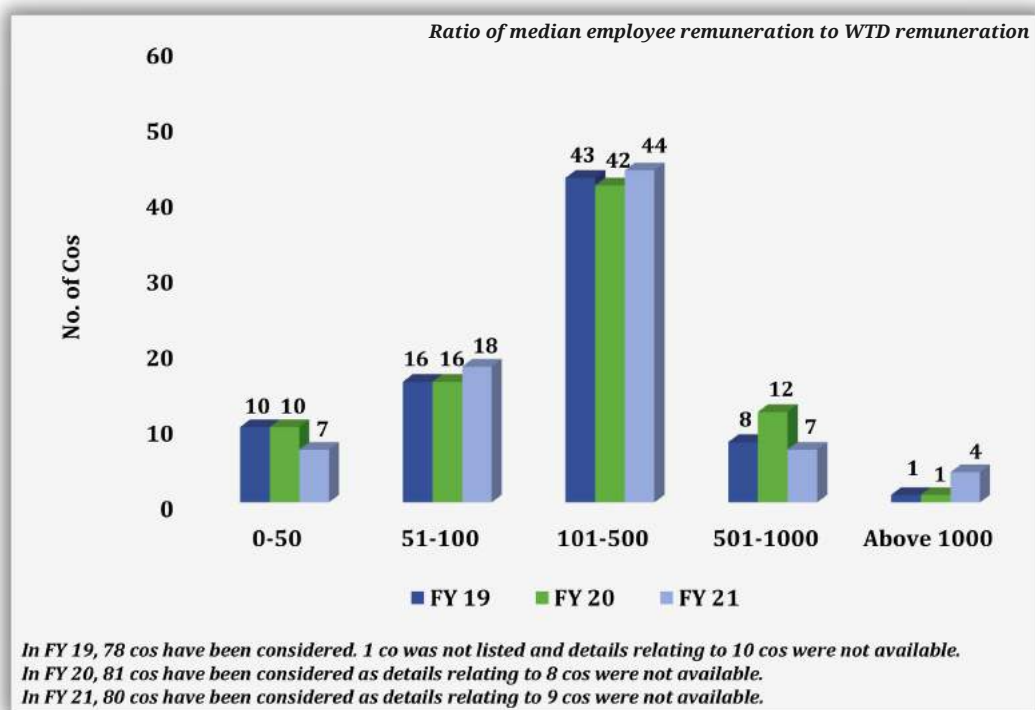
## DETAILS OF KMPs IN ANNUAL REPORTS

- In FY 21,
  - 50 companies have given names of both KMPs and SMPs, of which 2 have given profiles of all of them.
  - 29 companies have given names of only KMPs.
  - 19 companies have not given names/ profiles of KMPs and SMPs.

# MEDIAN COMPENSATION TO EMPLOYEES

- As per Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 -
  - Every listed company shall disclose in the Board's report-
    - the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

Executive compensation, especially its increase in recent times, has been a matter receiving increasing attention. Over-compensating senior personnel, when there are job cuts, salary cuts, and the like, at other levels, does not reflect well on the company. The comparison between the compensation of a WTD, and the mean compensation of the workforce, is often a good indicator.

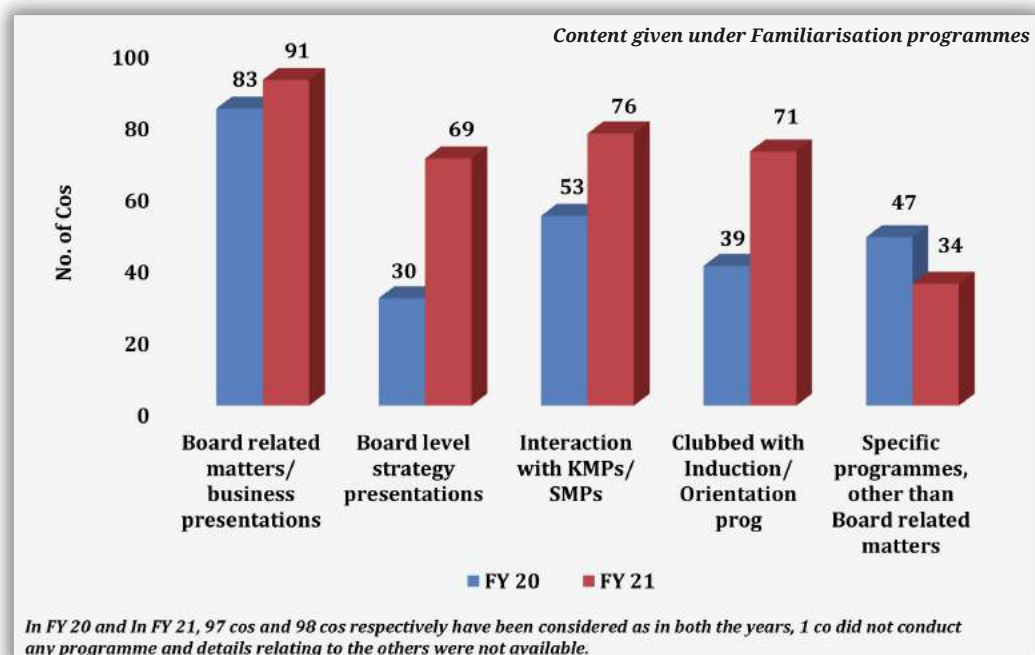
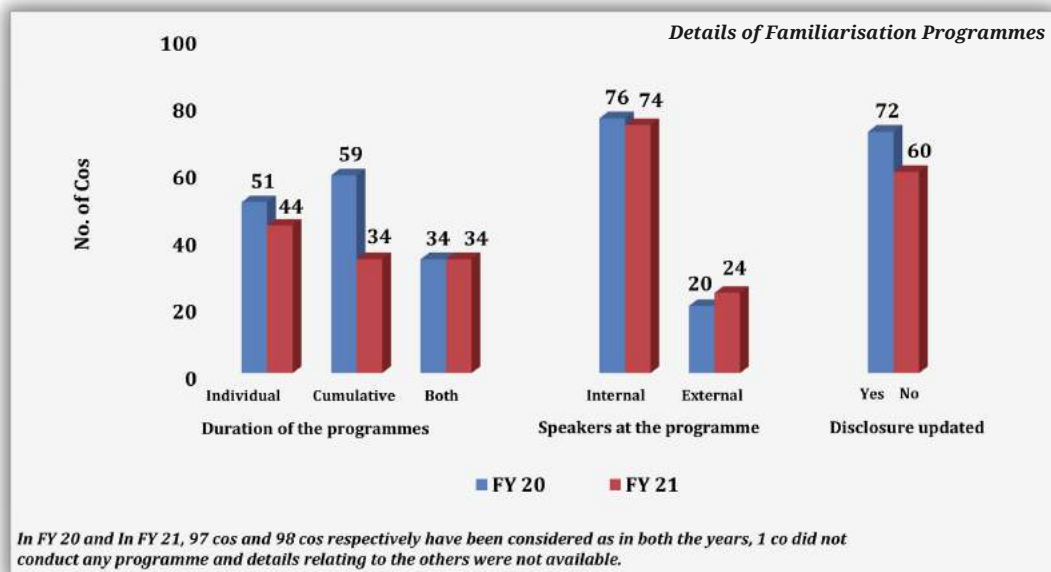


- 12 PSUs are exempt from giving these details, but 1 PSU has given this detail voluntarily, and has been considered.
- For companies with more than 1 WTD, the highest compensation paid to any WTD has been considered.
- In FY 19, FY 20, and FY 21, lowest ratio to median was 3.57, 7.87 and 3.73 respectively.
- In FY 19, FY 20 and FY 21, highest ratio to median was 1462.4, 1273.56 and 1868 respectively. This company is common in all 3 FYs.

## FAMILIARISATION PROGRAMME

- As per Regulation 46(2) of SEBI LODR Regulations, 2015, listed entity shall disseminate the following information under a separate section on its website:
  - details of familiarization programmes imparted to independent directors including the following details: -
    - number of programmes attended by independent directors (during the year and on a cumulative basis till date),
    - number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and
    - other relevant details

Familiarisation programmes are very important to ensure that Directors are updated in regard to both domain knowledge as well the environment in which the company operates. Therefore, far more attention needs to be given to this matter by the top management. It will be helpful if the Regulator clearly indicates the kind of programmes or interactions which will not qualify as familiarisation programmes. This is necessary because many companies pass off Board agenda items and presentations as familiarisation programmes.

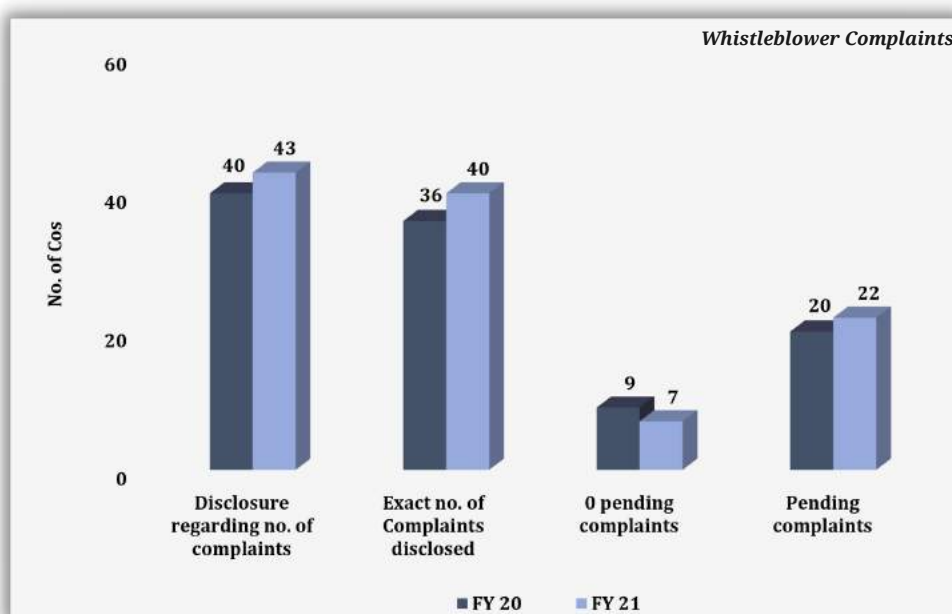


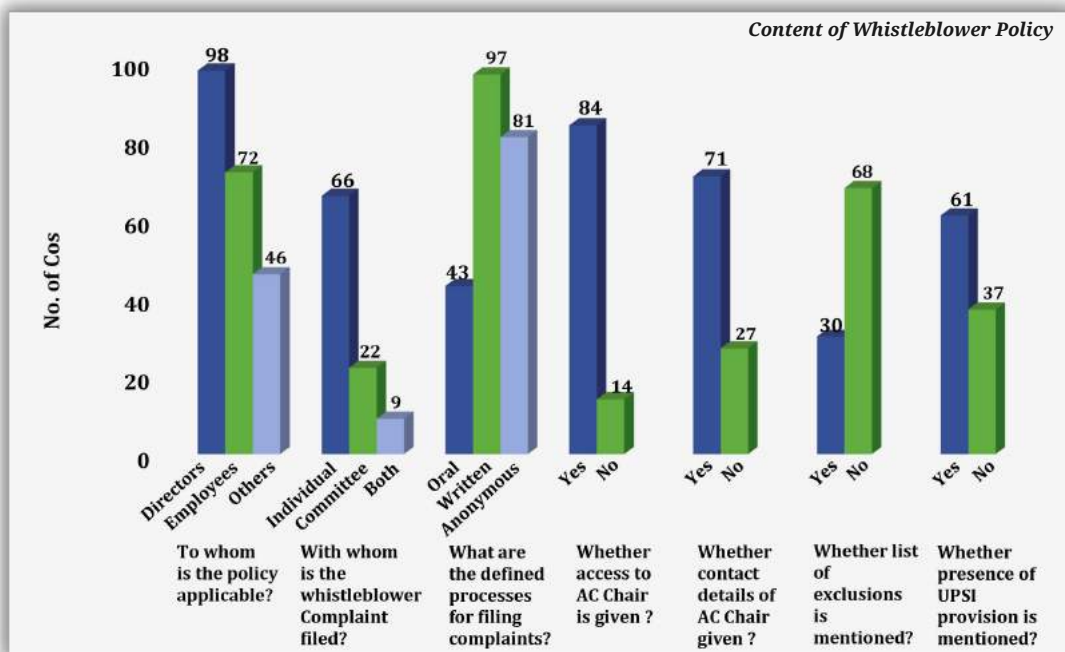
- This is an area where some confusion persists regarding the content of the familiarisation programme. Taking advantage of this, some companies have included even interaction with KMPs/ SMPs as a familiarisation programme for the Directors.
- In previous 2 FYs, 1 PSU did not conduct any programme, and 1 PSU did not give the details on the website.

## VIGIL/ WHISTLEBLOWER MECHANISM

- *As per Section 177(10) of Companies Act, 2013, the vigil mechanism under sub-section (9) shall provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases: Provided that the details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's report.*
- *As per Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014,*
  - (1) *Every listed company and the companies belonging to the following class or classes shall establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances-*
    - (a) *the Companies which accept deposits from the public;*
    - (b) *the Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees.*
  - (2) *The companies which are required to constitute an audit committee shall oversee the vigil mechanism through the committee and if any of the members of the committee have a conflict of interest in a given case, they should recuse themselves and the others on the committee would deal with the matter on hand.*
  - ...
  - (4) *The vigil mechanism shall provide for adequate safeguards against victimisation of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee or the director nominated to play the role of Audit Committee, as the case may be, in exceptional cases.*
- *As per Regulation 22(2) of SEBI LODR Regulations, 2015, the vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.*

The Whistleblower Mechanism, also known as the Vigil Mechanism, is a facility available to persons to bring matters to the attention of senior/ top management, without revealing their identity. Having such a mechanism is not enough. How much is revealed in the annual reports by way of the manner of resolution of complaints, the punishment meted out, the constitution and functioning of the internal committees, and the campaign undertaken to sensitise the workforce, will set apart companies which take this exercise seriously, from those that are going through the motions, with regard to such complaints.





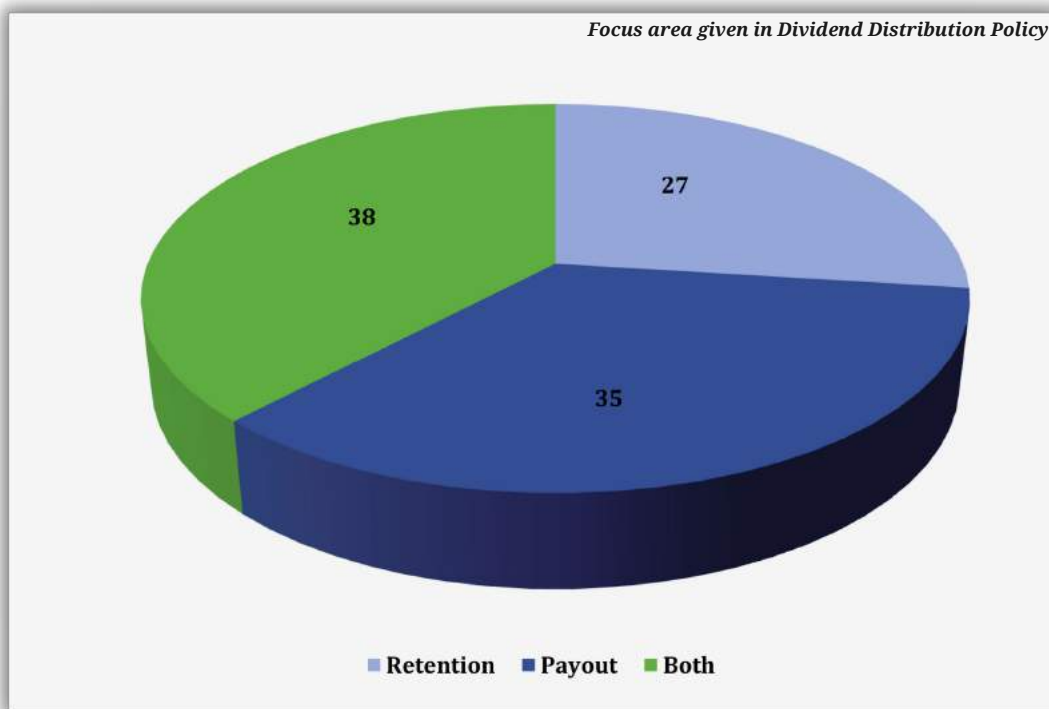
- Policies of 2 companies are a part of their Code of Conduct.
- 2 companies have had Whistleblower policies since 2009 and 2010.
- Out of 84 policies which provide an access to the Chair of AC,
  - 22 have given an email id and an address of the Chair of AC.
  - 38 have given only an email id. Of these, 5 are general email ids.
  - 41 have given an address. Of these, 31 are company addresses, and 10 are personal addresses of Chairs of ACs.

