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INSTITUTIONAL INVESTOR ADVISORY SERVICES
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CORPORATE GOVERNANCE SCORES 2019

STABILITY DESPITE HEADWINDS

Supported by the Government of Japan

December 2019

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FOREWORD.

Welcome to this fourth report on the Indian Corporate Governance Scorecard, developed jointly by the BSE Limited, the International Finance Corporation (IFC) and Institutional Investor Advisory Services India Limited (IiAS), with the financial support of the Government of Japan.

The goal of a scorecard is to provide a fair assessment of corporate governance practices at the corporate level. The report is intended to provide investors, regulators, internal and external stakeholders key information to help them in their decisions with regards to the market and sector performance and that of individual companies.

We started this journey in India, with the first scorecard report issued in December 2016, when we announced the scores of top 30 companies listed on BSE by market capitalization. In the second edition, 100 companies were scored, expanding the coverage to 150 companies in 2018 (constituents of the S&P BSE 100 index and 50 companies that listed between April 2015 and March 2017). This year, the same 150 companies have been scored once again to assess their progress on the scorecard.

We were happy to notice that several best practice requirements, covered by the scoring methodology, are now part of regulations. Ensuring that boards have at least one female Independent Director, disclosures on the skill diversity of the board, separating the roles of Chairperson and Managing Director are some of the measures that will enhance the board structure. These changes, and the several changes made through listing regulations and corporate law, form part of an overall dynamic aimed at helping the private sector raise its visibility in India and throughout the world, and IFC is proud to be a solid partner and contributor to this initiative.

Indian standards have certainly set a high bar for governance practices; to some extent it is unique how strong regulations are driving governance practices. Even so, our experience has been that several Indian companies imbibe the principle of the regulation and begin adhering to standards in both substance and form. This is a positive development since corporate governance is not only about policies and procedures but, more importantly, about behaviours and actions. Regulation in India has not only compelled companies to improve their governance practices, but it has also empowered investors. Regulators across asset classes – mutual funds, insurance companies, pension funds – have mandated stewardship responsibilities for asset managers. For corporate governance standards to improve consistently, it takes an ecosystem that differentiates and rewards companies with higher standards.

IFC has been at the forefront of corporate governance development globally for more than two decades. Our work has helped improve standards in many countries and regions and played a role in shaping norms of corporate governance which in return helped companies attract investors and access new markets but also had a positive impact on macro-economic development. As investors ourselves, we see the value of improved corporate governance, our actions are aligned with trends and demands from investors globally, asking to invest in companies which abide by improved ESG standards.

As we continue with the corporate governance journey in India, we are confident this scorecard will play an important contributing role in the Indian corporate ecosystem. Companies should use the scorecard in their discussions at the board and with their investors in identifying where they are and where they want to go in terms of corporate governance practices. Together with our partners, we aim at developing the scorecard further, so it can capture international trends such as the governance of E&S and stakeholder engagement. Our ultimate objective is to help the public and private sector further improve corporate governance practices, encourage and highlight companies in India that are setting the benchmark and standards for others. We are confident you will find this scorecard useful, relevant and instrumental for your decisions.

We thank again the Government of Japan for their financial support and BSE and IiAS for their collaboration. Finally, we are using this opportunity to invite all listed companies to undertake this important scoring exercise and investors to assess the corporate governance levels of their portfolios.

Vladislava Ryabota
Regional Corporate Governance Lead, South Asia
International Finance Corporation

INTRODUCTION.

Last year, we presented an assessment of 150 companies, which comprises S&P BSE 100 index constituents (BSE 100 companies) and 50 companies that were listed between April 2015 and March 2017 (IPO companies). These 150 companies aggregate about 72% of total market capitalization. To this extent, we believe the conclusions of our assessment are indicative of a broad market trend.

Our study, “Stability despite headwinds” shows that the larger companies have taken their governance practices seriously, resulting in median scores of S&P BSE SENSEX constituents (SENSEX companies) increasing to 61 from 60. BSE 100 companies have maintained median scores at 58. Yet, at the higher end, the scores of most companies have increased, just as much as at the lower end, the scores have decreased over the previous year. This year, of the BSE 100 companies, there are six companies in the ‘LEADERSHIP’ category, against five last year. The institutionalization of governance practices has led to greater stability of scores for the larger listed companies. IPO companies have not been able to hold ground – median scores for IPO companies declined to 54 from 55 last year, with the lowest company scoring a mere 29. Nonetheless, the study shows, the markets have rewarded the more stable and better governed companies.

For Corporate India, the past 12 to 18 months have been difficult. With economic growth slowing, achieving business targets has been stretching managements with a few opting for a short-term fix, reflecting in a lower CG score.

The meltdown of two large non-banking finance companies (NBFCs) has impacted the flow of funds. With stretched liquidity and a weakened real estate sector, the asset quality of several NBFCs has also come under scrutiny. One large NBFC has been referred to Insolvency and Bankruptcy Code (IBC) for finance companies, within a week of the code being notified.

Divergences on asset quality recognition continues to plague the banking sector and continued weakening of asset quality resulted in deteriorating capital adequacy levels in what is now referred to the twin balance sheet problem. The government has merged several public sector banks in an attempt to create larger banks, that can better serve a growing corporate India. Meanwhile, the failure of two co-operative banks resulted in anxious deposit holders turning to the Reserve Bank of India (RBI) for help and brought to the forefront the debate on the extent of RBI’s oversight over the financial sector.

Developments over the past one year have demonstrated the impact of corporate governance practices for credit markets. The almost USD 20 bn of debt held in companies under the IBC, while being set to clear up, is lesson enough for credit markets on the importance of assessing not just credit ratios, but governance practices before they lend. Other disruptions too affected bond holders during the year. The big issue concerning the Indian credit markets is promoter shareholding being pledged to raise debt. Mutual funds that invested in loan-against-shares products in their Fixed Maturity Plan schemes, rolled over the redemption on maturity date in the hope that a stake sale would result in the bonds being paid up, even as promoters of one bank, one media house, and one industrial solutions company lost control of their businesses because lenders called in the pledge and sold down the equity. Although SEBI introduced side-pocketing to deal with such instances, and tightened disclosure requirements, this brought focus on the governance practices of various investment institutions.

Audit quality is a concern raised by several market participants this year. RBI banned one audit firm from auditing banks, while SEBI banned another for a decade old fiasco: its oversight powers over the audit industry are now being challenged in the courts. The need for comprehensive review and oversight over the audit practices of the audit regulator was being debated for a while and the National Financial Reporting Authority (NFRA) has finally been created. It has begun work – however, these are still early days to assess its effectiveness.

Reference Notes:

- For evaluation framework: Refer Annexure A
- For methodology: Refer Annexure B
- For list of companies covered under study: Refer Annexure C
- For detailed questionnaire: Refer Annexure D

Investor engagement, on the other hand, continues to increase. With the growing number of issues that companies have faced last year, investors from both the debt and equity side have increased their interaction with companies. Lenders seem to be taking unique positions – some ruthlessly calling in pledges and selling down the equity, others taking on board seats and establishing control. In one instance, lenders have refused to accept the promoter's resignation, ensuring that they continue to shoulder the responsibility of finding a resolution for the company instead of walking away. With both equity markets and credit markets being affected by corporate governance practices, we expect corporate governance assessments to form a more pivotal role in both sets of investment decisions.

