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THE ANNUAL DIAGNOSIS
Will Prescription and Treatment Follow?

The Seventh Annual Corporate Governance Survey of the top 100 companies is now out. It is an attempt to get companies to ask themselves: " Mirror mirror on the wall, Am I among the fairest of us all?"

Two questions arise unfailingly in annual conferences on Corporate Governance. Have Corporate Governance standards in India improved in the last several years? If so, are governance standards at a level which gives comfort to all stakeholders. The short answer to the first question is in the affirmative. However, while there has been discernible improvement, we are nowhere near where we ought to be in terms of attaining governance standards that measure upto expectations.

Annual surveys on Corporate Governance have managed to capture the extent of improvement in regard to several parameters. The **7th Annual Corporate Governance Survey of Top 100 companies, by Excellence Enablers** is unarguably the most comprehensive survey of its kind. With reference to a large number of governance parameters, it has focussed attention on what has been achieved, and what remains to be done.

It is universally accepted that the Board of Directors is the major determinant to ascertain whether a company is doing what it is expected to do, and staying away from what is not expected. It follows that the proper composition of the Board of Directors – both its arithmetic and its content – significantly influences the steps taken, and point to what remains to be done. Both law and regulations prescribe the size of the Board in terms of the minimum number of Directors that should be on the Board. With the minimum number of Directors for listed entities having moved from 4 to 6, there is still 1 entity which had less than 6 Directors as on March 31, 2026. This is completely unacceptable. There ought to be no excuse whatsoever for a listed company failing to comply with this basic requirement. While the minimum is a non-negotiable requirement, the maximum size of 15 Directors can be exceeded if a special resolution is passed. According to the Survey, 6 companies had 14 or more Directors at the end of March, 2026, with 1 company having 15 Directors, and 3 companies having more than 15 Directors. A Board with too few Directors cannot be expected to perform optimally since both the variety of experience required and the number of Directors required to constitute committees cannot be appropriately addressed. Finding an adequate number of Directors cannot be rocket science. At the same time, an overpopulated Board might lead to situations where some Directors willingly, or otherwise, do not become a part of the conversation.

Moving from the total number to the categories required, it is noticed that quite a few PSUs have fallen seriously short of the requisite number of Independent Directors (IDs), with 4 PSUs having no IDs as on March 31, 2026. The long periods for which such Boards have functioned with less than the prescribed number of IDs, and on occasion, the absence of a Woman ID, reflects a casual attitude, which should not be tolerated. The companies with inadequate

number of members on the Board, or without the right composition, need to address this requirement with utmost priority. As for PSUs, blaming the Government for its role in not ensuring the appointment of an adequate number of Directors, does not render the company blameless.

There is the related requirement of right-contenting the Board, by having persons with the right skillsets and experience. The Survey shows that some companies have not reflected in their Annual Reports, the details of the skillsets and experience of the incumbent Directors. The Nomination and Remuneration Committees (NRCs) need to bestir themselves to identify persons with skillsets that are absent, and which the company desperately needs. As for diversity, the law and regulations prescribe a minimum of 1 woman ID on the Board. Many companies have treated this minimum number as the maximum when it comes to their Boards.

Persons outside the boardroom often ask questions relating to what the Directors do in the meetings of the Boards and the committees. In order to productively contribute to the deliberations, it is necessary for a Director to be present at the meetings. The Survey shows that some Directors have not attended any meeting of the Board during the FY. It is time for the Boards, and for the Directors themselves, to decide whether they ought to remain on the Board, since they seem to be lacking the time or the inclination, or perhaps both, to attend, or to participate in, Board meetings.

Boards are increasingly having to lean on the shoulders of their various committees to go into matters in detail, and to come up with specific recommendations for the Board. It follows that the committees ought to be appropriately constituted. The Survey has shown that many Directors are on a single committee of the Board, which seems to be an improvement from the days in which some Directors were not on any committee. At the other end of the spectrum, there are Directors who are members of all the mandatory committees and a few others. This uneven distribution of committee memberships translates to information asymmetry among the Directors, and strikes at the root of informed discussions in Boards and committees. It is useful to look at the workload of these committees. Most people rightly believe that the remit of the Audit Committee (AC) is so wide, and the required depth of its enquiries is so deep, that AC meetings are often more challenging than Board meetings. In recent times, the NRC has also had more meetings, and longer meetings, which put additional pressure on the Directors. Meaningful meetings of the Risk Management Committee (RMC), which is a product of regulation, will also require the Directors to exert themselves much more than they have in the past, with risks becoming more diverse and more impactful. With 4 committees mandated by the Companies Act, 2013 and 1 committee mandated by the SEBI LODR Regulations, 2015, as well as sector specific committees mandated by the concerned Regulators, and in some cases, committees set up by the Board to focus on important issues, it is not possible for 1 Director to be present on all committees, and to do justice to all of them. If companies do not move in the direction of an even distribution of committee memberships, it might be time for the Regulators to step in, and prescribe.

If the expectations from the Directors are high, there is adequate justification to compensate them appropriately. The Survey shows that some companies have not even bothered to indicate the details of sitting fees paid to the members of the Board for attending meetings. Information regarding profit linked commission is also equally hazy. There can be no reason to not detail these matters in the Annual Report, since shareholders and other stakeholders are entitled to know how their representatives on the Board are being compensated. The related question whether Non-Executive Directors (NEDs), comprising non-IDs, get compensated significantly more than the IDs, is also a matter that ought to interest shareholders and other

stakeholders. Institutional investors, who have significant investments, should also exert themselves to ensure that Directors are appropriately compensated to make it worth their while to provide guidance to the management in pursuit of better performance.