## DIVIDEND DISTRIBUTION POLICY

- *As per Regulation 43A of SEBI LODR Regulations, 2015,*
  - (1) the top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports.*
  - (2) The dividend distribution policy shall include the following parameters:*
    - (a) the circumstances under which the shareholders of the listed entities may or may not expect dividend;*
    - (b) the financial parameters that shall be considered while declaring dividend;*
    - (c) internal and external factors that shall be considered for declaration of dividend;*
    - (d) policy as to how the retained earnings shall be utilized; and*
    - (e) parameters that shall be adopted with regard to various classes of shares:*

*Provided that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.*
  - (3) The listed entities other than those specified at sub-regulation (1) of this regulation may disclose their dividend distribution policies on a voluntary basis on their websites and provide a web-link in their annual reports.*

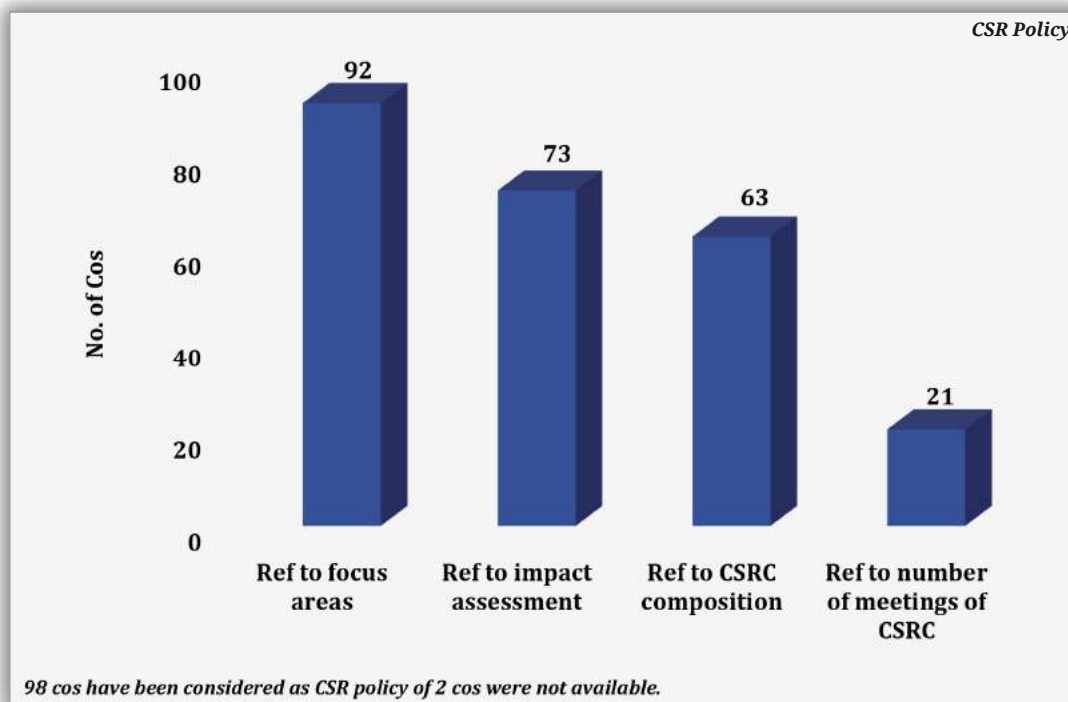
Surplus cash can be utilised by corporates for potential business needs and expansion, and for paying dividend to shareholders. In the absence of an identifiable business expenditure in the near future, it would be best to pay out additional amounts to shareholders. Payout, rather than retention, should be the focus of every DDP.



- 2 companies had published DDPs in the years 1999 and 2014.

## CSR POLICY

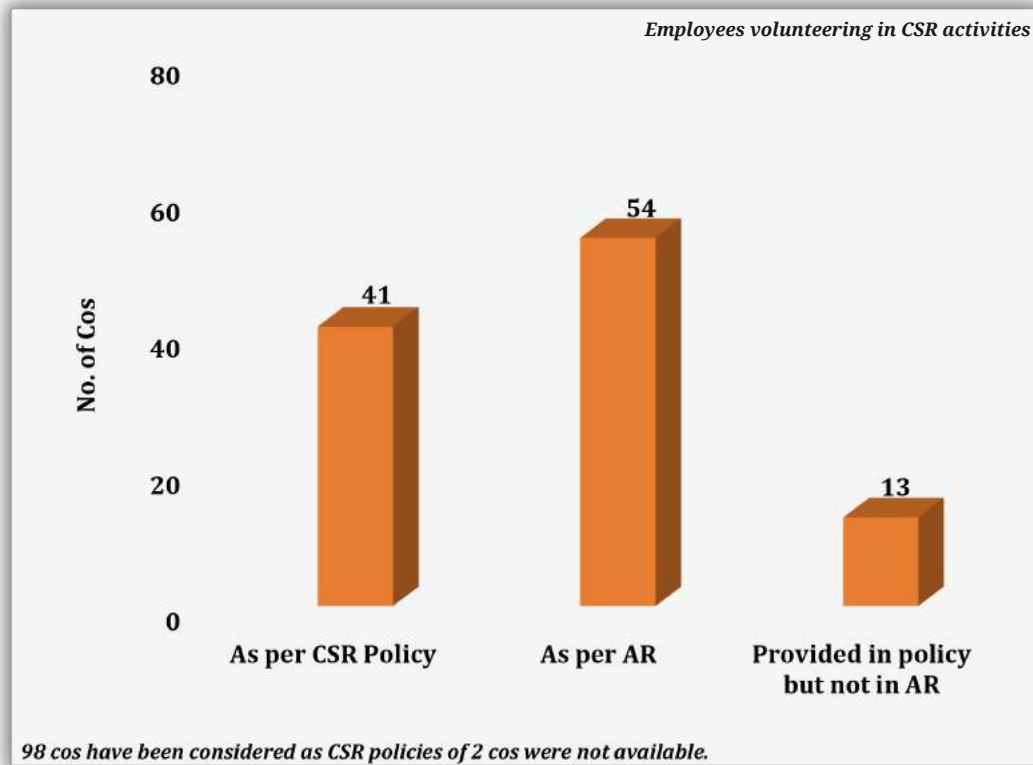
The CSR Policy of any company should capture within it, the company’s approach to CSR, the thrust areas, if any, the manner of identifying projects, selection of implementation partners, and most importantly, the manner of assessing the impact. The policy should also indicate clearly the responsibility at different levels.



- 17 companies have given the responsibility of execution and implementation of CSR to both Board/ any Director and CSRC.

## EMPLOYEE VOLUNTEERING IN CSR

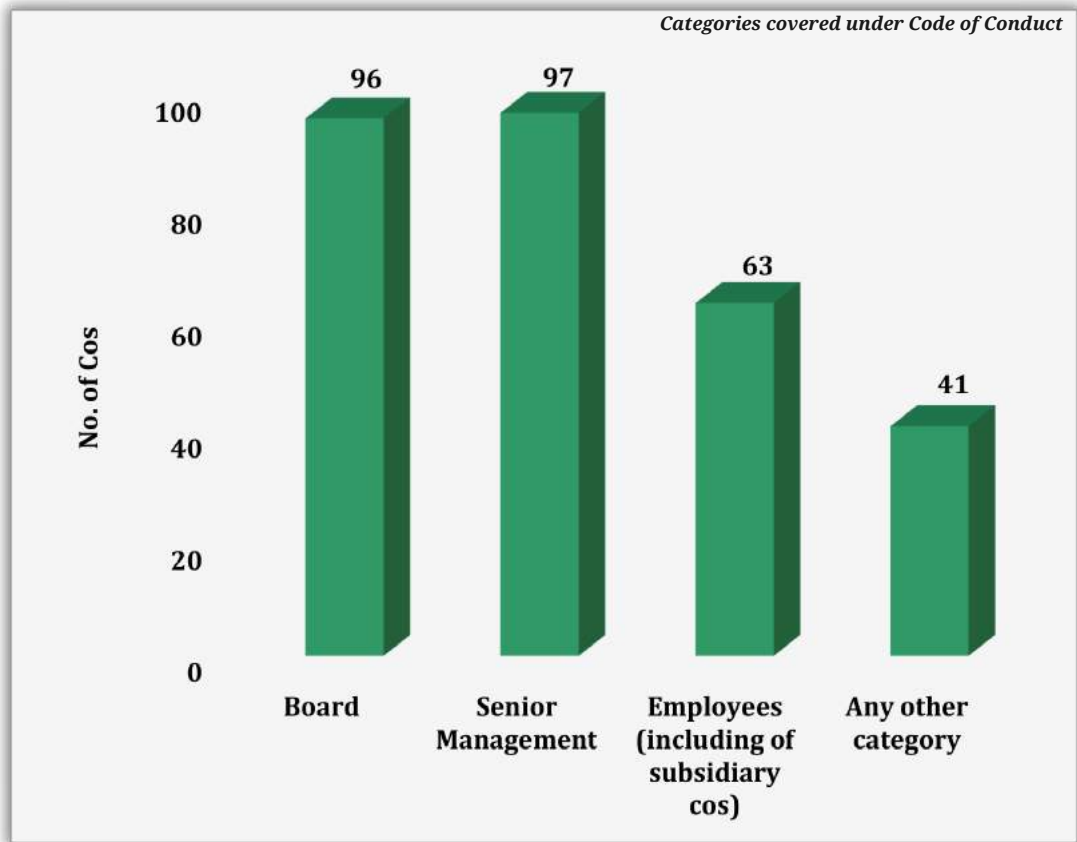
CSR is often seen as an expenditure item that companies put up with. The fact that society as a stakeholder needs to benefit from corporates should manifest itself as an affair of the heart, and not as an accounting entry. One aspect of this philosophy is the willingness with which the entire workforce participates in the CSR efforts of the company. Even if this is not articulated in the CSR policy, or sought to be captured in numbers, employee engagement in these efforts can be beneficial for all concerned.



- 28 companies have given disclosures regarding employee volunteering in both their CSR policy and the Annual Report.

## CODE OF CONDUCT

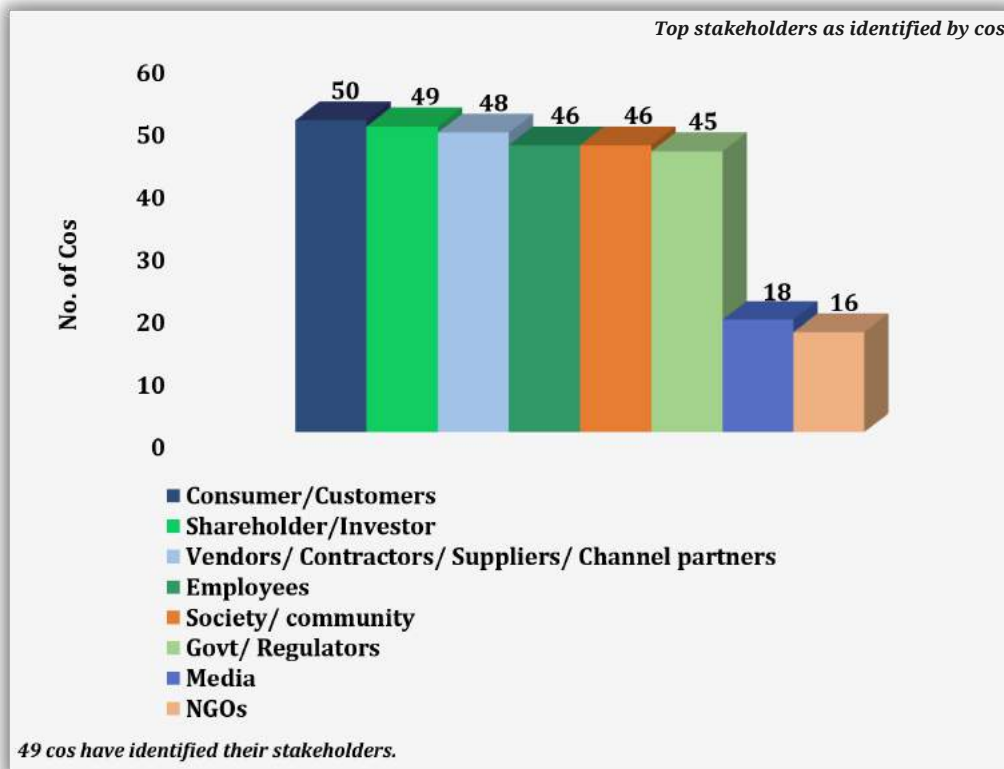
- As per Regulation 46(2) of SEBI LODR Regulation 2015, the listed entity shall disseminate the following information on its website under a separate section on its website:  
(d) code of conduct of board of directors and senior management personnel;



- 94 companies have Codes of Conduct which apply to both Board and Senior Management.
- 59 companies have Codes of Conduct which apply to Board, Senior Management and Employees (including subsidiary company).

## STAKEHOLDER ENGAGEMENT

With the focus having shifted from shareholders to stakeholders, it is necessary for corporates to identify all categories of stakeholders in order to engage with them adequately. Conducting the affairs of the company in a manner consistent with the interest of all stakeholders, is a basic requirement.



- Other stakeholders identified by companies include academic institutions, financial institutions, industry bodies, contractual workers and trade associations.

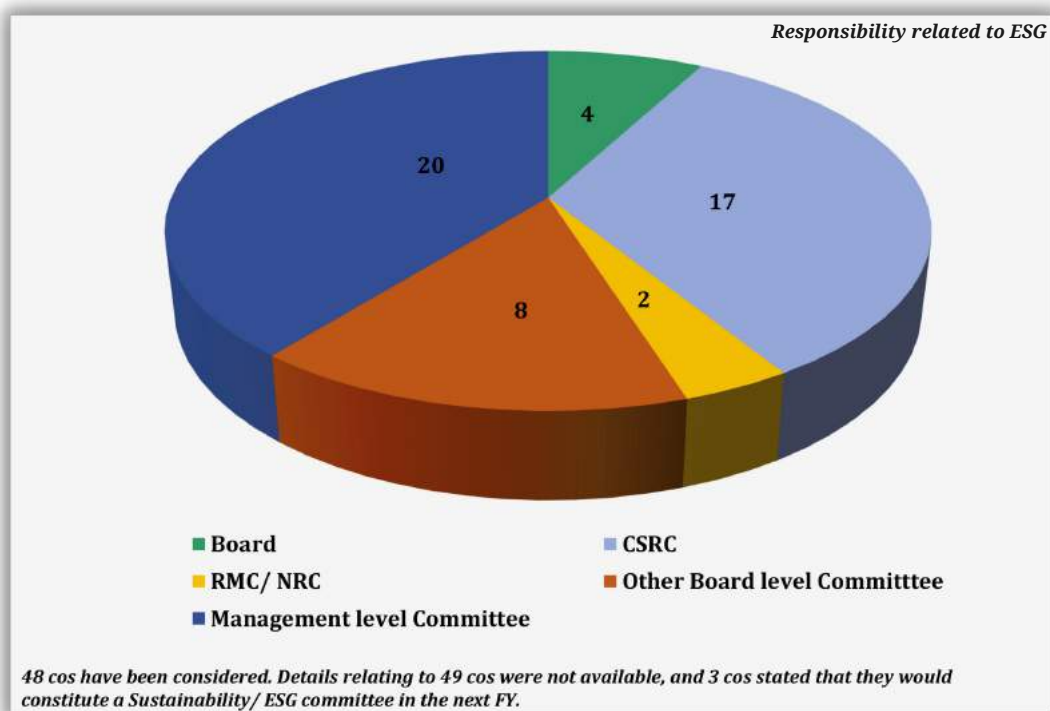
## REPORTING OF ESG

- 72 companies have published a Sustainability report/ ESG report/ Integrated report, in addition to BRR.
- 3 companies have been publishing a Sustainability report since FY 04.

## INTERNATIONAL STANDARDS

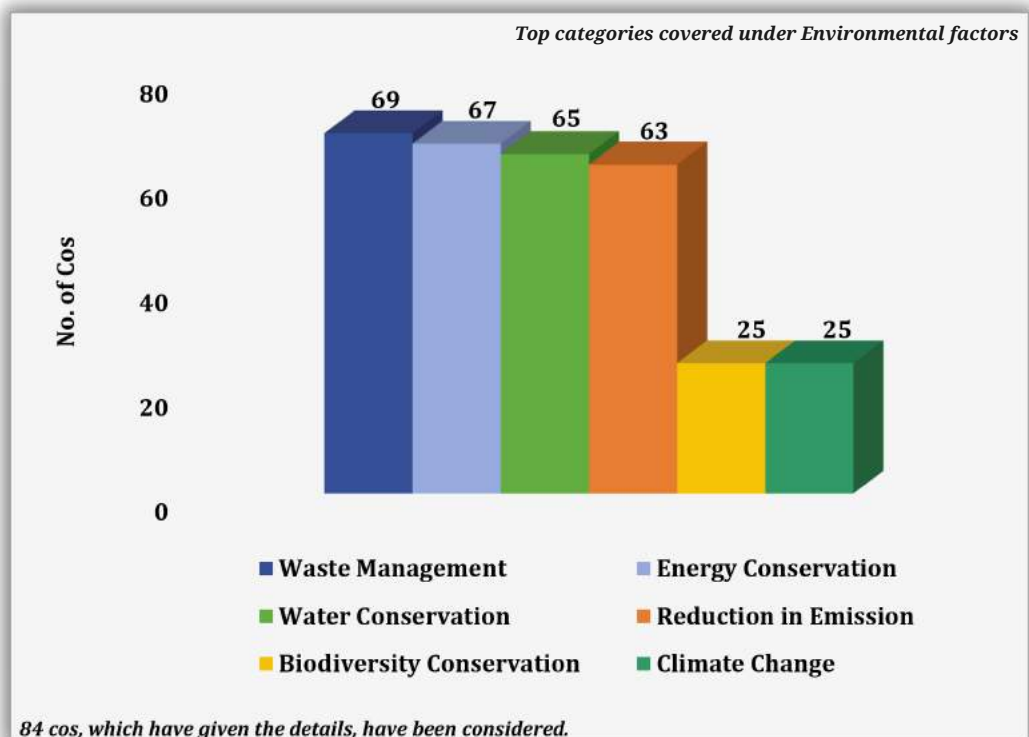
- 69 companies follow one or more international standards relating to sustainability.