Although global investors are far ahead of this curve, domestic institutional investors are now also seeing the benefits of sustainability-based investing. ESG funds are being launched and companies are being encouraged to have better disclosures on the sustainability practices. Several of the larger listed companies have begun the move to integrated reporting. These are telling signs of how the Indian market will change over the next few years. It will move from G to ESG.

SENSEX TRENDS.

The 30 constituents of the S&P BSE SENSEX (SENSEX)[1] account for ~47% of total market capitalization. At an aggregate level, SENSEX companies have improved their overall governance practices from last year. The number of companies in the LEADERSHIP category has declined to three from four[2]. The median score of the SENSEX companies increased to 61 against the previous year's score of 60. The highest score was higher at 79 against previous year's 76. At the lower end, the number of companies in the BASIC category reduced from two to one. Led by significant improvement in scores from companies in the utilities and materials industries, the median score of 15 of the 30 constituents improved significantly; however, the overall median was muted by the decrease in scores of the banking sector (comprising seven of the 30 constituents).

Exhibit 1: Scorecard categories

Grade	Score Range
LEADERSHIP	>=70
GOOD	60 – 69
FAIR	50 – 59
BASIC	<50

Exhibit 2: Percentage of SENSEX companies in each category

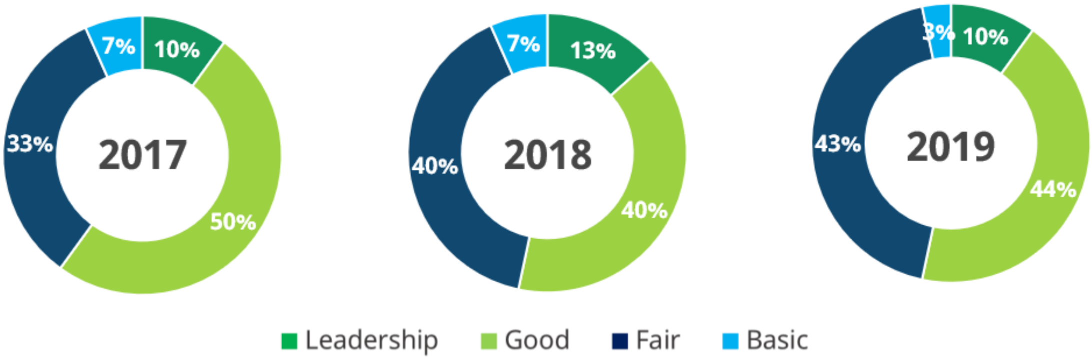
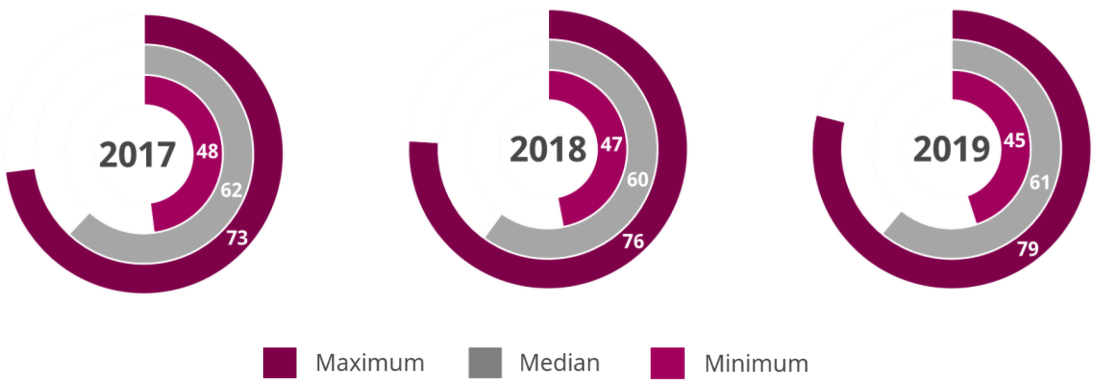


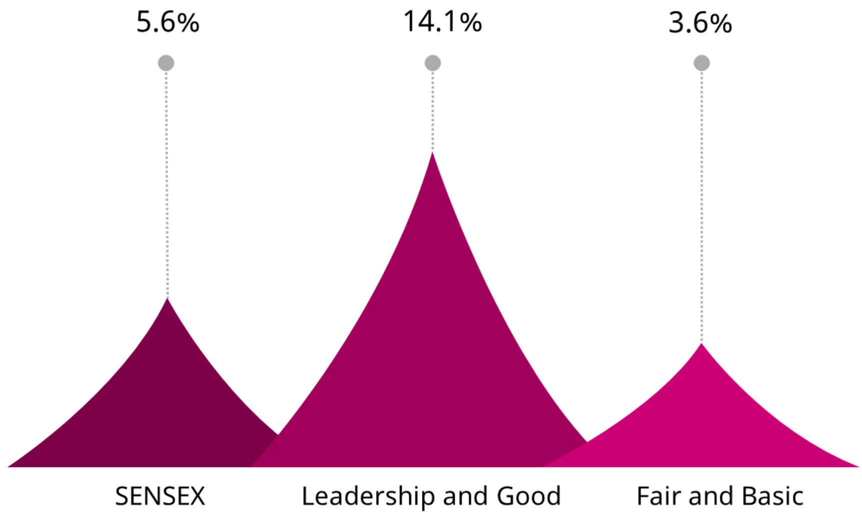
Exhibit 3: Median, maximum and minimum scores for SENSEX companies



[1] *On 30 September 2019*

[2] *One of the companies in the 'LEADERSHIP' category has moved out of the SENSEX*

Exhibit 4: Median CAGR return performance[3] over three years for SENSEX companies in the 2016 study



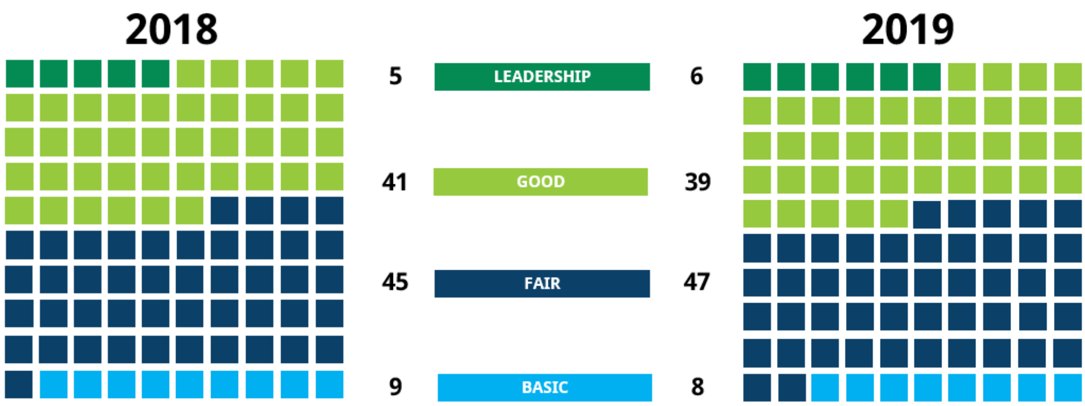
We analyzed the companies which were part of our 2016 SENSEX study on their three-year price performance (on a CAGR basis). Our assessment shows a correlation between governance practices with price performance. Companies that had a score of 60 or more (in the LEADERSHIP and GOOD categories) three years ago performed better than the remaining SENSEX companies over the ensuing three-year period.