The Survey has also looked at the separation of the posts of Chair and Managing Director (MD)/ Chief Executive Officer (CEO). This is presently a non-mandatory requirement, having briefly been a mandatory requirement, till SEBI pulled back, reportedly in the face of resistance by corporates. Some clarity might be helpful in regard to this matter. SEBI's original prescription had 2 elements. The first element was that different persons should occupy the posts of Chair and MD/ CEO. The second element was that the holders of both these posts ought not be related. It is understood that much of the resistance, that led to the rollback by SEBI, was on account of the second element, since it would have shut out the legitimate aspirations of younger family members aspiring for higher office. Since separation, by way of having different persons holding the two positions, is to be seen as a fundamental requirement of Corporate Governance, it might still be worthwhile to omit the second element, and implement the first, so that the basic negation of governance, arising out of the same person holding positions of Chair and MD/CEO, can be done away with. Is this a case where in pursuit of an ideal situation, even the minimum requirement was lost?

The Survey has drawn attention to diversity on Boards, and generated the information on women Directors. Other kinds of diversity have been given short shrift by the corporate ecosystem. Diversity of experience, age, origin and the like are material contributors to a value adding Board. The Survey could perhaps serve as a reminder to the lawmakers to prescribe for diversity, in addition to gender diversity, on Boards, so that the richness of experience that a Board requires can be ensured.

Boards and committees transact business through Board meetings. In FY26, 8 companies held the prescribed minimum number of Board meetings in a year. Strangely, corresponding numbers were 5, 4 and 7 for the preceding 3 years. 4 meetings a year are wholly inadequate since these quarterly meetings focus on financials, and do not have adequate time set apart for important matters such as strategy. Perhaps, it is time for Regulators to prescribe a minimum of 6 meetings a year. At the other end of the spectrum are Boards that have met more than 10 times in a year, with the highest number of meetings by a company being 24. There are 26 Boards that have met more than 10 times in FY 2025-26, with the corresponding numbers being 23, 26 and 29 for the previous 3 years. It is likely that some of these companies which have had a large number of Board meetings are by the nature of their business (example, banking) required to have many more meetings than the minimum prescribed. The flipside is that if the number of meetings is unduly large, Directors might not be able to attend all of them, and to commit quality time to the discussions. While the minimum needs to be stepped up, the higher number ought to be left to the wisdom of the Board.

The seriousness of Board meetings can also be ascertained by the duration of the meetings. In FY 26, 21 meetings lasted less than 30 minutes. Considering that many of these meetings would have also had routine agenda items to be dealt with, it is easy to speculate on how much time was devoted to important non-routine agenda items at these meetings.

Turning to the committees, the AC which is the oldest, is a good starting point. Both law and regulations prescribe that an AC should have a minimum of 3 Directors as its members. In FY 26, 3 ACs had less than 3 members. Given the importance of the AC's work, it might be worthwhile for the Regulator to consider imposing a sufficiently high punishment on such

companies, which cannot even cobble together a minimum of 3 Directors for an AC. The related point is attendance. During FY 26, 3 members of the AC did not attend any meeting of the committee. 7 members had attendance of less than 50%. How such members would have contributed to worthwhile discussions is best left to imagination. The number of meetings of the AC also reflect the seriousness that company leadership brings to the table. Regulations prescribe that the AC shall meet at least 4 times in a FY. This itself is inadequate, considering that the meetings, other than the 4 quarterly meetings, constitute the best fora for in-depth discussions on other matters such as Internal Audit reports. Even with a minimum of 4 meetings being prescribed, 1 company has had less than 4 meetings of the AC, and 14 companies have had only 4 meetings in the previous year.

The NRC has also been a stepchild of the Board's attention when it comes to composition. The regulations provide for a minimum of 3 members. In the year 2026, 2 companies had less than the minimum of 3 members. This is strange because in the 2 previous years, except the preceding year, the corresponding number has been 0. As for attendance, 5 members of the NRC have not attended a single meeting during FY 26.

The RMC, which is mandated by regulations, also requires a minimum of 3 persons to be members thereof, with a majority of them being members of the Board, including at least 1 ID. In FY 26, 3 RMCs have had less than 3 members. The corresponding figures in the previous 3 years have been 0, 0 and 1. Clearly, the RMC seems to have been losing its importance in some of these companies. The attendance of RMC members was disheartening. In FY 26, 8 members did not attend any meeting of the RMC.

The Survey also looks at important aspects of AGMs. Even though AGMs have become largely virtual in the last few years, they remain the only fora where the shareholders get to interact, at least virtually, with the members of the Board and senior management. What then does one make of 2 companies in whose case, the Chair of the Board was absent during the AGM conducted in the year 2026? 11 companies have chosen not to make this information available in the filings. Attendance of Chairs of Board committees is even more dismal. If a Director, especially the Chair of Board or a committee, cannot attend the AGM, it is time for him/her to bid goodbye to the Board. Overstaying one's welcome is not a desirable trait.

A robust annual Board evaluation is the best instrument to determine the effectiveness of a Board. The fact that 64 companies contended themselves with what passes for an in-house evaluation, with 24 companies mentioning discussion as the mode of evaluation, points to this being a tick-box exercise, rather than a value-adding proposition.

There is much more in the Survey that cannot be captured in a newsletter, given the space constraints. The plea to corporates is simply this – Read, reflect and rectify.

To read the 7th Annual Corporate Governance Survey of Top 100 companies, please click here