## OVERSIGHT BY BOARD OR COMMITTEE

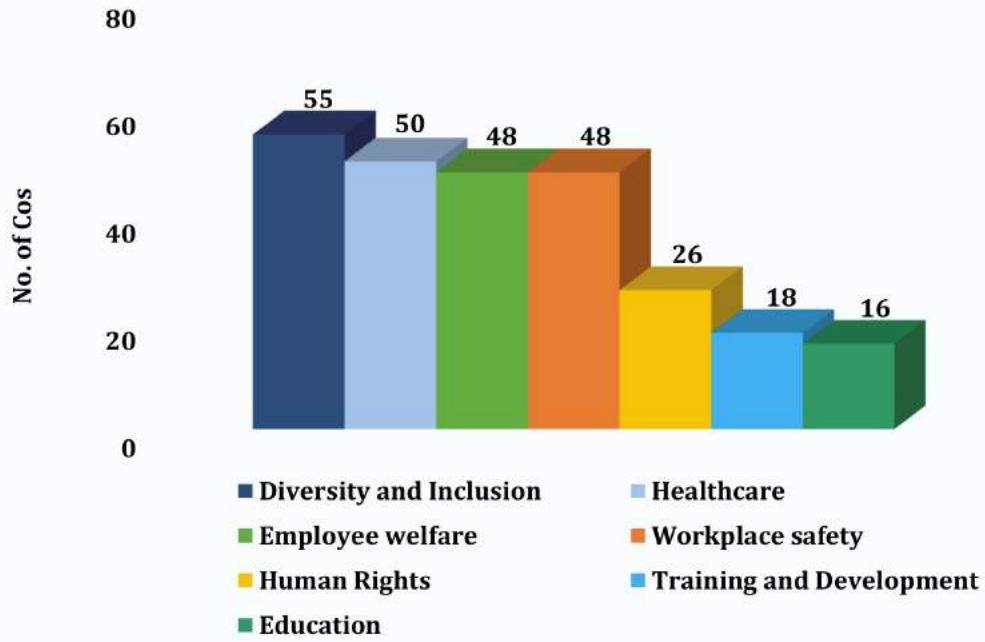


- 3 companies have stated that they would constitute a Sustainability/ ESG committee in the next FY.

## CATEGORIES COVERED UNDER ESG

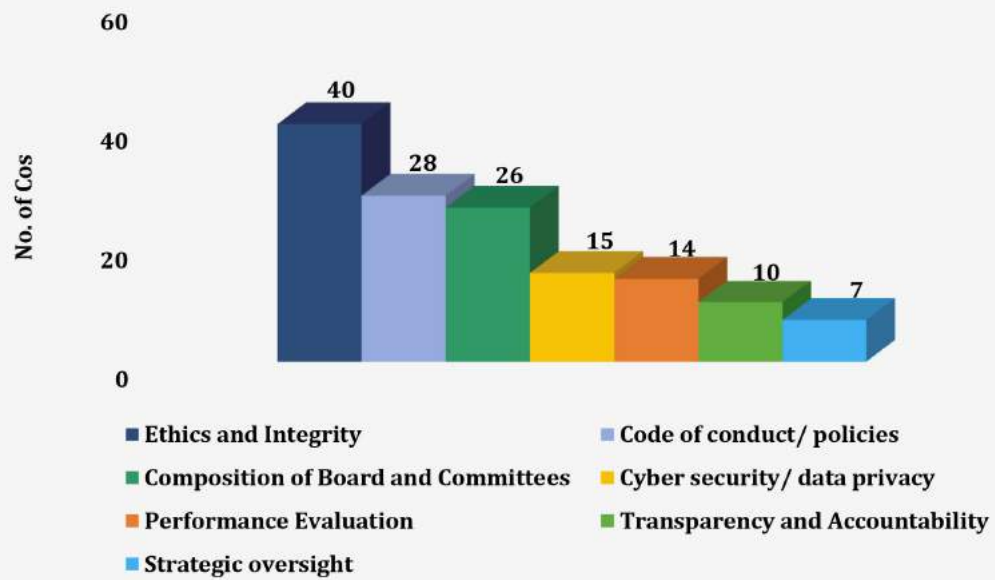


Top categories covered under Social factors



82 cos, which have given the details, have been considered.

Top categories covered under Governance factors



69 cos, which have given the details, have been considered.

# BUSINESS RESPONSIBILITY REPORT

## ABOUT THE BRR SECTION

Society, as a stakeholder, has been at the receiving end of mindless developmental plans and projects over the years. Not much thought has been given to the adverse effects of actions of corporates, for which actions succeeding generations will have to pay a big price.

The first fledgling steps were taken in India through an initially voluntary, and subsequently prescriptive, regime for encouraging and nudging corporates to undertake programmes and initiatives that reflected their contribution to society. With the Companies Act, 2013 coming into force, a “comply or explain” regime was put in place to persuade corporates to spend in every FY, 2% of their average net profits made during the 3 preceding years. While this led to some impactful interventions, especially in areas such as education and health, the seriousness of intent was not broad-based across corporate India. Tighter regulatory prescriptions have led to more serious initiatives in the area of CSR.

In relatively recent times, it has been recognised that a unidimensional CSR push might not be adequate. Equal focus is now sought to be given to the 3 limbs of ESG, i.e. Environment, Social and Governance related factors. The Business Responsibility Report (BRR) that has been mandated for the top 1000 listed companies by market cap, is a half-way house towards attaining the objectives of ESG. Moving further in this direction, SEBI has mandated Business Responsibility and Sustainability Reporting from FY 2022-23 for top 1000 companies by market cap. This is intended to lay considerable emphasis on quantifiable metrics, which allow for easy measurement and comparability across companies, sectors, and time periods

Since some aspects related to measurability and scope of ESG are still at an early stage, and are expected to find reasonable definiteness in the months ahead, we thought that an analysis of the BRR of the NIFTY 100 companies would point all of us in the direction of what needs to be done to make disclosures relating to ESG more meaningful and relevant. We hope that this Survey, based on information available through the Annual Reports, is a good pointer to determine where we are, where we ought to be, as well as what issues need to be fixed, while on the ESG journey.

## METHODOLOGY

Many of the disclosures under BRR are intended to be qualitative. We have chosen not to comment on the quality of the disclosures or the interventions of the companies. Instead, we have looked at whether the companies have provided all the information, that has been sought, respecting both the letter and the spirit of the questions. We have also considered whether companies have provided complete disclosures, as envisaged by Regulations, while responding to questions under each Principle of BRR.

We have chosen not to comment on the inadequacies of the responses. The fact that companies are sharing much of the required information is both a matter of some comfort as well as a pointer to other companies that they could fall by the wayside if these aspects are not appropriately addressed, sooner rather than later.

# BRR PROVISIONS IN REGULATIONS

*As per Regulation 34(2)(f) of SEBI LODR Regulations, 2015, the annual report for the top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year), shall contain Business Responsibility Report (BRR) describing the initiatives taken by them from an environmental, social and governance perspective.*

*SEBI vide its circular dated November 4, 2015, prescribed format for Business Responsibility Report (BRR) and also prescribed certain key principles to assess the fulfillment of listed entities and a description of the core elements under these principles.*

## COMPANIES FOLLOWING INTERNATIONAL STANDARDS

*SEBI vide its circular dated November 4, 2015 stated that those listed entities which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only furnish the same to their stakeholders along with the details of the framework under which their BR Report has been prepared and a mapping of the principles contained in these guidelines to the disclosures made in their sustainability reports.*

- In FY 20 and FY 21, 65 companies and 80 companies respectively have reported that in addition to SEBI's prescribed format, they follow one or more international standards relating to BRR.

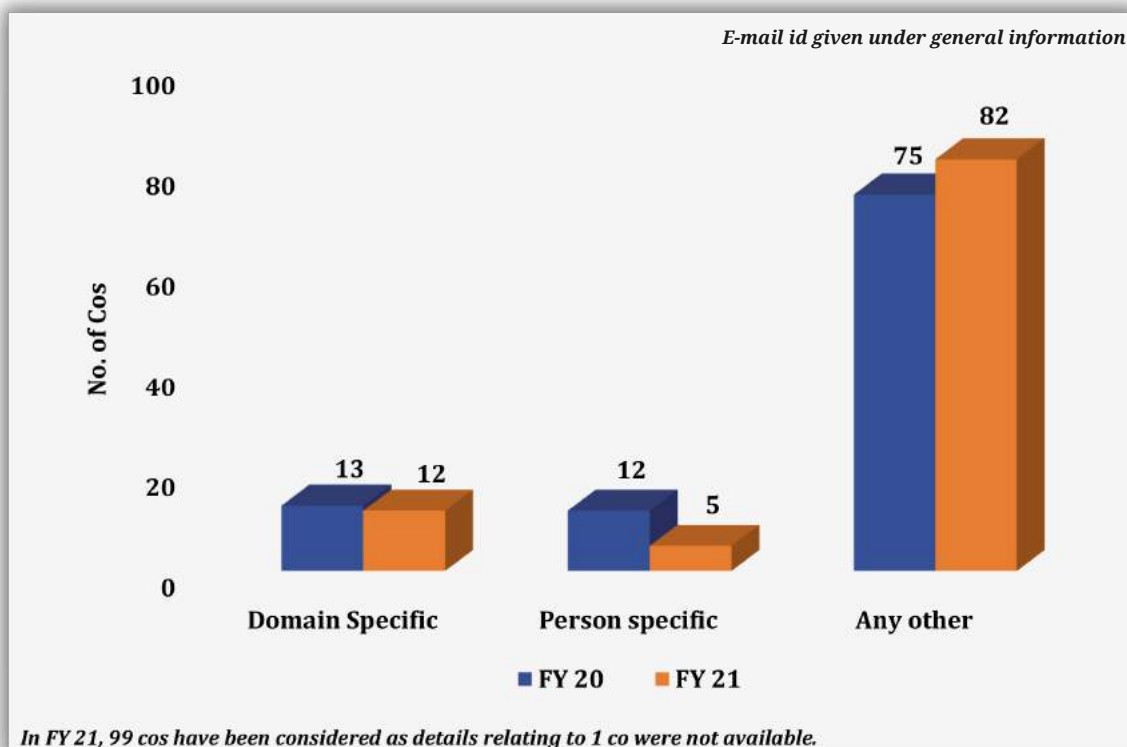
# SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company
2. Name of the Company
3. Registered address
4. Website
5. E-mail id
6. Financial Year reported
7. Sector(s) that the Company is engaged in (industrial activity code-wise)
8. List three key products/services that the Company manufactures/provides (as in balance sheet)
9. Total number of locations where business activity is undertaken by the Company
  - a. Number of International Locations (Provide details of major 5)
  - b. Number of National Locations
10. Markets served by the Company – Local/State/National/International

This section contains general details about the company. In this section, we have considered only email id and the markets served by the company.

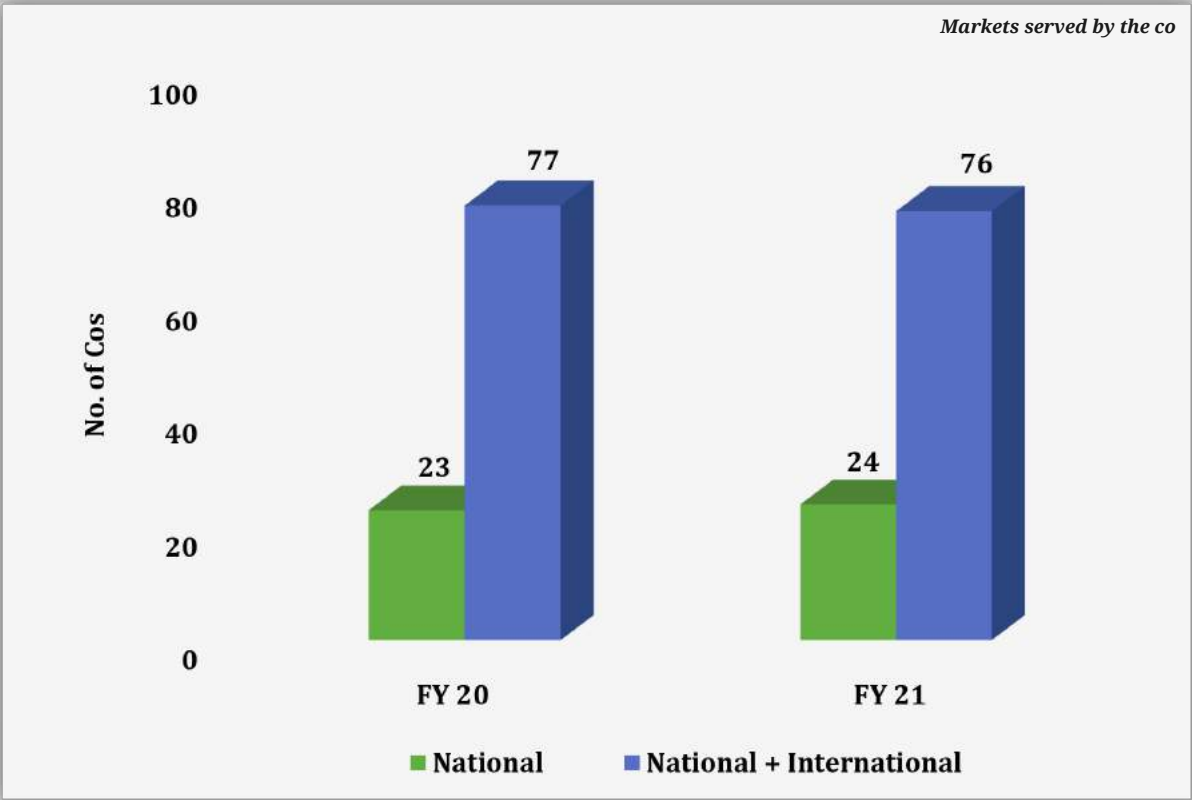
## EMAIL ID

Each company has to provide an email id. While some companies have given email ids specific to a person who may/may not be handling BR, some companies have domain specific ids too.



# MARKETS SERVED BY THE COMPANIES

BR efforts of a company, depending on the markets that it serves, would vary.



## SECTION B: FINANCIAL DETAILS OF THE COMPANY

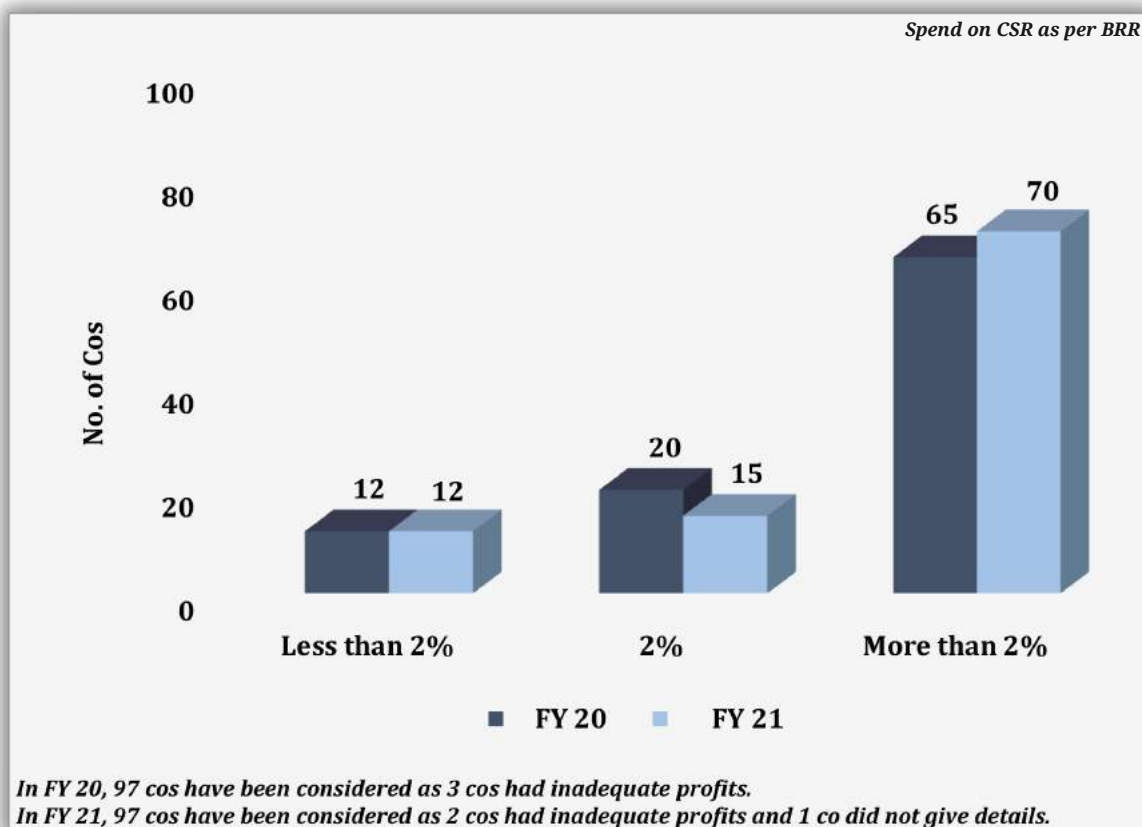
1. Paid up Capital (INR)
2. Total Turnover (INR)
3. Total profit after taxes (INR)
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)
5. List of activities in which expenditure in 4 above has been incurred

In this section, we have considered only the spending on CSR and the activities under CSR, since the other parameters do not impact on BR.