[3] *Price performance calculated based on prices as on 1st November of the respective year. Price Performance for SENSEX is the median for the portfolio of stocks comprising the index and is not weighted by market capitalization.*

BSE 100 TRENDS.

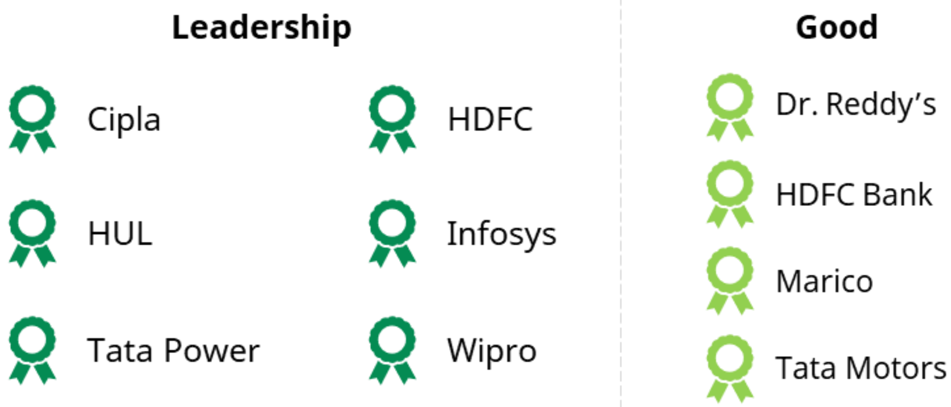
The analysis of the S&P BSE 100 (BSE 100) companies is summarized below. Because the BSE 100[4] index comprises almost 70% of BSE's market capitalization, the results can be considered a reflection of the overall governance standards of Indian listed companies.

Exhibit 5: Distribution of governance scores for the BSE 100 companies



The median score of BSE 100 companies has remained unchanged over last year at 58. This is despite there being an increase of companies falling in the 'LEADERSHIP' Category (six in 2019 vs. five in 2018) and a decrease in companies in the 'BASIC' category (nine in 2019 vs. eight in 2018). The highest scores of BSE 100 companies increased to 79 (76 in 2018) while the lowest scores decreased to 44 from 48 in 2018. Despite the increase at the higher end and the decrease in scores at the lower end, median scores remained the same. This is because the companies in the 'fair' category continue to drive the median.

Exhibit 6: Companies with highest scores in BSE 100 (top 10, in alphabetical order, by grade)[5] [6] [7]



Cipla, Dr. Reddy's Laboratories and Tata Power, made it into the top 10 list for the first time. Cipla and Tata Power, in fact, made it directly to the 'LEADERSHIP' category, showing immense growth

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[4] On 30 September 2019

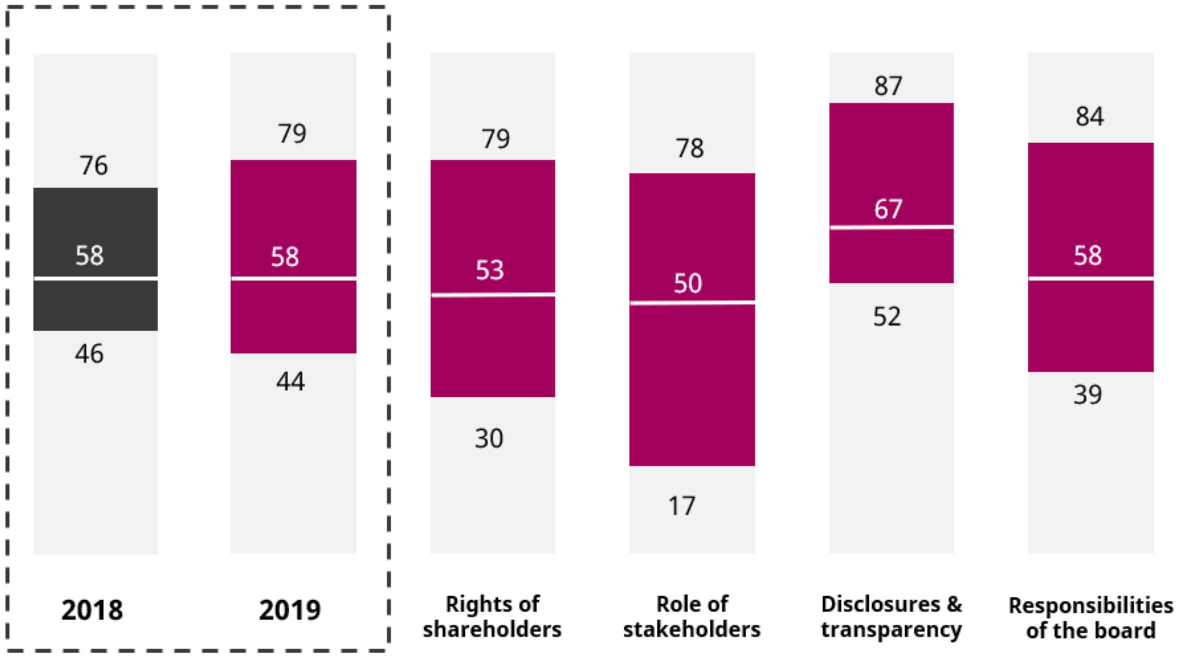
[5] IiAS as a proxy advisor provides various services including voting advisory, publishing reports on corporate governance and related matters. These services are subscribed to by some of these companies, for which IiAS has received remuneration in the past twelve months.

[6] HDFC, through its subsidiary HDFC Investments Limited, is one of IiAS' shareholders.

[7] Tata Investment Corporation Limited, a fellow subsidiary, is one of IiAS' shareholders.

in the governance scores. Infosys, HDFC, HUL and Wipro remain in the 'LEADERSHIP' category, as they did last year.

Exhibit 7: Category wise median, maximum and minimum scores for BSE 100 companies



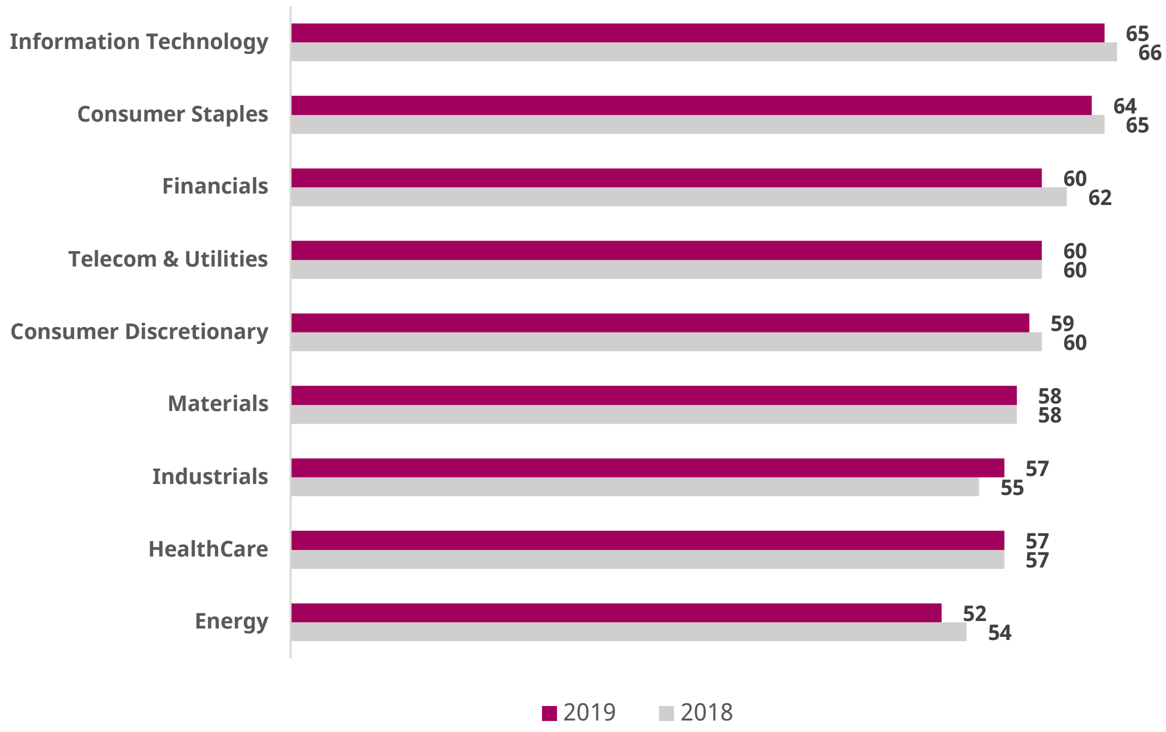
The exhibit shows the maximum, median and minimum percentage scores in each governance category for 2019 and on an overall basis for the past two years. The overall scores for the BSE 100 companies ranged between a maximum of 79 and a minimum of 44. The median score for the 100 companies has remained at 58. Like last year, the largest variance in scores was in the second category – 'Role of stakeholders' with scores ranging between 78 at the upper end and 17 at the lower. The highest category scores were observed in the 'Disclosures and transparency' category with the scores ranging between 87 and 52, in part due to the strong disclosure requirements mandated by Indian regulations. The median score of 67 in this category was the highest among all categories.

Exhibit 8: Heat map displaying relative performance of BSE 100 companies across categories

The heat map shows that different companies excel in different categories – the companies with the high overall scores do not necessarily perform well in all categories. Similarly, companies with lower scores are not necessarily laggards in all parameters. To get a high score, companies need to have a well-balanced approach, that addresses all aspects of corporate governance.

We find that companies in the information technology and consumer staples businesses continue to lead in their corporate governance practices, similar to our observations in the previous study. Given the headwinds in the financial sector, while the median scores for financials have dropped, they continue to fare above companies in other industries. While most sectors have remained constant or declined, the industrial sector has bucked the trend and shown an increase.

Exhibit 9: Industry wise median scores for BSE 100 companies



In the BSE 100, institutionally owned and widely held companies have better governance scores. In comparison, PSUs continue to fare poorly. The median score for PSUs continues to remain in the 'FAIR' due to inadequate independent representation on the board and lack of transparency on critical issues like related party transactions, board evaluation and stakeholder management policies.

Exhibit 10: Ownership wise median scores for BSE 100 companies

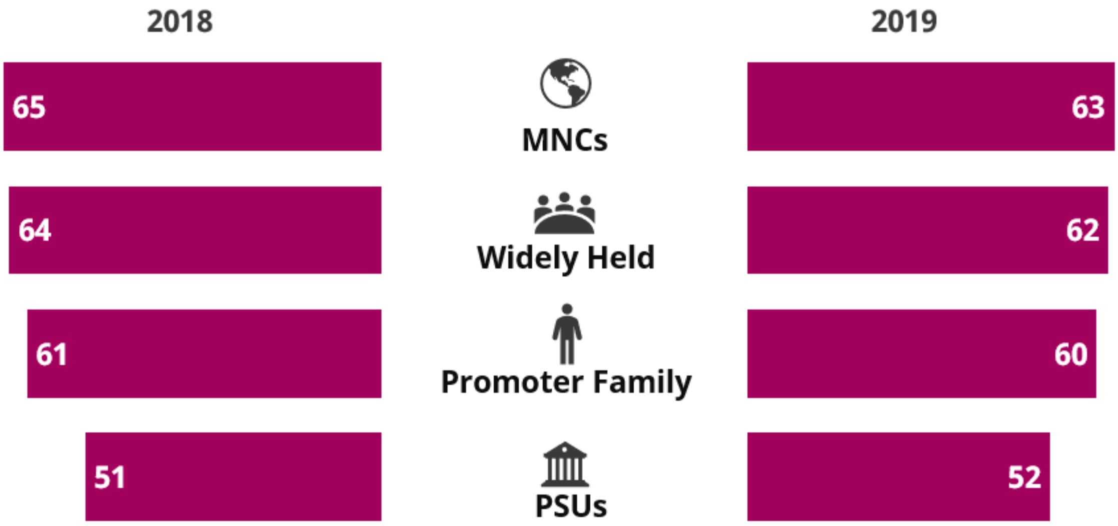
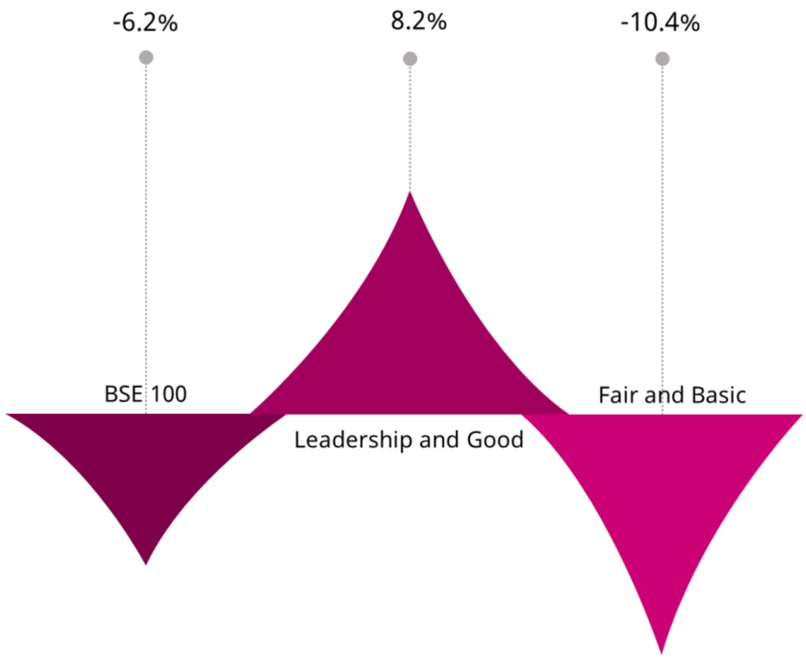
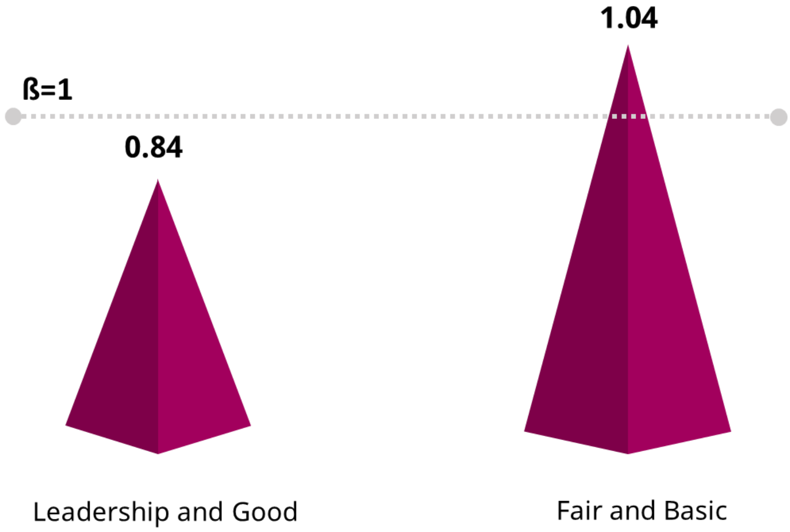