### SPEND ON CSR VERSUS AMOUNT GIVEN UNDER THE BRR

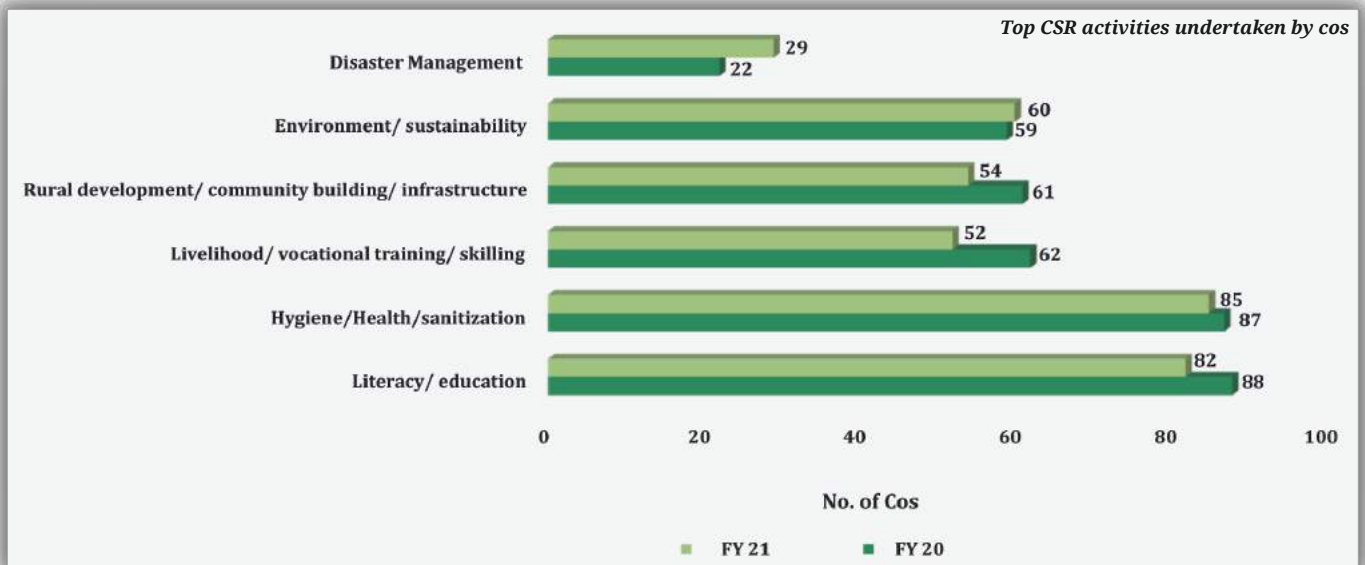
*As per Section 135 of the Companies Act, 2013, the Board of every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year, shall ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years.*

While some companies have spent exactly 2% on CSR related activities, others have spent less/more than 2%.



- In FY 19 and FY 20, the amount spent on CSR reported under the CSR Report and the BRR was the same in 82 and 83 companies respectively. However, in 13 and 5 companies respectively, the amount reported in BRR was higher. In 2 and 9 companies respectively, the amount reported in BRR was lower.

## TOP 6 CSR ACTIVITIES UNDERTAKEN BY COMPANIES



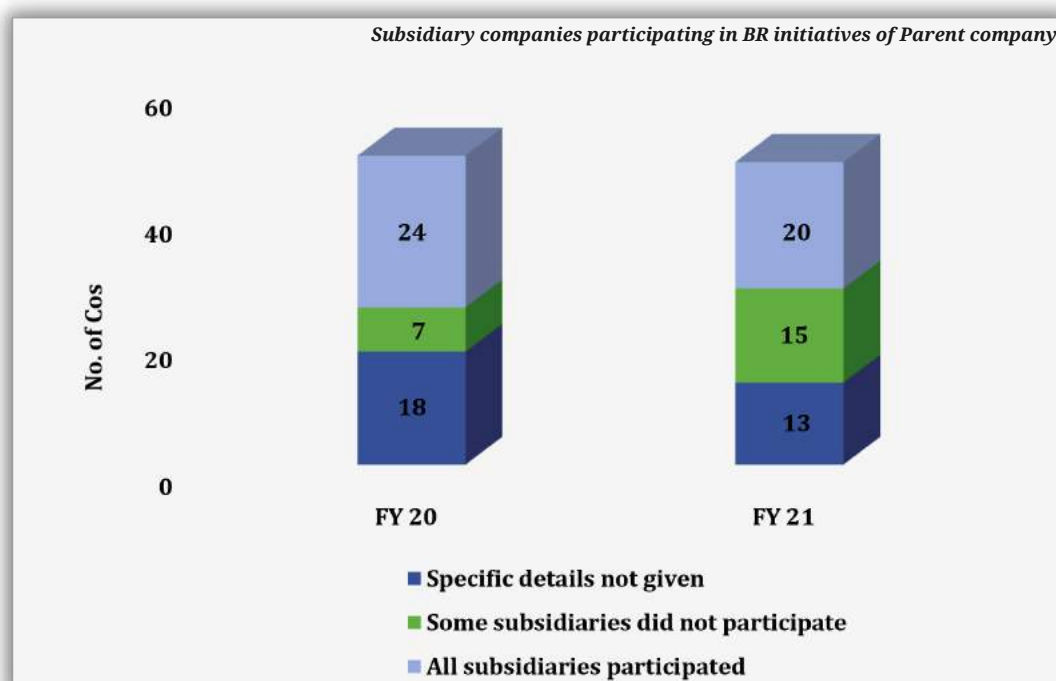
## SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

In this section, we have considered whether subsidiaries, including stepdown subsidiaries, of the parent company, and other entities associated with the company, have participated in BR initiatives of the company.

### SUBSIDIARIES PARTICIPATING IN BR INITIATIVES

For greater impact, BR initiatives of the parent company should preferably be followed by its subsidiaries also.

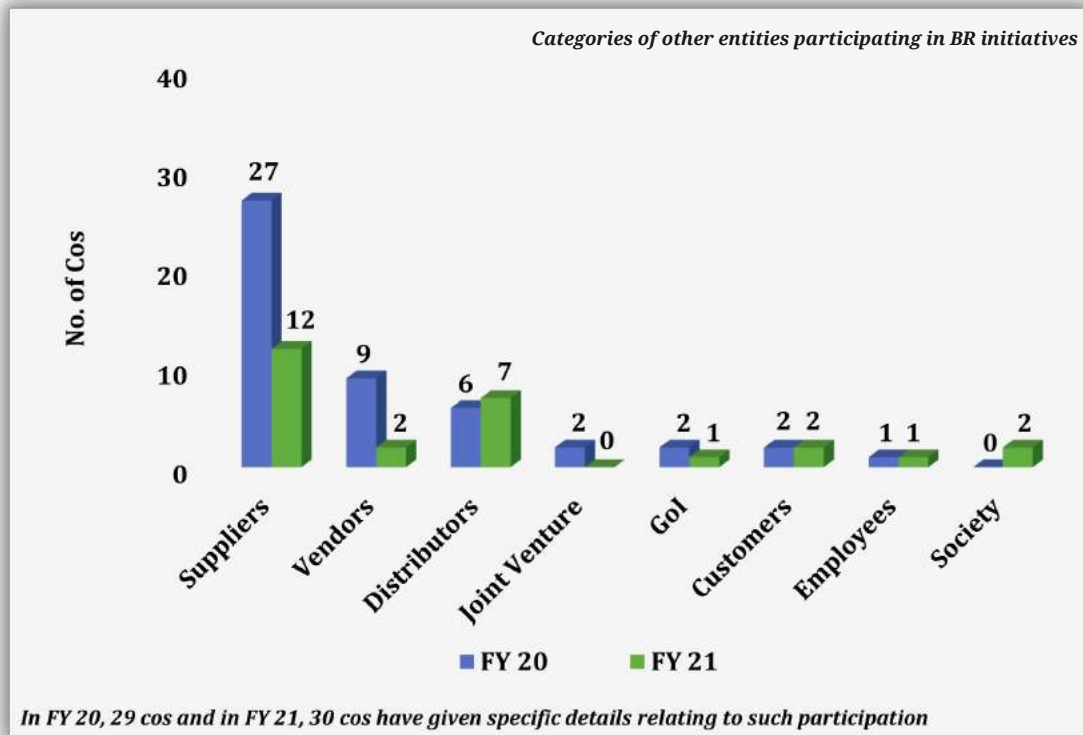


### OTHER ENTITIES PARTICIPATING IN BR INITIATIVES

Other entities such as vendors, JV partners, employees etc of the company are encouraged to participate in the BR initiatives of the parent company.

- In addition, in FY 20 and FY 21, 7 and 6 companies respectively mentioned that other entities participated. However, they did not give details.
- In FY 20 and FY 21, 20 and 16 companies respectively have given the percentage of such entities who participated in these initiatives.

## CATEGORY OF OTHER ENTITIES PARTICIPATING IN BR INITIATIVES



# SECTION D: BR INFORMATION

## 1. Details of Director/Directors responsible for BR

### (a) Details of the Director/Director responsible for implementation of the BR policy/policies

1. DIN Number
2. Name
3. Designation

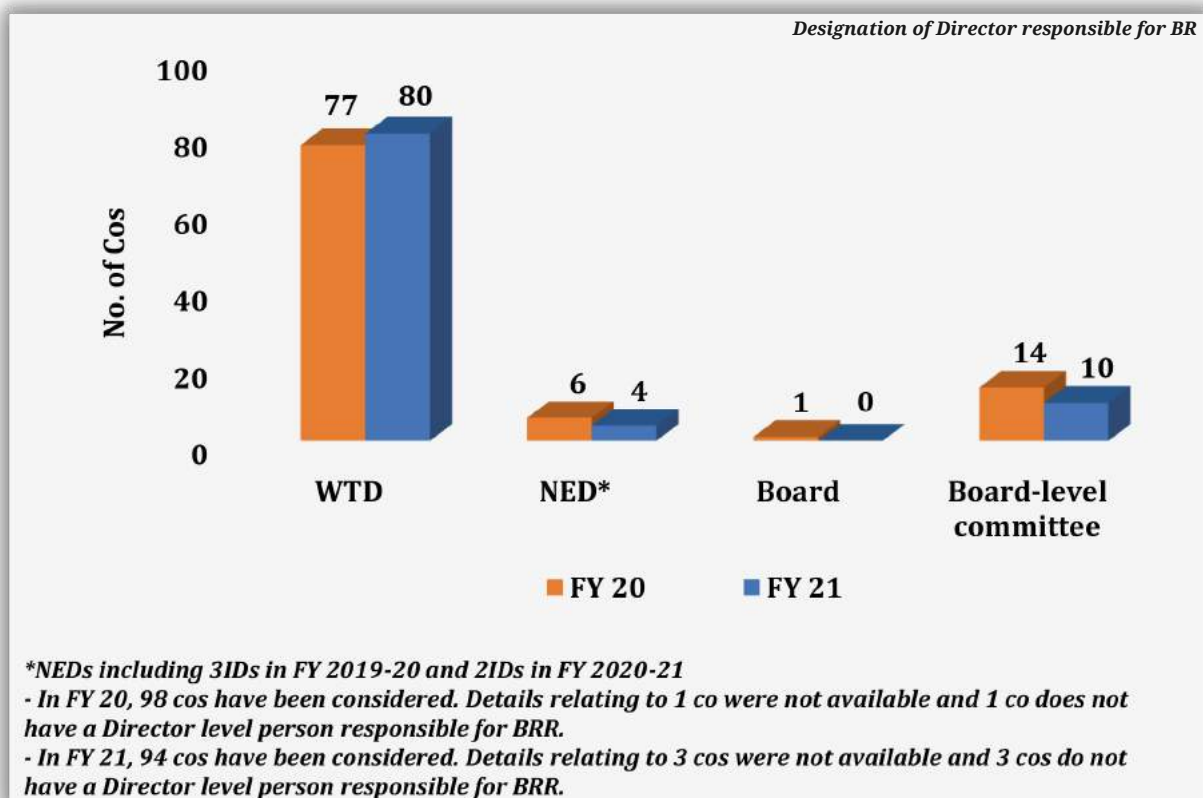
### (b) Details of the BR head

- DIN Number (if applicable)
- Name
- Designation
- Telephone number
- E-mail id

In this section, we have considered the designations of the persons responsible for BR, and the email id of the BR Head.

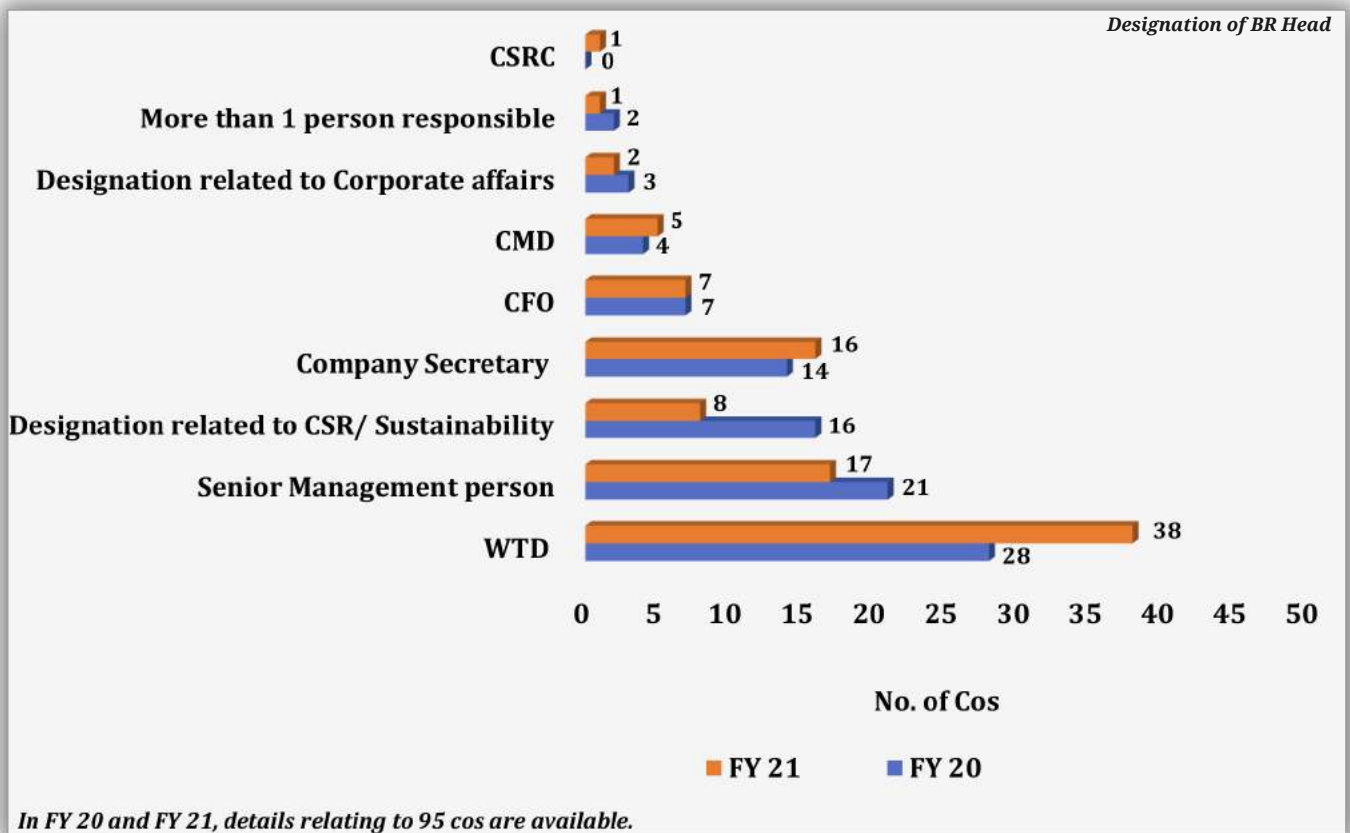
## DIRECTOR RESPONSIBLE FOR BR

Since BR is an important initiative, it is envisaged that a Director-level person should be responsible for the BR initiatives of the company.



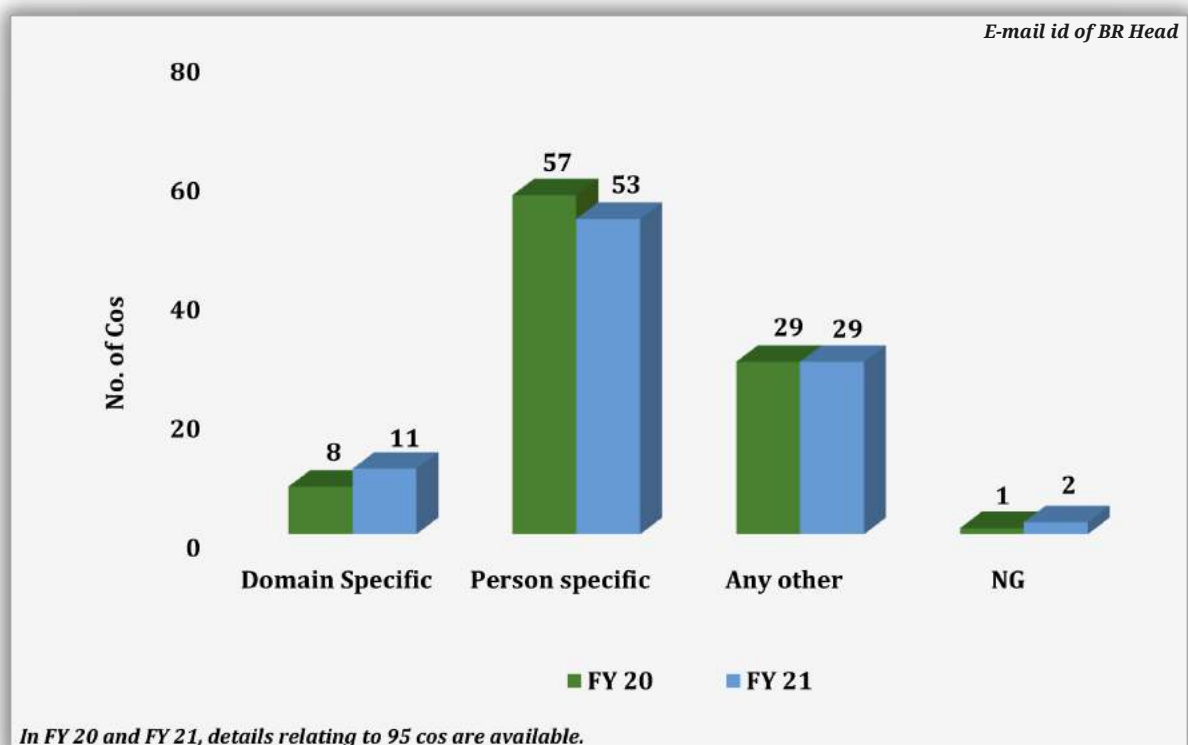
## DESIGNATION OF BR HEAD

Since BR is an important initiative, a senior functionary of the company should be responsible.