Exhibit 11: Median CAGR return performance[3] over two years for BSE 100 companies in the 2017 study



While markets tend to reward better governed companies with higher price multiples, our study shows that well-governed companies (those with a score of 60 or more), at a portfolio level, report a better price performance compared to other not-so-well governed companies. The analysis above is predictive in nature – we have assessed the performance of companies that scored well in our previous assessments with their subsequent price performance.

Exhibit 12: Median Stock Beta[8] for BSE 100 companies in the 2017 study



Beta is a measure of a stock's volatility in relation to a broad market index: higher the Beta, more volatile the stock. The companies in the 'LEADERSHIP' and 'GOOD' categories exhibited lower stock beta, as compared to the companies in the 'FAIR' and 'BASIC' categories. We find that the stock prices of well-governed companies (those with a score of 60 or more) as identified in the 2017 study have been more stable and therefore less risky. Because this is tested for subsequent performance of companies already assessed as being well-governed, our study reflects the predictive value of the assessment. Therefore, it is a reasonable conclusion that well-governed companies will report lower stock volatility going forward. However, this assessment is based on a portfolio of companies and is not necessarily applicable to every single company with a good governance score.

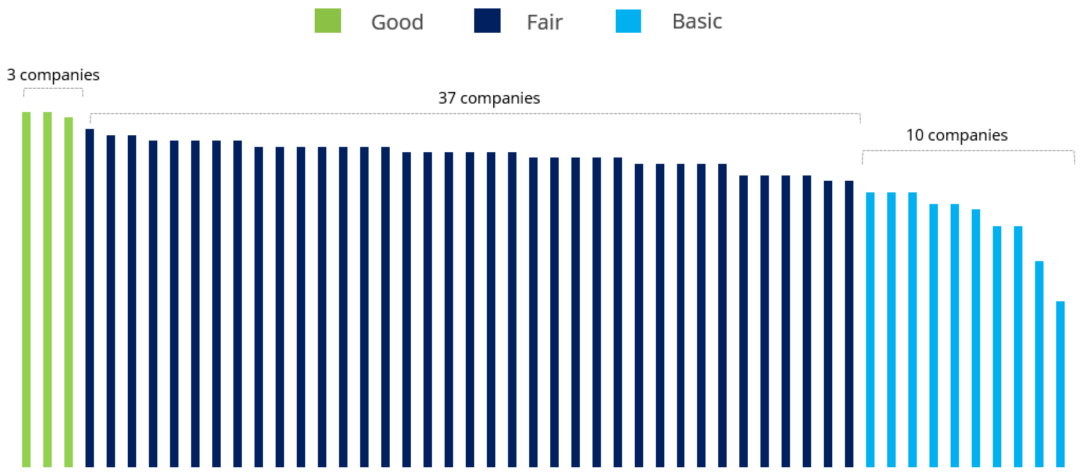
[8] *Beta is calculated on daily stock price return with the BSE 100 index as the benchmark*

IPO TRENDS.

We re-evaluated 50 recently listed companies on BSE that were part of our study in 2018. These companies were chosen based on the time of their initial public offering: between April 2015 and March 2017[9] (IPO companies). We believe companies need time to adjust to the new paradigm of being listed and being held accountable to a larger set of stakeholders. Therefore, a track record of being listed is important.

Three companies in the IPO list featured in the ‘GOOD’ category, while 10 of them were scored in the ‘BASIC’ category. There were no IPO companies in the ‘LEADERSHIP’ category.

Exhibit 13: Distribution of governance scores for IPO companies



The markets have rewarded the more stable and better governed IPO companies. RBL Bank[10] and Avenue Supermarkets, which were part of our list of top five well-governed IPO companies last year, have moved to becoming part of the BSE 100 index. There were two companies that improved their governance practices to cross the threshold score of 60 and enter the ‘GOOD’ category – these were Narayana Hrudayalaya Limited and Syngene International Limited. Therefore, including ICICI Prudential Life Insurance Company Limited (ICICI Pru Life), there are three IPO companies in the ‘GOOD’ category.

Exhibit 14: Companies with highest CG scores in IPO list (top 3 in alphabetical order)[5] [11]

ICICI Pru Life

Narayana Hrudayalaya

Syngene International

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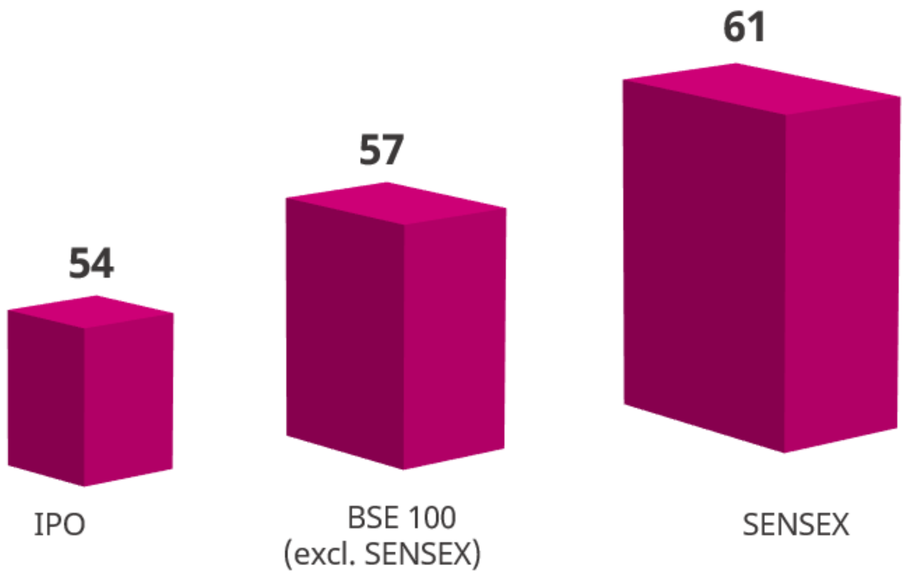
[9] Avenue Supermarts Limited and RBL Bank Limited, which were part of the IPO list in the previous study have moved to the BSE 100. Further, Prabhat Dairy Limited sold a substantial part of its business to a third party. These companies were replaced by Housing and Urban Development Corp. Ltd., S Chand and Company Ltd. and PSP Projects Ltd.: these three companies listed in May 2017. Pennar Engineered Building Systems Ltd. (PEBSL) was merged into and replaced with Pennar Industries Ltd.

[10] RBL Bank is one of IiAS' shareholders

[11] ICICI Prudential Life Insurance Company Limited is one of IiAS' shareholders

Exhibit 15: Comparison of median scores across indices



IPO companies continued to fare lower than BSE 100 companies. The median in this category decreased to 54 from 55, pulled down by major governance failures in a handful of companies. Such companies are an exception rather than the norm and thus have not had a large impact on the median scores of the individual categories. Even so, IPO companies continue to remain vulnerable and need to institutionalize their governance practices.

Exhibit 16: Category wise median, maximum and minimum scores for IPO companies

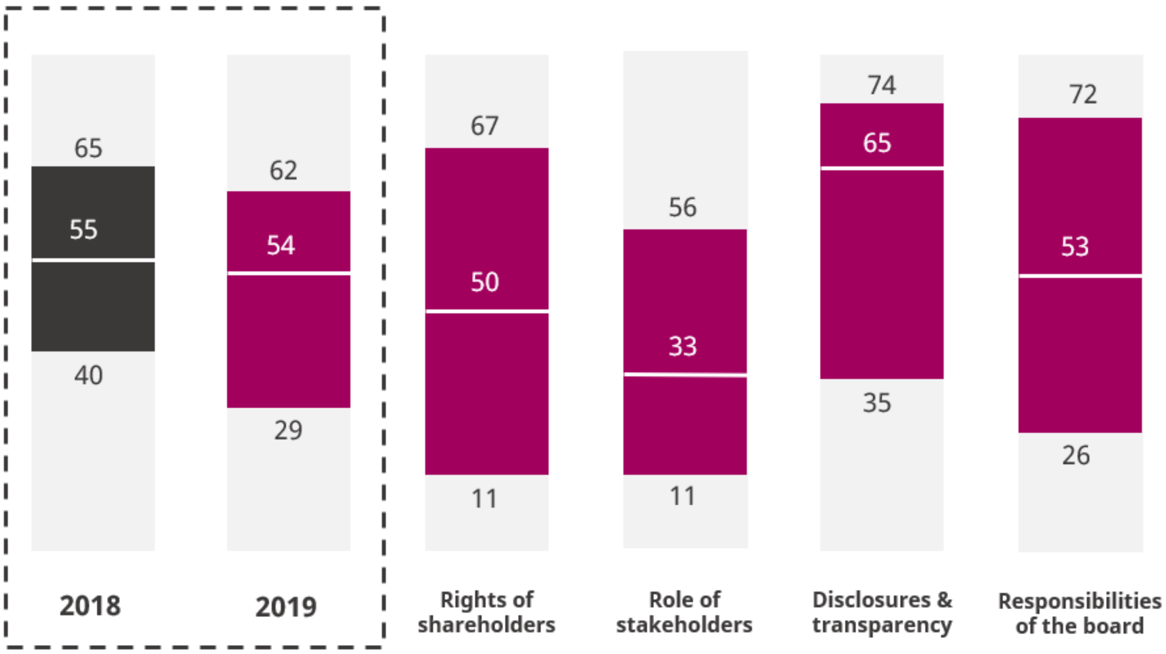
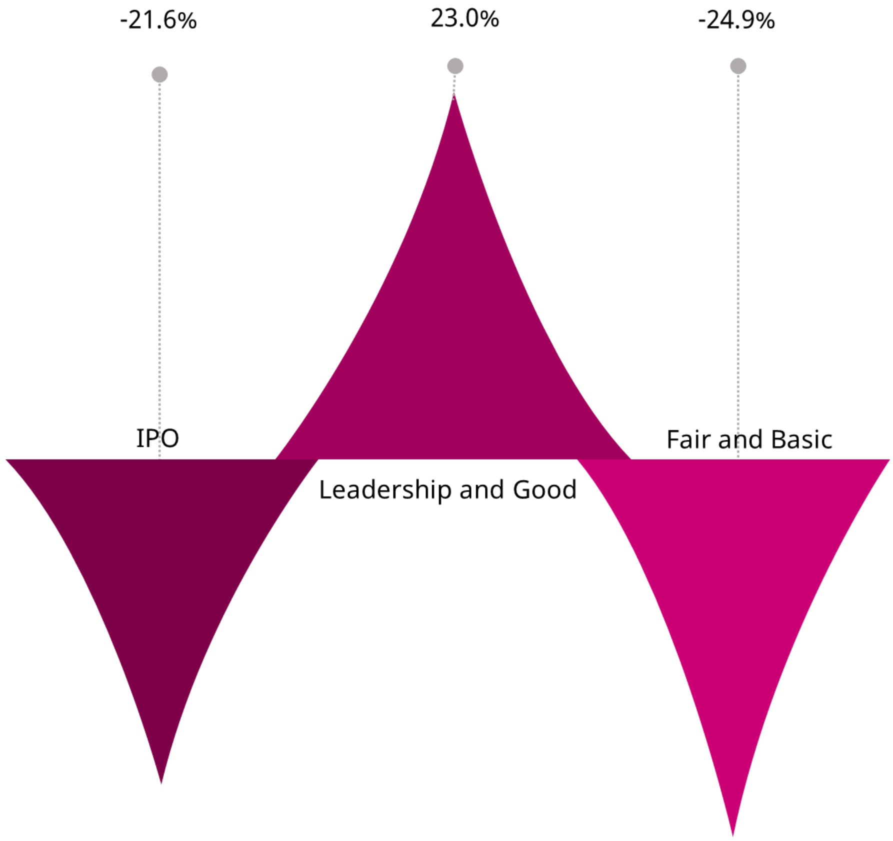


Exhibit 17: Return performance[33] above over one year for IPO companies in the 2018 study



The median price performance of companies in the 'LEADERSHIP' and 'GOOD' categories is significantly higher than those in the 'FAIR' and 'BASIC' categories over a 1-year time horizon, similar to what we observe for the SENSEX and BSE 100 companies in our earlier studies. IPO companies with scores of 50 or less have been vulnerable to market push-back on their governance practices.

GOVERNANCE THEMES.

A. BOARD EFFECTIVENESS

The board of directors is the key architect of a company's corporate governance framework. The board is responsible for setting the overall strategic direction of the company and overseeing management. Considering their critical responsibilities, companies must incorporate robust boards capable of exercising their stewardship responsibilities effectively. Board diversity provides better board structure. While the discussion on board diversity in India began with gender diversity, regulators have begun to discuss skill diversity at the board level. The Indian Corporate Governance Scorecard, in its assessment framework, has incorporated a discussion over skill diversity.