## E-MAIL ID OF BR HEAD

This is an important piece of information since if the company has to be contacted for its BR initiatives, this is likely to be the first point of contact.



## PRINCIPLE-WISE (AS PER NATIONAL VOLUNTARY GUIDELINES) BR POLICY/POLICIES

Principle-wise (as per NVGs) BR Policy/policies

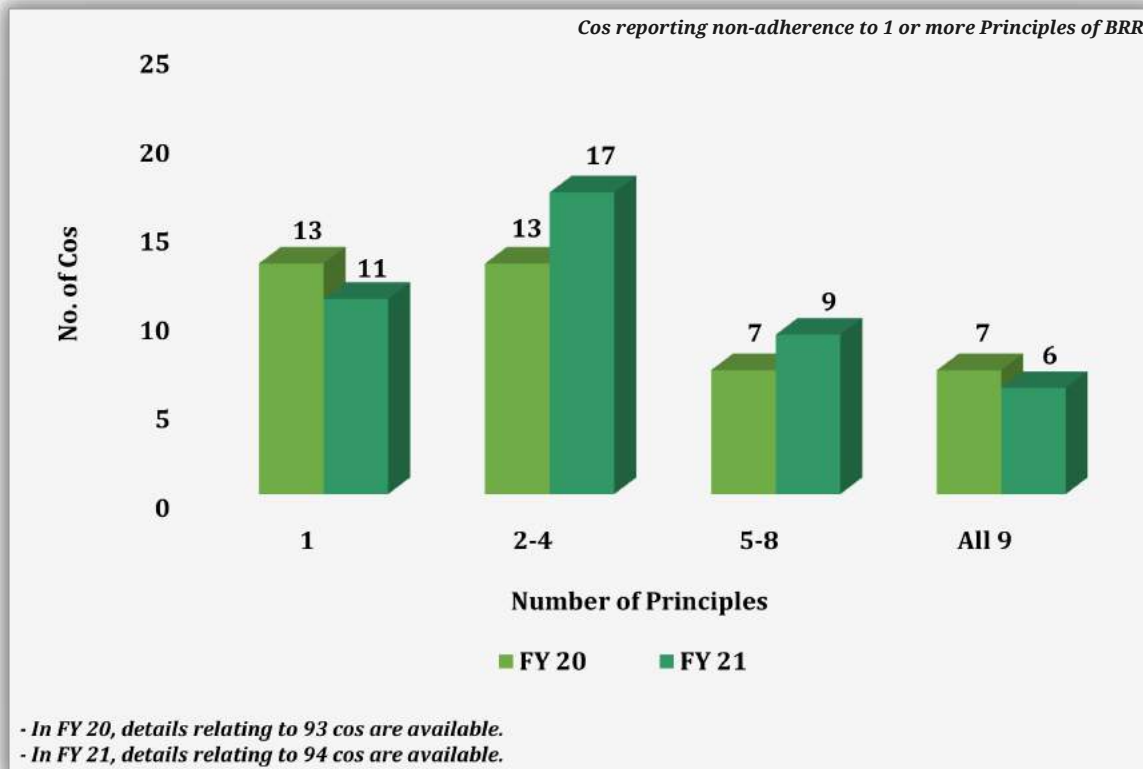
a. Details of compliance (Reply in Y/N)

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	Do you have a policy/ policies for...									
2	Has the policy being formulated in consultation with the relevant stakeholders?									
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)									
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/ CEO/ appropriate Board Director?									
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?									
6	Indicate the link for the policy to be viewed online?									
7	Has the policy been formally communicated to all relevant internal and external stakeholders?									
8	Does the company have in-house structure to implement the policy/ policies.									
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?									
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?									

b) If answer to the question at serial number 1 against any principle, is 'No', please explain why:

No.	Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1	The company has not understood the Principles									
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

Each company is expected to have at least one policy for each of the 9 principles that have been given under BRR. These policies have to be framed keeping in mind various parameters, such as whether the policy was made in consultation with various stakeholders, whether the Board has approved it, and whether it has been communicated to stakeholders etc. Accordingly, each company has to report compliance on each of these parameters for each of the policies.



- In FY 20 and FY 21, 57 and 52 companies respectively have complied with all parameters given under the 9 principles.
- In FY 20 and FY 21, there are 13 and 11 companies respectively that have not followed one or more parameters for 1 of the principles. There are 7 and 6 companies respectively that have not followed one or more parameters in all 9 principles.

## GOVERNANCE RELATED TO BR

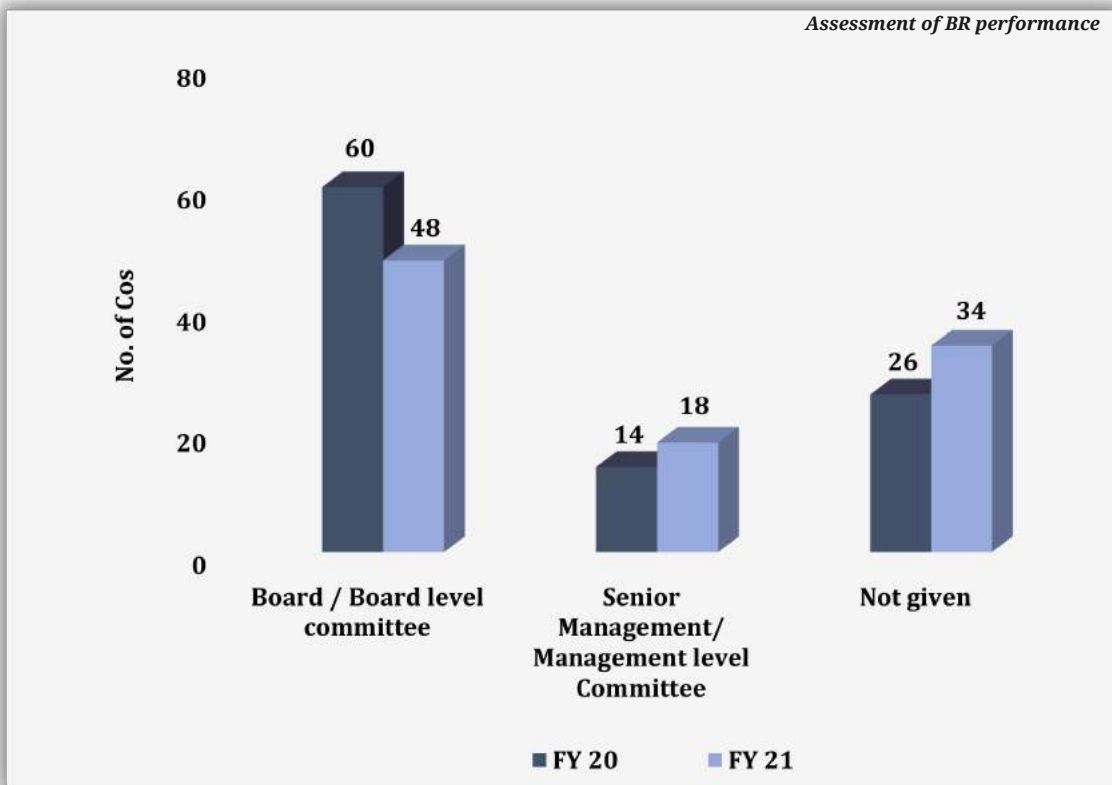
### *Governance related to BR*

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? Frequency with which Board/ Committees/ CEO assess BR performance

## ASSESSMENT OF BR PERFORMANCE OF THE COMPANY

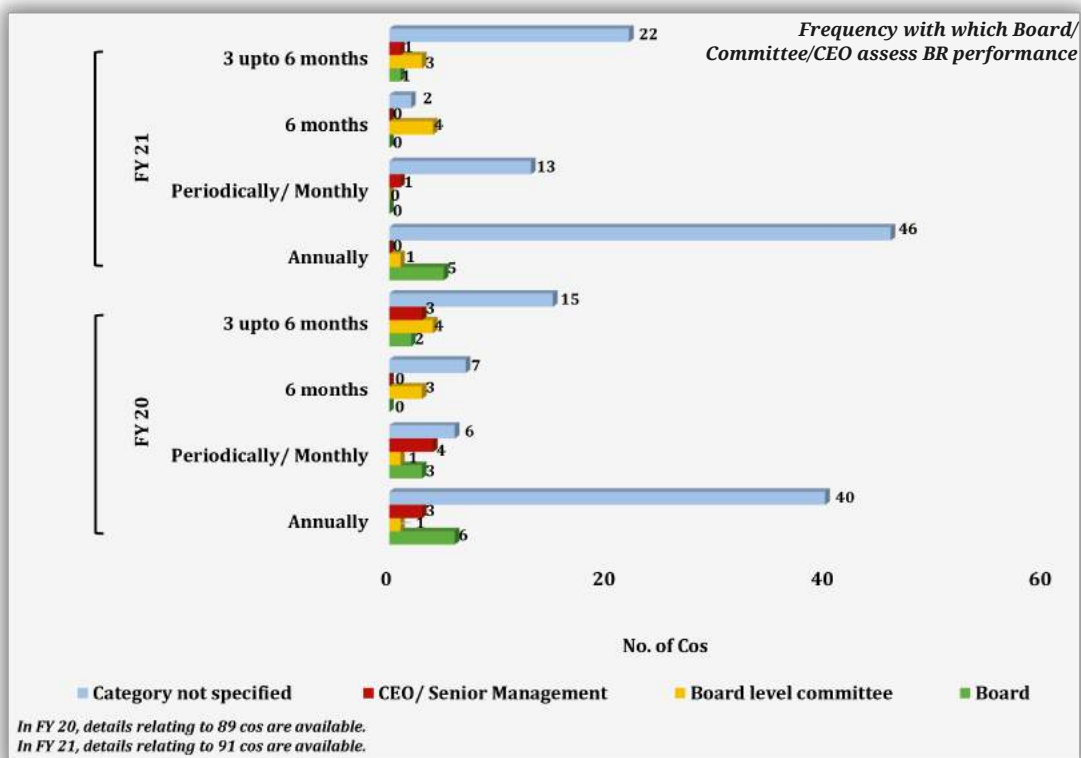
It is important to periodically assess the BR performance of the company. Who assesses this performance is equally important.



- In FY 20 and FY 21, 26 and 34 companies respectively have not given this information. Not giving this information transparently can give rise to a doubt that BR is not being given enough attention at the senior levels in the company.

### FREQUENCY WITH WHICH BR PERFORMANCE IS ASSESSED

In addition to assessment, the frequency with which the Board/ one of its committees/ some member(s) of senior management reviews the BR performance of the company is also important.



- There are companies that have mentioned the frequency, without stating who assesses the performance. This amounts to incomplete information.

## **PUBLISHING OF BR REPORT**

- In FY 20, all companies published their BRR, with 95 of them doing so annually. 1 company published its report quarterly.
  - 95 companies provided hyperlinks to the report, with 42 companies providing specific links to aid stakeholders to access the report easily.
- In FY 21, all companies published their BRR, with 99 of them doing so annually. 1 company published its report bi-annually.
  - 82 companies have provided hyperlinks of the report, with 37 companies providing specific links to aid stakeholders to access the report easily.

# SECTION E: PRINCIPLE-WISE PERFORMANCE

## PRINCIPLE 1:

### BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1. Does the policy relating to ethics, bribery, and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

## COVERAGE OF THE POLICY

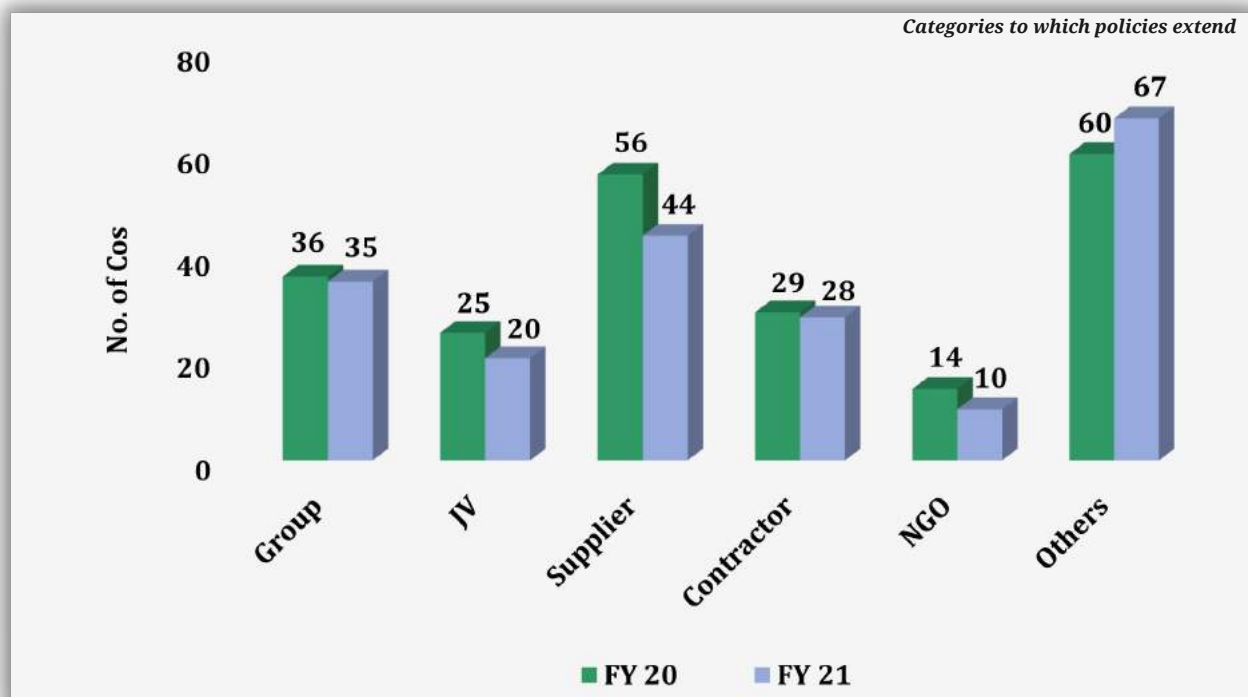
- In FY 20, in 77 companies, this policy extends to the categories mentioned. In 22 companies, it covers only the company. 1 company has not given this information.
- In FY 21, in 84 companies, this policy extends to the categories mentioned. In 14 companies, it covers only the company. 2 companies have not given this information.

## NUMBER OF POLICIES RELATING TO THIS PRINCIPLE

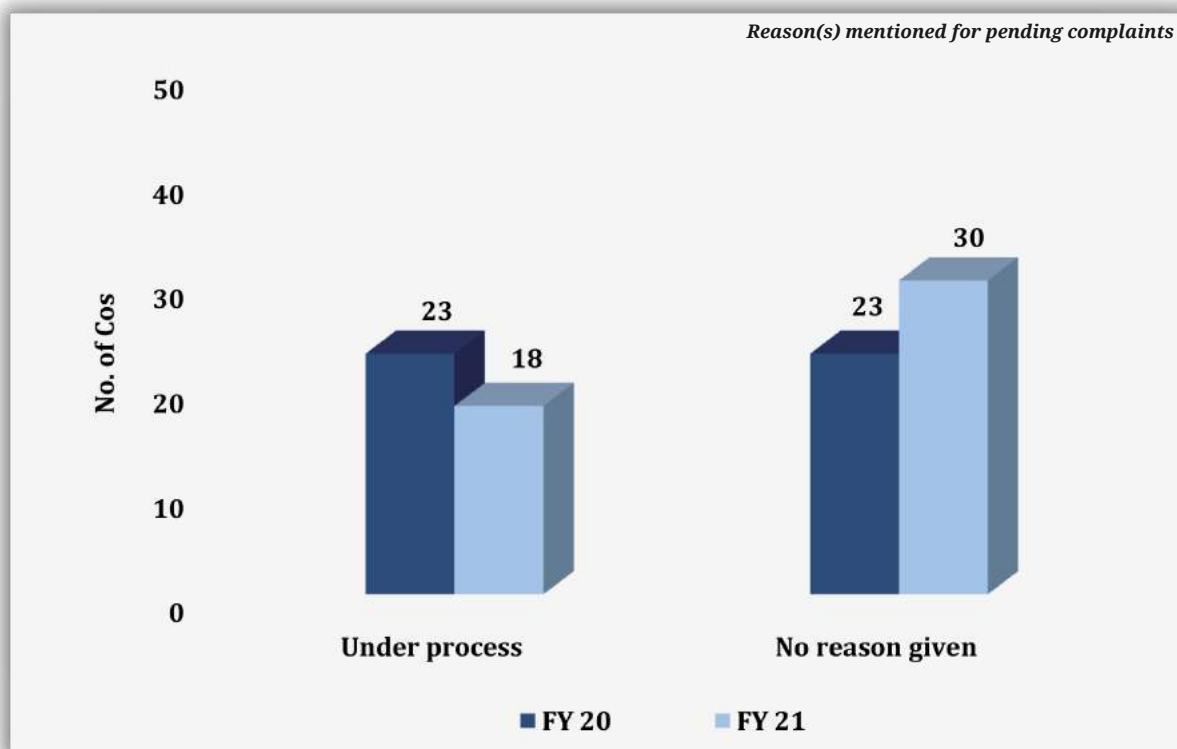
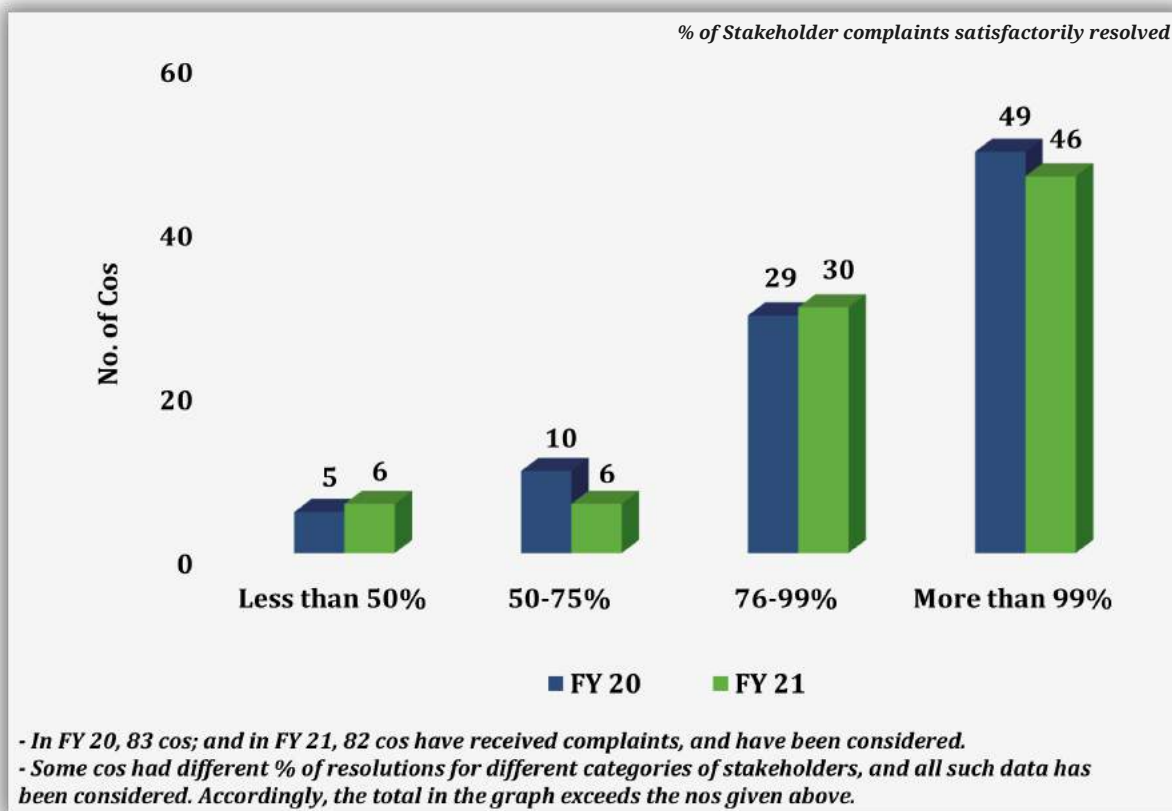
- In FY 20 and FY 21, the highest number of policies that a company had under this principle were 23 and 15 respectively.