BSE 100		IPO
▲ 96%	**Companies with at least one independent woman director**	▲ 82%
▼ 41%	**Companies with well-equipped board with adequate skill sets**	▼ 26%

▲ Improvement ▼ Deterioration ◄► No change

Gender diversity has remained a key theme in recent years and more so in the Indian context: with the Companies Act, 2013 coming into force, companies were mandated to have at least one-woman director on their boards. SEBI mandates at least one independent woman director for the top 500 companies by 1 April 2019 and for the top 1000 companies by 1 April 2020. Corporate India was already largely compliant with this requirement well before it was made mandatory: with 81 of the BSE 100 companies in our 2018 study having an independent woman director on board. Therefore, it comes as no surprise that 96 of the BSE 100 companies in this evaluation had at least one independent woman director, since most companies were already ahead of the regulatory curve. Further, 41 of the 50 IPO companies had constituted a board with at least one independent woman director.

The other aspect of diversity (beyond gender) is of thought and experience, which can materially enhance the quality of board deliberations. In this context, it is also critical to have non-promoter directors with domain expertise on the board: this allows the board to challenge the assumptions made by the management in taking decisions. SEBI accepted the Kotak Committee's recommendation on disclosure of skills of directors, with companies required to disclose the list of core skills identified the board in the FY19 annual report and directors-wise skills in the FY20 annual report.

Given the increased use of technology and the consequent possibility of its misuse, cyber security has become a material risk to most businesses, especially those that hold sensitive customer information (financial services). It is in this context that SEBI has mandated that the Risk Management Committee now address cyber security risks. Aligning with this requirement, we believe companies must now have IT experts on their boards. We find that only 41 of the BSE 100 companies and 13 of the 50 IPO companies have sufficient breadth of skills (including an IT expert) and at least one non-executive director with domain expertise.

BSE 100

▲ 8%

Companies where a board improvement plan was disclosed

IPO

▲ 2%

▲ Improvement ▼ Deterioration ◄► No change

The outcome of a strong board evaluation process must dictate whether the board needs to add directors with relevant skills and experience. This skill matrix must be defined based on the changing environment and the directional growth of the company and its products. The Companies Act, 2013 made the board evaluation exercise mandatory for all listed companies. In line with regulations, while most companies disclose the process of board evaluation, they continue to remain hesitant in disclosing the outcome of the evaluation. Only eight of the BSE 100 companies provided some form of board improvement plan post the board evaluation process, with only one of the IPO companies disclosing similar details. For investors, understanding the board's focus areas is important, and companies must consider improving their disclosures in this regard.

SEBI accepted the Kotak Committee's recommendation that the top 500 listed companies (by market capitalization) must appoint a Non-Executive Chairperson not related to the MD/CEO. While there has been pushback from corporate India to reconsider this ruling, SEBI has directed companies to comply with this provision with effect from 1 April 2020. We find that 57 companies in the BSE 100 and 23 of the 50 IPO companies have separated the roles of the Chairperson and CEO, with the Chairperson being Non-Executive. However, some companies have a Chairperson and CEO from the same promoter group.

BSE 100

◄► 57%

Companies with separate Chairperson and CEO roles

IPO

▲ 46%

▲ Improvement ▼ Deterioration ◄► No change

Succession planning is critical in the Indian context, given that almost 2/3rd of Indian listed corporates are family-owned and controlled. Lack of succession planning has led to fights within the promoter family, which eventually led to the downfall of some companies in the past. To ensure longevity of business, and separation of intra-family issues from the business, boards need to focus on having a strong succession plan. In this context, the Kotak Committee too recommended that boards meet at least once a year to address succession planning and other governance issues in a focused manner.

57 of the BSE 100 companies and 16 of the 50 IPO companies mention the existence of succession planning for either their boards or senior leadership: a marginal increase over last year. Notwithstanding, just eight of the BSE 100 companies and three of the 50 IPO companies had detailed disclosures on succession planning in their annual reports or as a separate policy. We understand that some families have created family constitutions that dictate how the business inheritance will work – despite having had this sorted within family, disclosures continue to be limited.

BSE 100		IPO
57%	**Companies where the existence of succession planning for either the board or senior leadership was mentioned**	32%
8%	**Companies where the board has discussed succession planning**	6%

▲ Improvement ▼ Deterioration ◄ ► No change

The attendance levels of directors in board/committee meetings is a critical indicator of the directors' commitment levels towards the company. Directors must attend the annual general meetings to afford shareholders a chance to communicate with them directly.

BSE 100		IPO
60%	**Companies where all directors have more than 75% attendance over three years**	34%
13%	**Companies where all directors attended last AGM**	10%

▲ Improvement ▼ Deterioration ◄ ► No change

There is a marked improvement in board meeting attendance for both the BSE 100 and IPO companies. Of the BSE 100 companies, directors had attended more than 75% of board meetings over a three-year period in 60 companies: a trend that has shown an increase over the past two years. While the director attendance levels are much lower in IPO companies (17 out of 50 companies), it demonstrates an increasing trend over the past year. With technology-enablement allowing directors to participate in board meetings remotely, we expect higher board meeting participation by directors in the future.

However, in terms of AGM attendance, only 13 of the BSE 100 companies and five out of 50 IPO companies had disclosures indicating all directors were present in general meetings to answer shareholder queries.

B. CONFLICT OF INTEREST

Potential conflicts of interest are inevitable in the Indian context due to a large number of family-run businesses and therefore mechanisms to address them need to be equally robust.

Regulations around related party transactions have been tightened over the past few years, given the inherent conflicts of interest involved in such transactions. It is mandatory for companies to publish a policy on dealing with related party transactions, and regulations require interested directors to abstain from voting on proposals. However, the Indian Corporate Governance Scorecard methodology requires all interested directors to abstain from discussion and voting. There are several companies that limit the abeyance to only audit committee members but are silent on whether this abeyance translates to the entire board.

Our analysis shows that 44% of the BSE 100 companies had robust policies explicitly mentioning that interested directors will abstain from voting as well as discussion on related party transactions. The number was marginally higher for IPO companies at 28 of the 50 IPO companies stating the same.

BSE 100		IPO
44% ▼	**Companies which state interested directors will abstain from voting and discussion on RPTs**	▲ 56%
49% ▼	**Companies where there is a system to facilitate disclosures of conflicts of interest by employees**	28% ▼

▲ Improvement ▼ Deterioration ◄ ► No change

For a large number of companies, conflict of interest policies are only applicable to the board and senior management. However, it is equally important to extend these policies to all employees, which defines the corporate culture, especially at the operational levels.

We believe the conflict of interest policy must outline the possible areas of conflict faced by employees and have a process for capturing and disclosing such conflicts. We find that just 49% of the companies in the BSE 100 and 14 of the 50 IPO companies have a robust conflict of interest policy covering all employees.

C. STAKEHOLDER ENGAGEMENT

To create sustainable value, companies must include all stakeholders including investors, employees, creditors, customers, suppliers and community in their corporate governance agenda. Companies must clearly communicate the rules of engagement for dealing with various stakeholders. The G20/OECD Principles of Corporate Governance includes this as one of its key principles – 'the role of stakeholders in corporate governance'. This principle encourages active co-operation between corporations and stakeholders.