## CATEGORIES TO WHICH THE POLICIES EXTEND

For the policies to be effective, they should extend to the entities that deal with the company.



2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.



- In FY 20 and FY 21, 43 and 47 companies respectively had pending complaints at the end of the FY, but stated that they were in the process of being resolved, and 22 and 18 companies respectively gave reasons for pending complaints.

## PRINCIPLE 2:

### BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- In FY 20, 92 companies have disclosed that the designs of their products or services have incorporated these details. 3 companies have not given this information. 5 companies stated that it was not applicable to them.
- In FY 21, 92 companies have disclosed that the designs of their products or services have incorporated these details. 6 companies have not given this information. 2 companies stated that it was not applicable to them.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

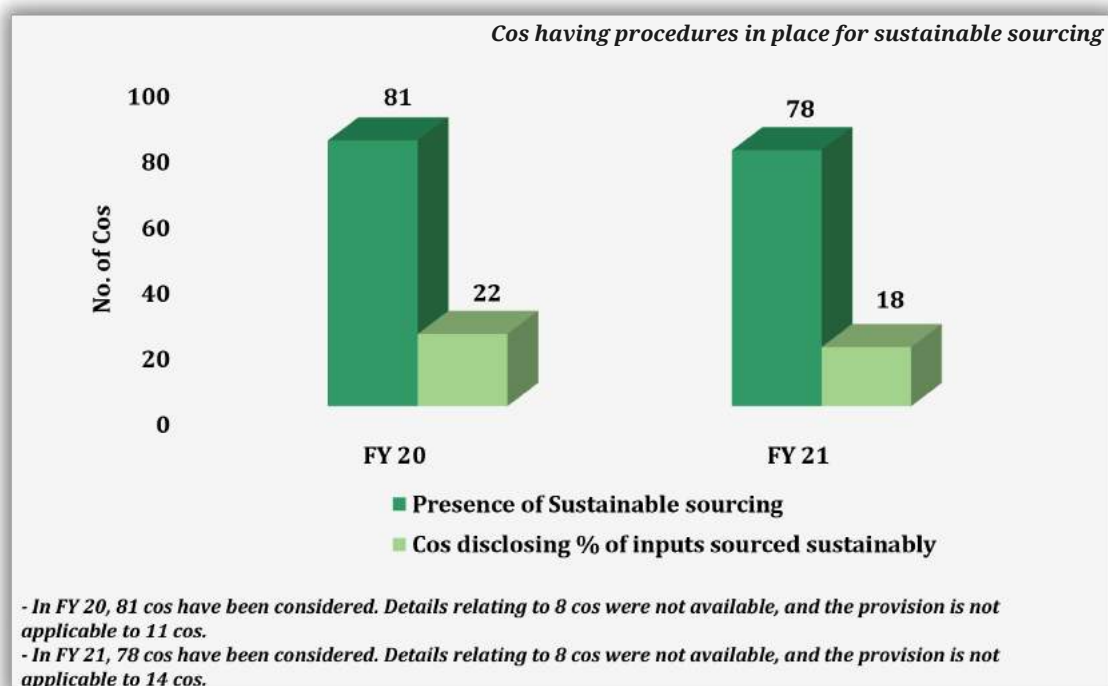
a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

- In FY 20, 32 companies have given these details. 39 companies have stated "no". 21 companies have stated that this is not applicable to them. 8 have not given this information.
- In FY 21, 17 companies have given these details. 57 companies have stated "no". 24 companies have stated that this is not applicable to them. 2 have not given this information.

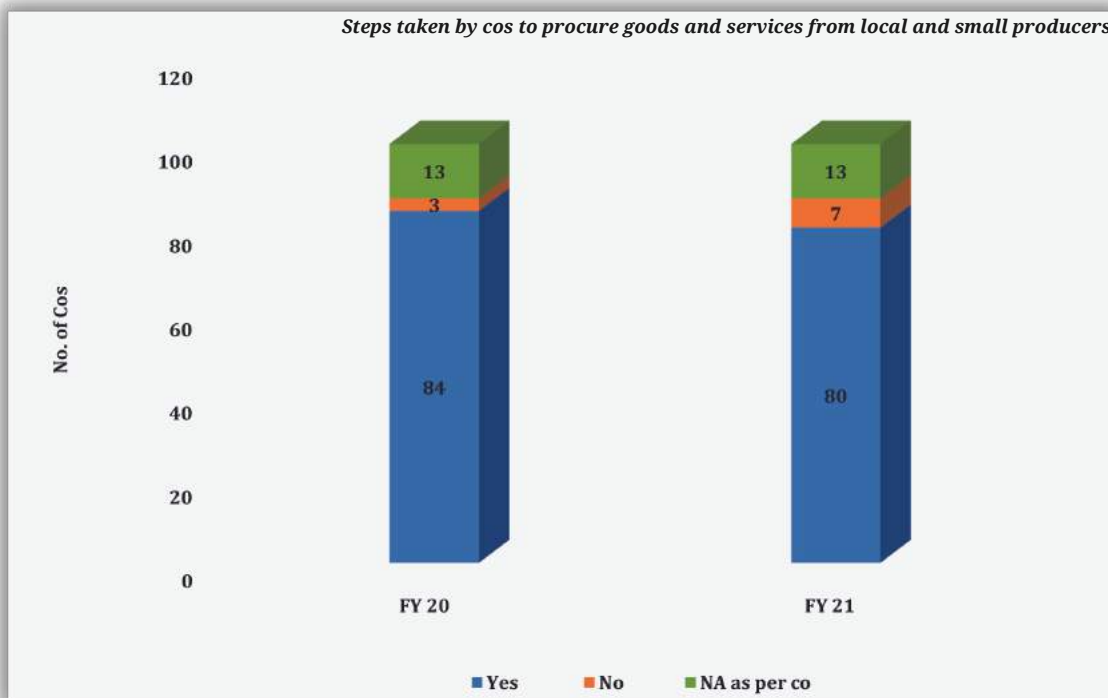
3. Does the company have procedures in place for sustainable sourcing (including transportation)?

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.



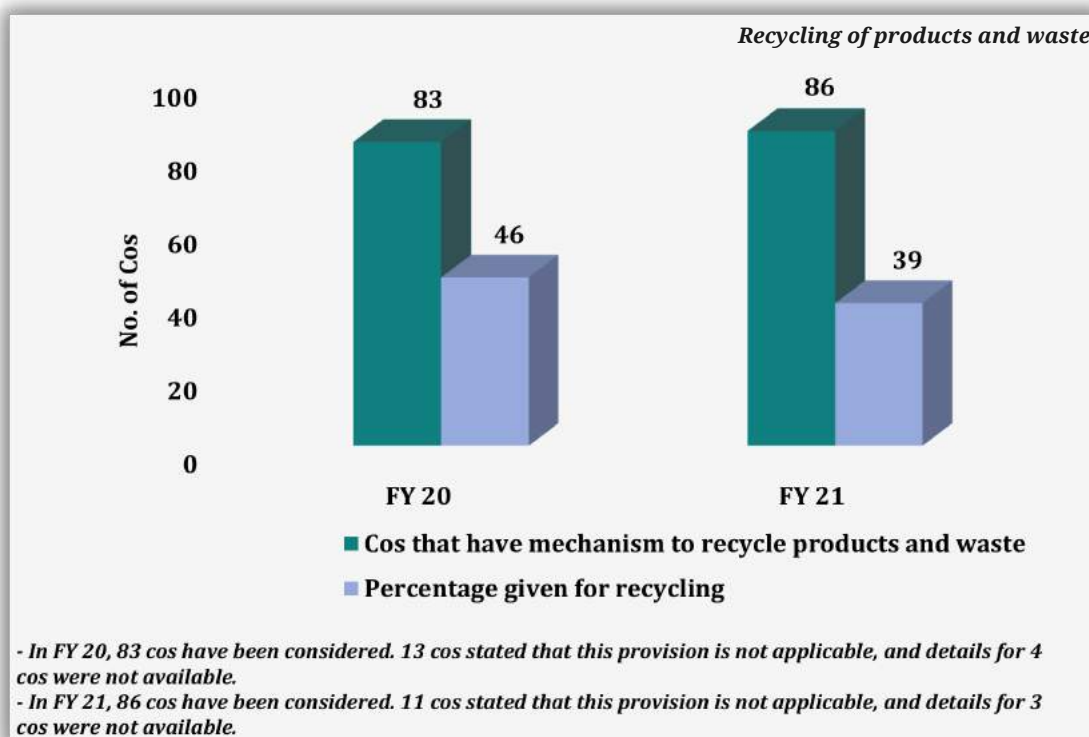
4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?



- In both FYs, 65 companies helped improve the capacity and capability of local and small vendors.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.



### **PRINCIPLE 3: BUSINESSES SHOULD PROMOTE THE WELLBEING OF ALL EMPLOYEES**

- 1. Please indicate the Total number of employees.*
- 2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.*
- 3. Please indicate the Number of permanent women employees.*
- 4. Please indicate the Number of permanent employees with disabilities*

These questions have not been considered for the purpose of this report because given the wide variation in employee strength, absolute numbers may not be sufficiently conclusive regarding the efforts made by the company.

#### *5. Do you have an employee association that is recognized by management.*

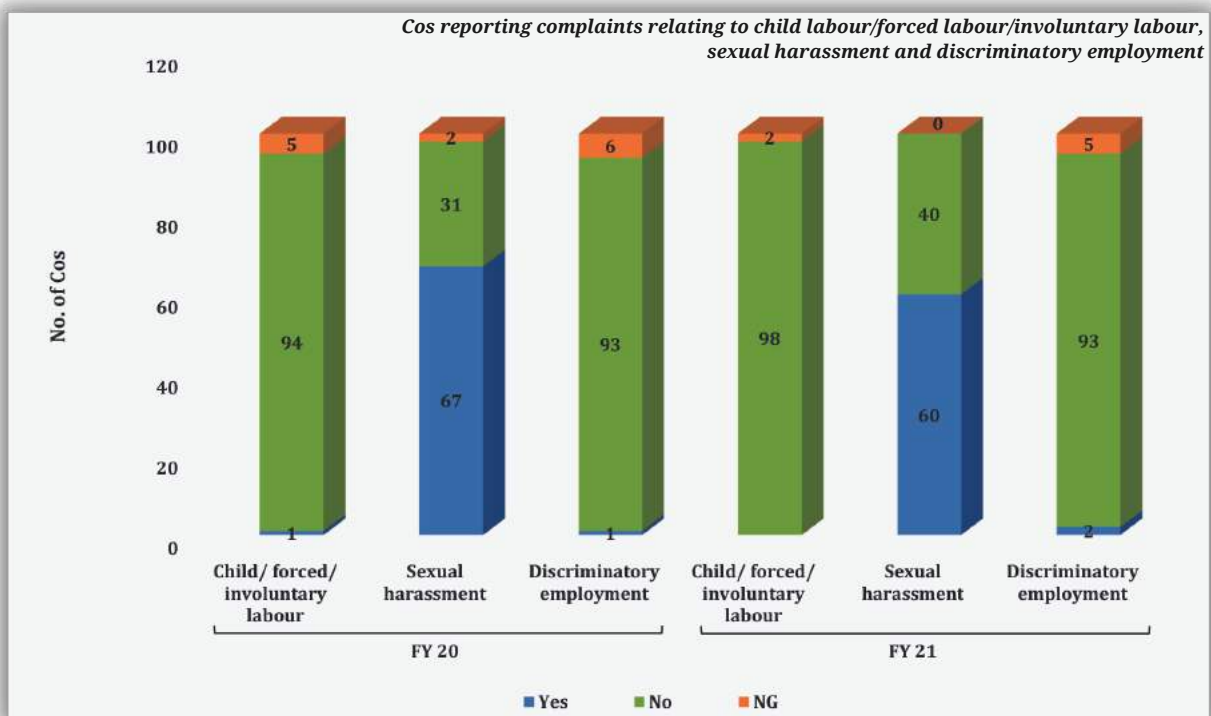
- In both FYs, in 64 companies, employee association(s) is/are recognized by the management Out of these, in FY 20 and FY 21, 24 and 23 companies respectively have specifically given the number of employee associations.

#### *6. Do you have an employee association that is recognized by management.*

- In FY 20 and FY 21, 57 and 59 companies respectively have given these details.

#### *7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.*

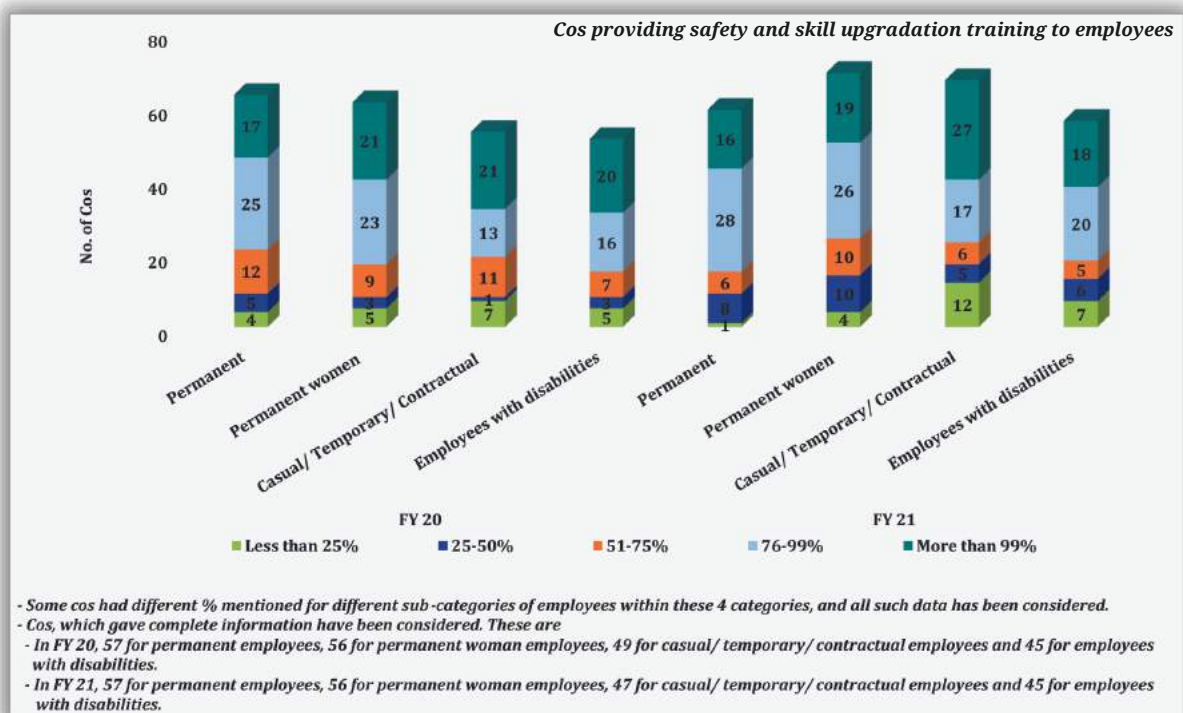
No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1	Child labour/forced labour/involuntary labour		
2	Sexual harassment		
3	Discriminatory employment		



- In FY 20 and FY 21, there are 37 and 28 companies respectively that had pending complaints at the end of FY relating to sexual harassment.
- In FY 20 and FY 21, 1 and 0 company respectively had pending complaint at the end of FY relating to child / forced/ involuntary labour.
- In FY 20 and FY 21, 1 and 1 company respectively had pending complaint at the end of FY relating to discriminatory employment.

**8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?**

- Permanent Employees
- Permanent Women Employees
- Casual/Temporary/Contractual Employees
- Employees with Disabilities



- A number of companies mentioned training hours, and not the percentage of employees who benefitted. This could lead to the adverse conclusion that enough may not have been done in these companies. Also, the number/ percentage of employees who benefitted from such trainings is not clear.
  - In FY 20, 27 companies in the case of permanent employees, 26 in the case of permanent woman employees, 19 in the case of temporary workers, and 11 in the case of employees with disabilities mentioned training hours.
  - In FY 21, 13 companies in the case of permanent employees, 12 in the case of permanent woman employees, 14 in the case of temporary workers, and 10 in the case of employees with disabilities mentioned training hours.
- In FY 20, in one company, only 6.79% of the permanent employees, and among those 0.04% of permanent woman employees, had been given skill upgradation, making it the lowest in that category. In FY 21, in one company, only 7.8% of the permanent employees, and among those 1.12% of permanent woman employees, had been given skill upgradation, making it the lowest in that category.
- In FY 20, in one company, only 1% of casual/ temporary/contractual employees had been trained, making it the lowest in that category. In the same company, 0.46% of casual/ temporary/contractual employees had been trained in FY 21, making it the lowest in that category.
- In FY 20, in one company, 2.60% of employees with disability had been trained, making it the lowest in that category. In FY 21, in one company, 7.32% of employees with disability had been trained for safety, and 1.22% for skill upgradation, making it the lowest in that category.

## **PRINCIPLE 4:**

### **BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALIZED**

#### *1. Has the company mapped its internal and external stakeholders? Yes/No*

- In both FYs, 1 company did not disclose this information.
- In FY 20, 96 companies have mapped their internal and external stakeholders, and 3 companies have mapped only their internal stakeholders, that is employees.
- In FY 21, 99 companies have mapped their internal and external stakeholders.

#### *2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.*

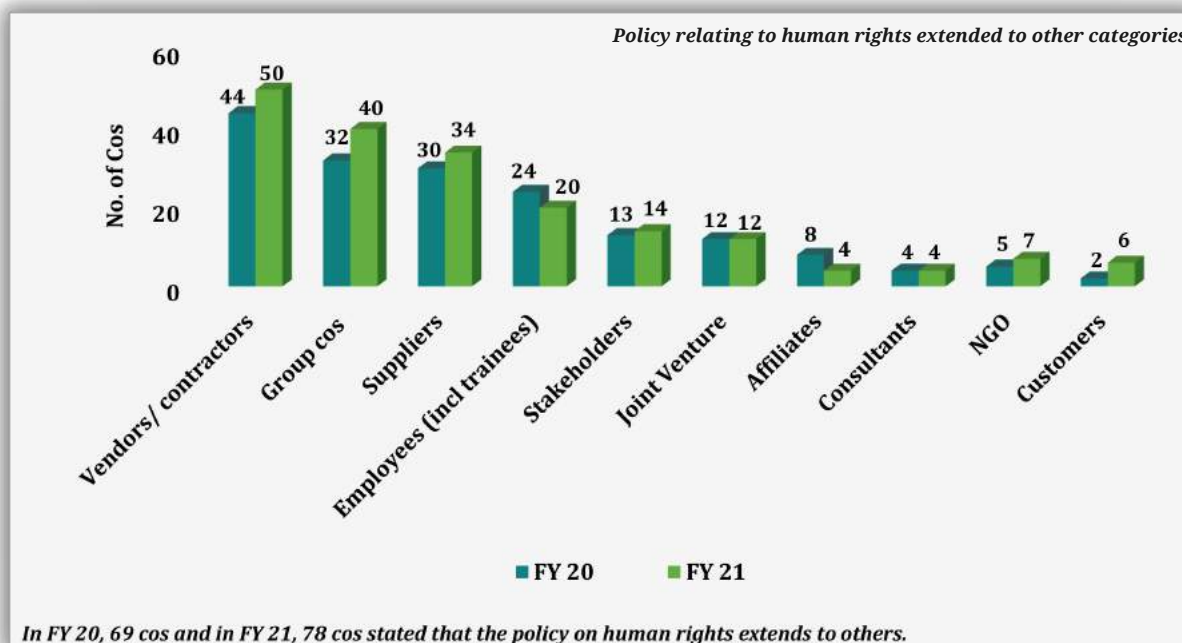
- In FY 20, out of 96 companies, 94 companies have also identified disadvantaged/ vulnerable/ marginalised stakeholders.
- In FY 21, out of 99 companies, 93 companies have also identified disadvantaged/ vulnerable/ marginalised stakeholders.

#### *3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.*

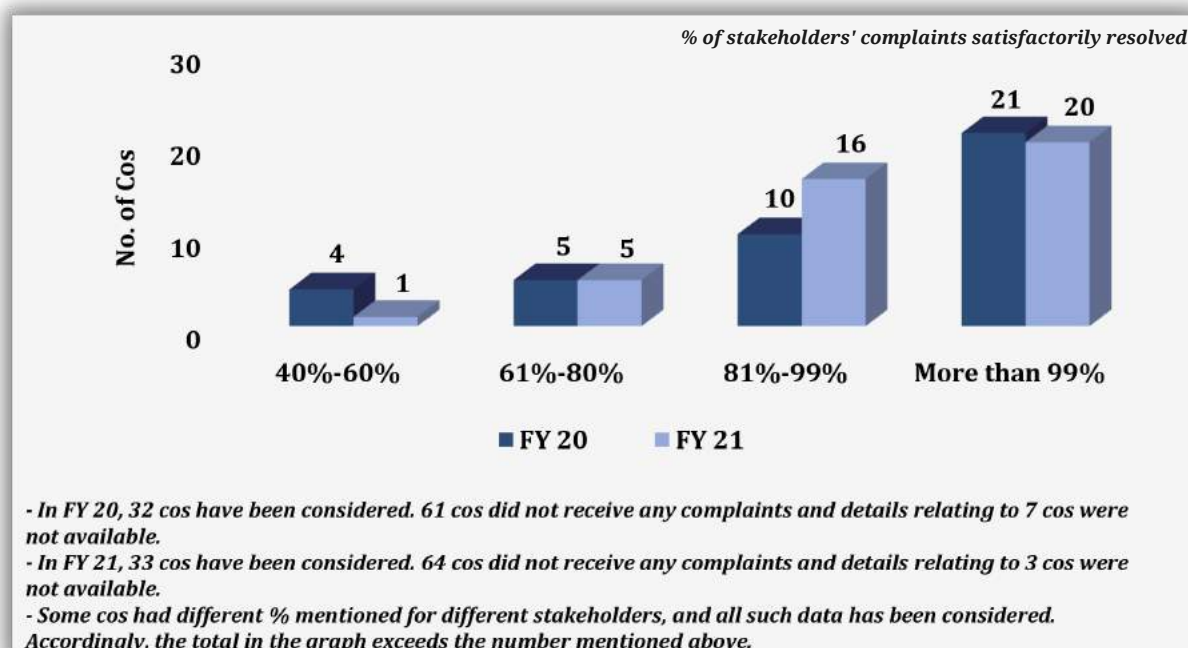
- In FY 20, 99 companies have taken the initiative to engage with disadvantaged/ vulnerable/ marginalised stakeholders, out of which 98 companies have also provided the details of such engagements.
- In FY 21, 97 companies have taken the initiative to engage with disadvantaged/ vulnerable/ marginalised stakeholders, out of which 96 companies have also provided the details of such engagements.

**PRINCIPLE 5:  
BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS**

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?



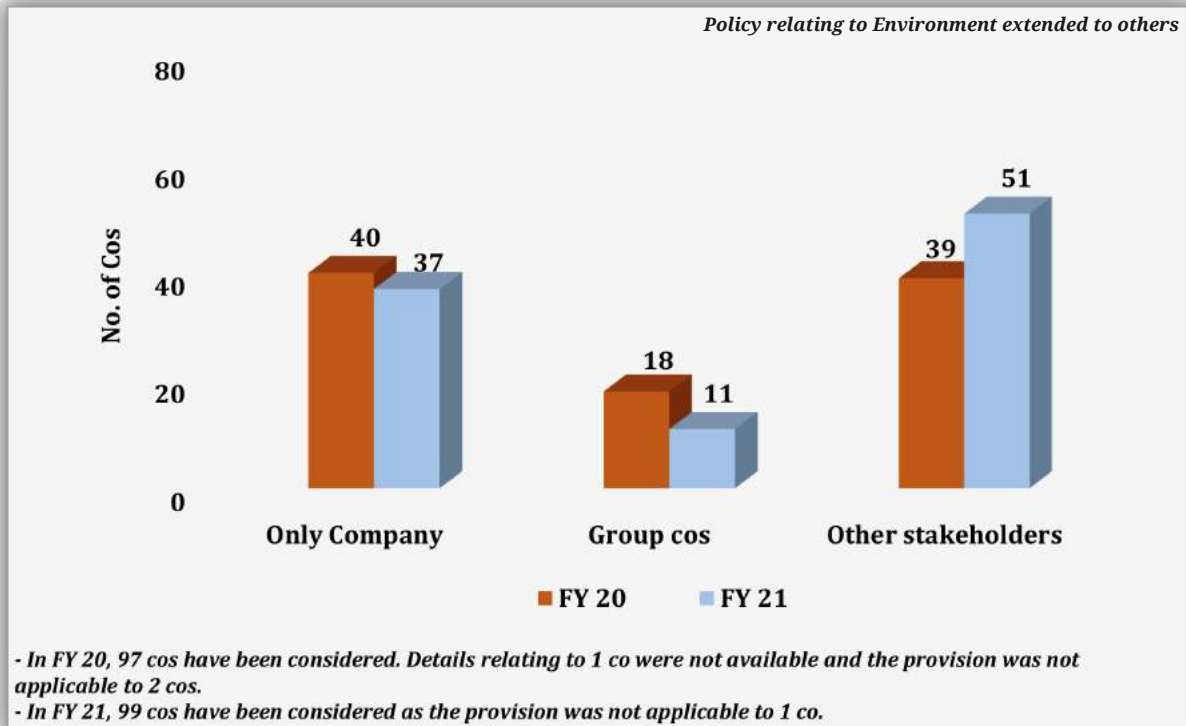
2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?



## PRINCIPLE 6:

### BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.



2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

- In both FYs, 96 companies reported to have such strategies/ initiatives. Out of these, 41 companies have given hyperlinks to their webpages, and 35 among them have given specific hyperlinks for ease of access for stakeholders. 2 companies have reported that they had no such strategy. 2 companies did not disclose these details.
- These companies are not the same across the years.

3. Does the company identify and assess potential environmental risks? Y/N

- In FY 20, 94 companies have identified and assessed the potential environmental risks. Out of these, 71 companies have given details.
  - 3 companies have not identified such risks, and 3 companies have not done so citing that they are not into manufacturing.
- In FY 21, 93 companies have identified and assessed the potential environmental risks. Out of these, 66 companies have given details.
  - 2 companies have not identified such risks, and 5 companies have not done so citing that they are not into manufacturing.

*4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?*

- In FY 20
  - 39 companies have project(s) relating to clean development mechanism. Out of these, 35 have given details of the project(s). 42 companies did not have such projects. 19 companies have stated that this is not applicable to them.
- In FY 21
  - 25 companies have project(s) relating to clean development mechanism. Out of these, 23 have given details of the project(s). 54 companies did not have such projects. 2 companies have not given this information. 19 companies have stated that this is not applicable to them.

*5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.*

- In FY 20
  - 95 companies have undertaken such initiatives. 3 companies have not done so, and 2 companies mentioned that it is not applicable to them.
  - Out of 95, 26 have given hyperlinks, with 20 giving specific hyperlinks for ease of access.
- In FY 21,
  - 95 companies have undertaken such initiatives. 3 companies have not done so, 1 company mentioned that it is not applicable to it, and 1 company has not given this information.
  - Out of 95, 29 have given hyperlinks, with 20 giving specific hyperlinks for ease of access.

*6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?*

- In FY 20,
  - 77 companies reported that emissions/waste generated by the company were within permissible limits. Out of these, 31 companies have provided details.
  - 9 companies reported no emission. 14 companies stated that this provision is not applicable to them.
- In FY 21,
  - 73 companies reported that emissions/waste generated by the company were within permissible limits. Out of these, 24 companies have provided details.
  - 9 companies reported no emission. 17 companies stated that this provision is not applicable to them. 1 company has not given this information.

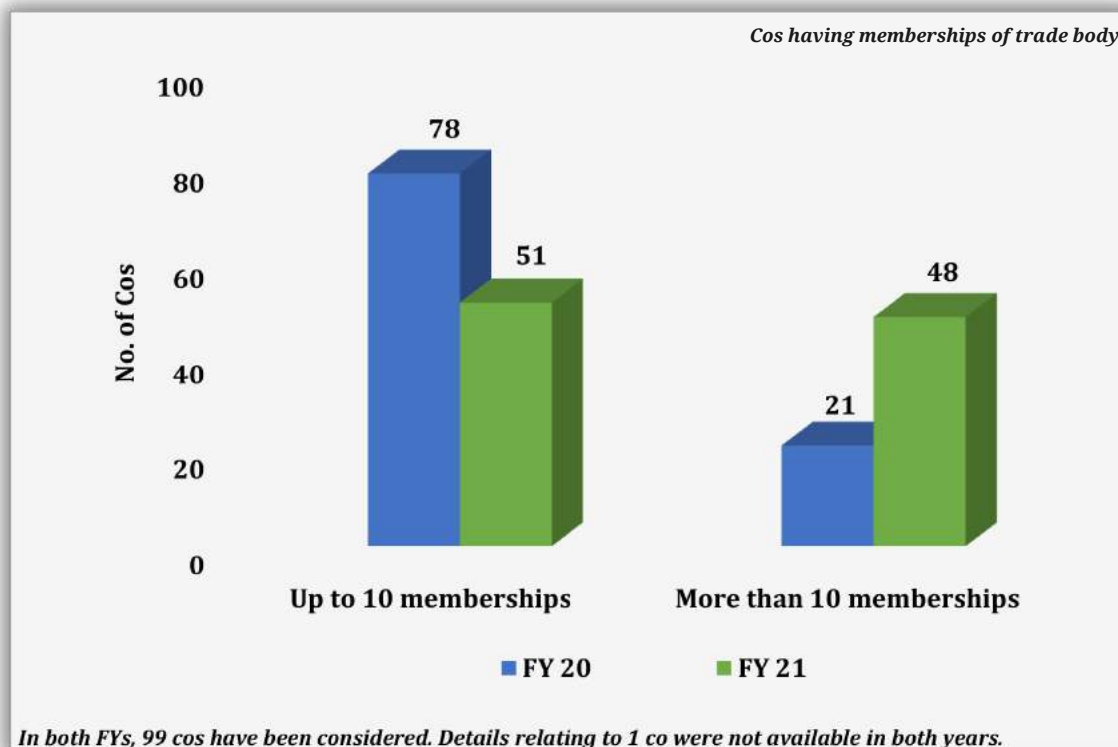
*7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.*

- In FY 20, 12 companies have given the number of show cause/ legal notices pending. Out of these, 7 have given details as well.
- In FY 21, 9 companies have given the number of show cause/ legal notices pending. Out of these, 7 have given details as well.

## PRINCIPLE 7:

### BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with?



2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

- In FY 20,
  - 86 companies have stated that they advocated/lobbied for the advancement or improvement of public good. Out of these, 84 companies have specified the broad areas of their advocacy.
  - 12 companies did not play an advocacy role, and 2 others did not give this information.
- In FY 21,
  - 84 companies have stated that they advocated/lobbied for the advancement or improvement of public good. Out of these, 79 companies have specified the broad areas of their advocacy.
  - 15 companies did not play an advocacy role, and 1 other did not give this information.

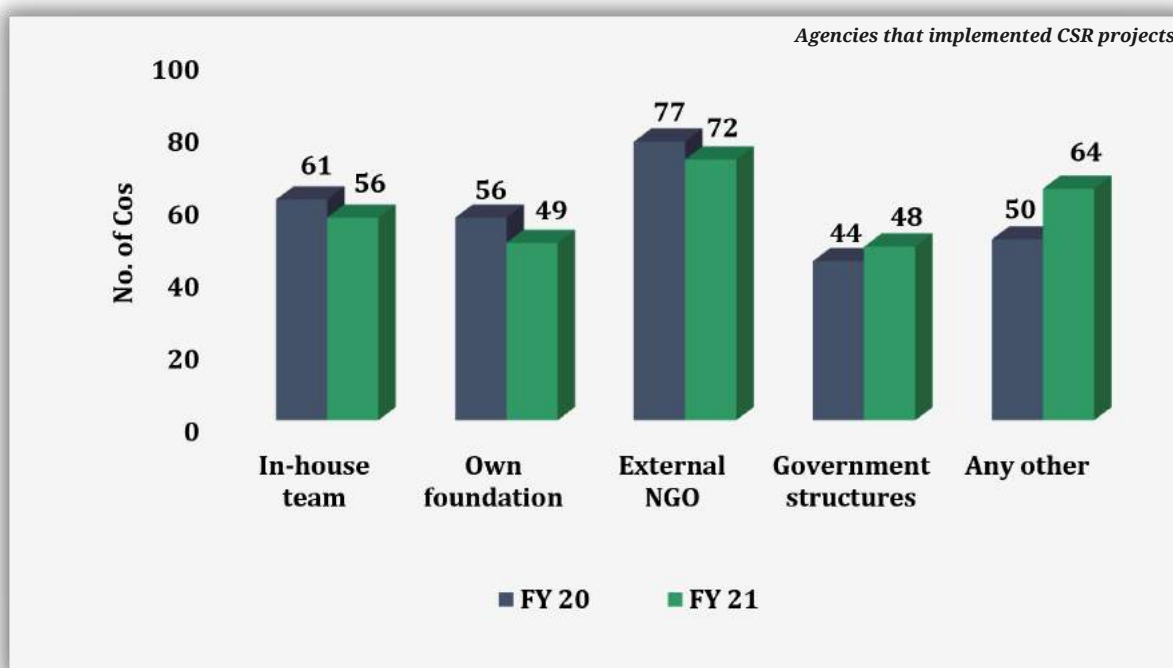
## PRINCIPLE 8:

### BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

- In both FYs, all 100 companies have given these details.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?



3. Have you done any impact assessment of your initiative?

- In FY 20, 96 companies have undertaken an impact assessment of their initiatives. Out of these, 80 companies have given the details regarding the same.
- In FY 21, 97 companies have undertaken an impact assessment of their initiatives. Out of these, 93 companies have given the details regarding the same.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.

- In FY 20,
  - 97 companies have given the amount contributed, and the details related to community development projects.
  - Of these, for 89 companies, the amount spent is the same as that given under CSR.
  - 2 companies have not given these details and it was not applicable on 1 company.
- In FY 21,
  - 94 companies have given the amount contributed, out of which 89 companies have given the details related to the projects.
  - Of these, for 80 companies, the amount spent is same as that given under CSR.
  - 6 companies have not given these details.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

- In FY 20, 99 companies have taken steps, of which 97 gave details. 1 company has not given this information.
- In FY 21, 98 cos have taken steps, of which 91 gave details. 2 companies have not given this information.

## **CSR IMPACT ASSESSMENT APPLICABILITY AS PER CSR RULES**

*Wef January 22, 2021, as per Rule 5(2) of the Companies (Corporate Social Responsibility (CSR) Policy) Amendment Rules, 2021, the CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-*

*(e) details of need and impact assessment, if any, for the projects undertaken by the company:*

*Provided that Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.*

*Wef January 22, 2021, as per Rule 8(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014,*

*(a) Every company having average CSR obligation of ten crore rupees or more in pursuance of subsection (5) of section 135 of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.*

*(b) The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.*

*(c) A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is less.*

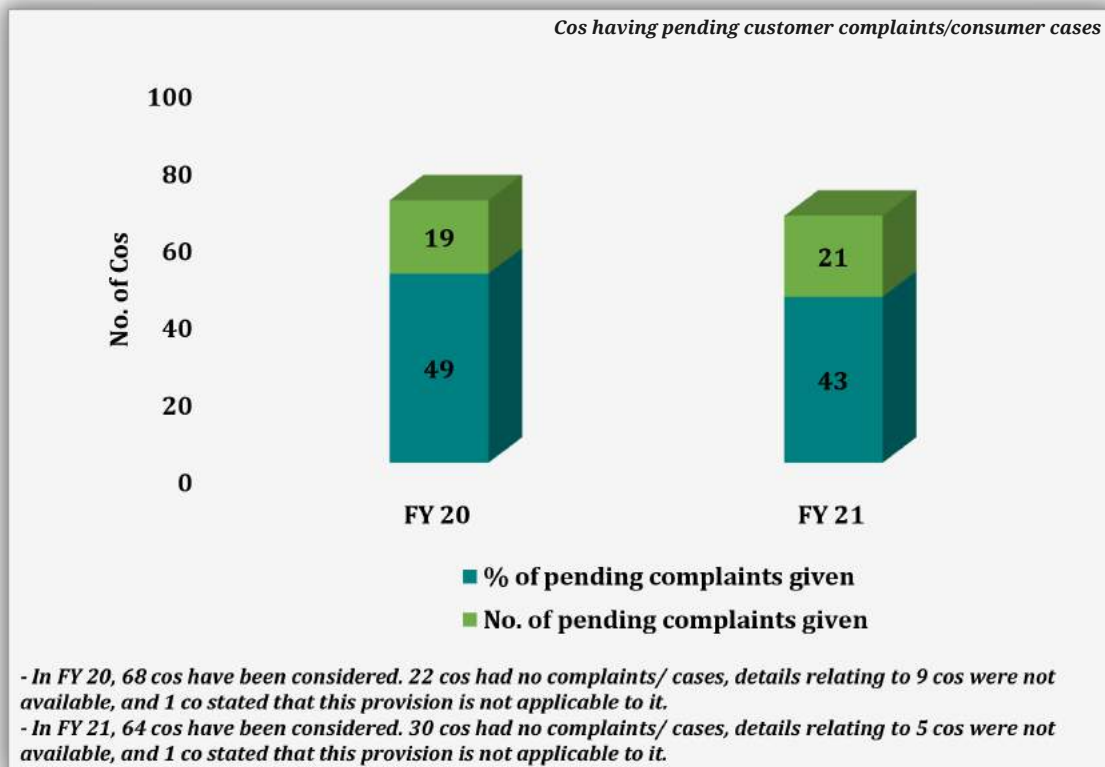
*MCA vide general circular no. 14/2021 dated August 25, 2021, issued an FAQ, which stated that the provisions for impact assessment have come into effect from 22nd January, 2021. Accordingly, the company is required to undertake impact assessment of the CSR projects completed on or after January 22, 2021.*

- In FY 2020-21, impact assessment as per CSR rules was applicable to 21 companies. Out of these 11 companies attached impact assessment report to their CSR Report. 4 companies did not disclose this information.

## PRINCIPLE 9:

### BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.



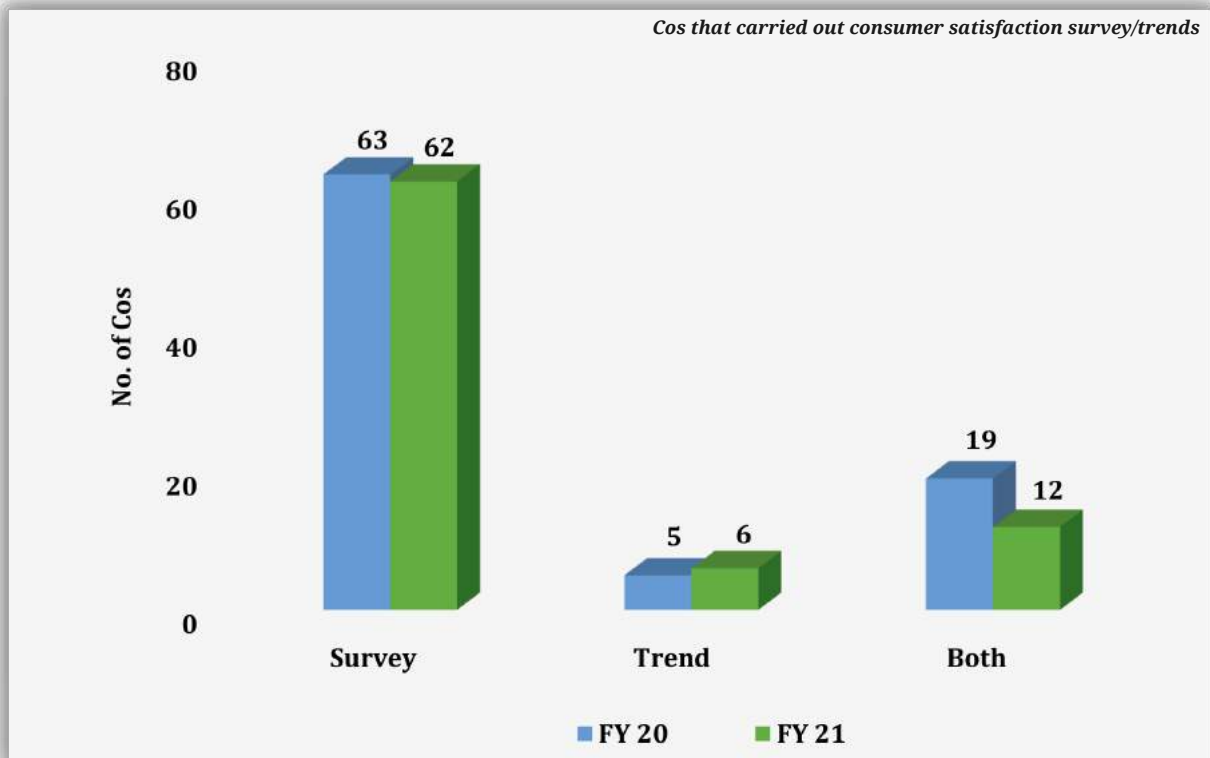
2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)

- In FY 20, 33 companies had displayed product information over and above what is mandated by local laws. 29 meet the basic requirements. 34 companies stated that this was not applicable to them, and 4 did not give this information.
- In FY 21, 21 companies had displayed product information over and above what is mandated by local laws. 51 meet the basic requirements. 26 companies stated that this was not applicable to them, and 2 did not give this information.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

- In FY 20 and FY 21, 24 companies each reported that cases had been filed against them. Out of these, 21 and 22 companies respectively had provided details.

#### 4. Did your company carry out any consumer survey/ consumer satisfaction trends?



- In FY 20, 89 companies have carried out consumer survey/ reported consumer satisfaction trends, and 6 did not. 3 companies have stated that this is not applicable to them. 2 companies have not given this information.
  - Out of the 89 companies, 2 companies did not give details whether they had carried out a survey or a consumer satisfaction trend.
  - 68 companies have carried these out internally. 12 companies have got it done externally, 7 companies have done both and 2 companies did not give details.
- In FY 21, 85 companies have carried out consumer survey/ reported consumer satisfaction trends, and 12 did not. 1 company has stated that this is not applicable to them. 2 companies have not given this information.
  - Out of the 85 companies, 5 companies did not give details whether they had carried out a survey or a consumer satisfaction trend.
  - 56 companies have carried these out internally. 10 companies have got it done externally. 12 companies have done both. and 2 companies did not give details.

# OTHER IMPORTANT PARAMETERS

As per Section 134(3)(m) of the Companies Act, 2013, the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed.

## (A) Conservation of energy-

- (i) the steps taken or impact on conservation of energy;
- (ii) the steps taken by the company for utilising alternate sources of energy;
- (iii) the capital investment on energy conservation equipments;

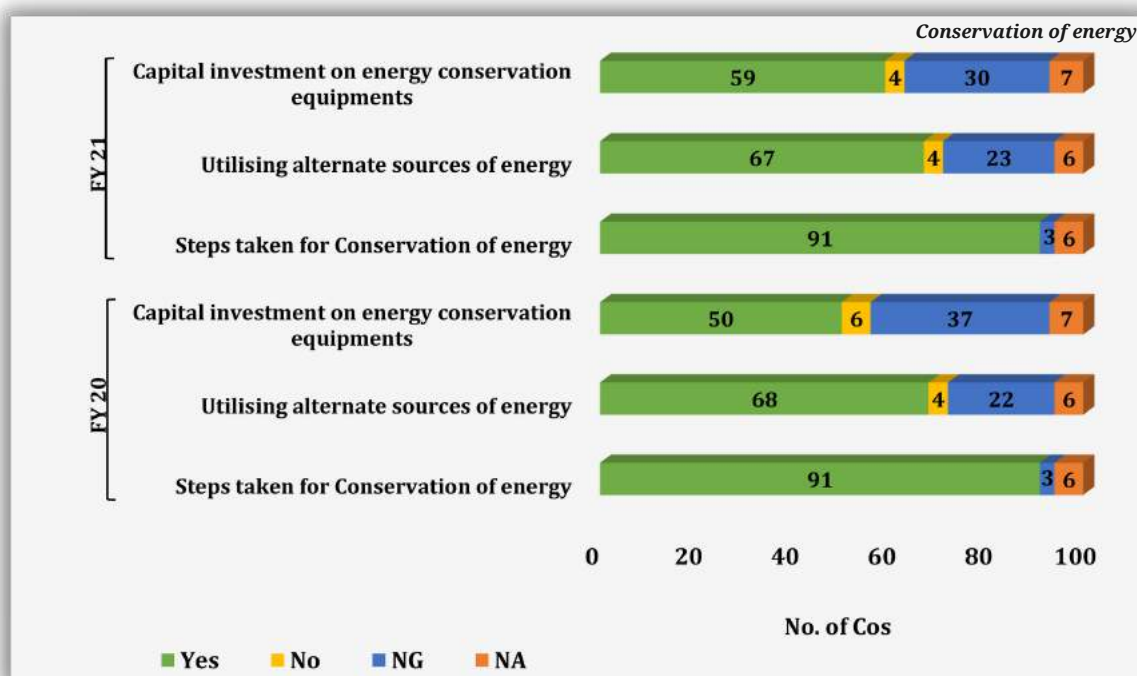
## (B) Technology absorption

- (i) the efforts made towards technology absorption;
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-
  - (a) the details of technology imported;
  - (b) the year of import;
  - (c) whether the technology been fully absorbed;
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
  - (iv) the expenditure incurred on Research and Development.

## (C) Foreign exchange earnings and Outgo-

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.

We have considered only details given under conservation of energy, since technology absorption and foreign exchange earnings and outgo do not lend themselves to analysis based on aggregation.



# ANNEXURE

*List of NIFTY 100 companies as on March 31, 2021. These companies have been considered for the survey.*

1	Abbott India Ltd	51	ICICI Prudential Life Insurance Company Ltd
2	ACC Ltd	52	Indian Oil Corporation Ltd
3	Adani Green Energy Ltd	53	Indraprastha Gas Ltd
4	Adani Ports and Special Economic Zone Ltd	54	Indus Towers Ltd *
5	Adani Transmission Ltd	55	IndusInd Bank Ltd
6	Alkem Laboratories Ltd	56	Info Edge (India) Ltd
7	Ambuja Cements Ltd	57	Infosys Ltd
8	Asian Paints Ltd	58	Interglobe Aviation Ltd
9	Aurobindo Pharma Ltd	59	ITC Ltd
10	Avenue Supermarts Ltd	60	JSW Steel Ltd
11	Axis Bank Ltd	61	Kotak Mahindra Bank Ltd
12	Bajaj Auto Ltd	62	Larsen & Toubro Infotech Ltd
13	Bajaj Finance Ltd	63	Larsen & Toubro Ltd
14	Bajaj Finserv Ltd	64	Lupin Ltd
15	Bajaj Holdings & Investment Ltd	65	Mahindra & Mahindra Ltd
16	Bandhan Bank Ltd	66	Marico Ltd
17	Bank of Baroda	67	Maruti Suzuki India Ltd
18	Berger Paints India Ltd	68	Motherson Sumi Systems Ltd
19	Bharat Petroleum Corporation Ltd	69	Muthoot Finance Ltd
20	Bharti Airtel Ltd	70	Nestle India Ltd
21	Biocon Ltd	71	NMDC Ltd
22	Bosch Ltd	72	NTPC Ltd
23	Britannia Industries Ltd	73	Oil & Natural Gas Corporation Ltd
24	Cadila Healthcare Ltd	74	Oracle Financial Services Software Ltd
25	Cipla Ltd	75	Petronet LNG Ltd
26	Coal India Ltd	76	Pidilite Industries Ltd
27	Colgate-Palmolive (India) Ltd	77	Piramal Enterprises Ltd
28	Container Corporation Of India Ltd	78	Power Finance Corporation Ltd
29	Dabur India Ltd	79	Power Grid Corporation Of India Ltd
30	Divis Laboratories Ltd	80	Procter & Gamble Hygiene & Health Care Ltd
31	DLF Ltd	81	Punjab National Bank
32	Dr. Reddys Laboratories Ltd	82	Reliance Industries Ltd
33	Eicher Motors Ltd	83	SBI Cards And Payment Services Ltd
34	GAIL (India) Ltd	84	SBI Life Insurance Company Ltd
35	General Insurance Corporation of India Ltd	85	Shree Cement Ltd
36	Godrej Consumer Products Ltd	86	Siemens Ltd
37	Grasim Industries Ltd	87	State Bank Of India
38	Havells India Ltd	88	Sun Pharmaceutical Industries Ltd
39	HCL Technologies Ltd	89	Tata Consultancy Services Ltd
40	HDFC Asset Management Company Ltd	90	Tata Consumer Products Ltd
41	HDFC Bank Ltd	91	Tata Motors Ltd
42	HDFC Life Insurance Co Ltd	92	Tata Steel Ltd
43	Hero MotoCorp Ltd	93	Tech Mahindra Ltd
44	Hindalco Industries Ltd	94	Titan Company Ltd
45	Hindustan Petroleum Corporation Ltd	95	Torrent Pharmaceuticals Ltd
46	Hindustan Unilever Ltd	96	Ultratech Cement Ltd
47	Hindustan Zinc Ltd	97	United Breweries Ltd
48	Housing Development Finance Corporation Ltd	98	United Spirits Ltd
49	ICICI Bank Ltd	99	UPL Ltd
50	ICICI Lombard General Insurance Co Ltd	100	Wipro Ltd

*\*Bharti Infratel Ltd has been replaced by Indus Towers Ltd, into which the former has been merged. Accordingly, for FY 17, FY 18, FY 19 and FY 20, Bharti Infratel Ltd has been considered. For FY 21, Indus Tower Ltd has been considered.*

# ABOUT EXCELLENCE ENABLERS

We are a niche Corporate Governance advisory firm. We do not attempt to be all things to all persons. Improving Corporate Governance policies and practices is our *raison d'être*. Our mission is to demystify Corporate Governance and to persuade corporates that it is nothing more than doing the right things at the right time in the right manner for the right reasons.

We do not tick boxes. We help you think out of the box.



For any further information on the survey, please contact:

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