BSE 100		IPO
34% ▼	**Companies where the whistle-blower policy extends to all stakeholders**	16% ▼

▲ Improvement ▼ Deterioration ◄ ► No change

Stakeholders must get the opportunity to report unethical or illegal activities without the threat of reprisals. Fear of retaliation and inadequate protection measures act as deterrents for whistleblowers to voice their concerns. Therefore, this year our criteria for evaluation included the acceptance of anonymous complaints, that are prima facie bona-fide, under the whistle-blower mechanism.

While whistle-blowers in India enjoy protection, there are some early signs of this protection being misused. In leaking anonymous whistleblower letters to media, some companies have been subjected to a trial-by-media, which has resulted in investor panic and a sharp deterioration in stock price. This is a dangerous trend, and if it continues, it is likely that the whistleblower mechanism will lose its seriousness. We believe regulations must deny protection to whistleblowers if the disclosures are made directly to the media, to avoid the misuse of whistleblower mechanism by anonymous complainants. Defamation laws in India also need to be strengthened to avoid such misuse.

34 of the BSE 100 companies had a comprehensive whistle-blower mechanism that allowed all stakeholders, including suppliers, to report issues – and these mechanisms accepted anonymous complaints. However, for IPO companies, this is an area of development.

Companies exhibit their commitment towards the stakeholder community through their corporate social responsibility (CSR) initiatives. Indian laws currently require companies to either spend 2% of their average net profits of the last three years on CSR or explain why they have not complied with this provision.

The spirit of the regulation has now blended well with the ethos of the companies. 75% of companies in the BSE 100 have spent at least 2% of their average net profit on CSR in FY19 from 70% in FY18. Of the companies that have not met their targets of 2%, most of these are large companies with large prescribed spends – given the limited absorption capacity and scalability of some of these projects, companies have not been able to meet their spend targets. About 54% of the IPO companies in FY19 spent at least 2% of their average net profit on CSR, up from 46% in FY18.

BSE 100		IPO
▲ 75%	**Companies where the CSR spend is at least 2% of net profits over the past three years**	▲ 54%
▲ 32%	**Companies where the areas of CSR spending and impact assessment have been disclosed**	▲ 8%

▲ Improvement ▼ Deterioration ◄ ► No change

Companies must study the impact of their CSR efforts to evaluate the tangible advances made by their initiatives in achieving social good. The number of companies which have disclosed the areas of CSR spending and impact assessment has increased to 32% in FY19 from 21% in FY18 for BSE 100 companies. IPO companies still have a long way to go; only 8% of IPO companies disclosed the areas of CSR spending and impact assessment.

D. AUDIT QUALITY

Auditors are considered market fiduciaries, because they validate the fairness of financial statements. In India, the 'Big Four' audit firms are facing regulatory scrutiny for separate issues, and the RBI has even banned an audit firm from bank audits. This has led to markets questioning whether the domestic audit industry has the wherewithal to audit large listed companies. Investors have also raised concern on the lack of strong oversight on the audit industry. Recent audit failures, while small in the context of the number of audit reviews conducted by audit firms in India, have had material economic implications for the country.

BSE 100		IPO
25% ▼	**Companies in which there been concerns on the financial statements in the past three years**	▲ 32%
▲ 6%	**Company that provided information about the independence, competence and experience of the external auditor**	▲ 4%

▲ Increase ▼ Decrease ◄► No change

In IPO companies, severe issues were reported by the auditors in some of the companies. As a result, the number of companies in which auditors have raised concerns on the financial statements has increased to 32% from 24% in 2018.

However, the number of companies in which auditors have raised concerns on the financial statements has reduced in BSE 100 companies from 35% in 2018 to 25% this year. While the number of companies with audit comments has reduced, there remains a lingering doubt on the quality of audit being conducted[12].

The dominant regulator for the audit industry, until recently, was the Institute of Chartered Accountants (ICAI), has grappled on how to promote better industry standards. ICAI's Quality Review Board (QRB), which is responsible for the review of audit quality, has reviewed just 580 audit engagements over six years between 2012-2018, of which it found only 39% to be of generally accepted standards. Despite the abysmally low volume of reviews, the results are reflective of what the market experiences. Less than half the audits are of acceptable quality. The creation of the National Financial Regulatory Authority (NFRA) is possibly the next hope for imposing accountability within the audit industry.

[12] *For more on audit quality, please see IiAS' Research, "If the market knows, why doesn't the auditor?" available here:* *https://bit.ly/2LfWnod*

This year, auditing standard SA-701 dealing with disclosures of Key Audit Matters (KAMs) in the Independent Auditor's Report, was implemented. In the KAM framework, the most significant audit issues and actions taken by the auditors to mitigate those issues are highlighted. Coherent and meaningful disclosure of KAMs can enhance the communicative value of the auditors' report and help meet expectations of market participants.

The Indian Corporate Governance Scorecard methodology considers disclosures of the basis of (re)appointing auditors a good practice. Most companies in India do not make these disclosures. How audit committees test for auditor competence, audit quality and auditor independence remains unclear. As per the Kotak Committee recommendations, companies were required to disclose the basis of recommendation for (re)appointment of auditors, from 1 April 2019. We expect with the next cycle of auditor (re)appointments in 2020, the disclosure levels on this to improve.

D. EXECUTIVE REMUNERATION

Executive pay has become a mainstay of the corporate governance discussion: executive remuneration must be equitable and just, leaving no room for unwarranted dissipation of profits.

There exists an agency problem inherent in corporations where the management (agent) is expected to put the interests of the shareholders (owners) before their own self-interest. While this cost may be inevitable in all organizations, compensation structures that align the interest of the executives with that of the shareholders and promote the creation of long-term stakeholder value can minimize such agency costs. One measure of such alignment is linking pay with the performance of companies and we see Indian corporates taking note.

Remuneration in Indian corporates has outpaced revenue and profit growth in the past. Linking remuneration to performance is a good practice. While the Indian Corporate Governance Scorecard rewards companies where the structure of executive remuneration comprises 2/3rd variable pay, Indian companies average at 50% variable pay. Even so, performance metrics used to determine variable pay are rarely disclosed. With companies facing push-back from investors, executive remuneration levels are beginning to temper.

In 2019, the CEO compensation was in line with both revenue and profitability over three years in 55 of the BSE 100 companies, an increase from the 42 companies in 2018. The theme of aligning executive pay to performance continues for IPO companies with 22 such companies.

BSE 100		IPO
▲ 48%	Companies where executive pay was in line with revenues and profits over three years	44% ▼
▲ 55%	Companies where CEO's variable pay was at least 50% of overall pay and less than 5% of net profit	▲ 22%

▲ Improvement ▼ Deterioration ◄ ► No change

Indian regulations allow the grant of stock options at a discount to market price, so long as the exercise price is not below face value. However, institutional investors tend not to support stock options being granted at a significant discount to market price. The inherent assumption of a stock option scheme is that there could be possible downside risks – and that employees may not be rewarded in case of adverse stock price movements. However, the downside risk is protected when options are issued at a significant discount to market price.

Companies tend to view stock options as deferred compensation, and therefore, grant these at a discount to market price. However, investors look for an alignment of interest between their incentives and those of the employees. While both sides have a legitimate point of view, Indian companies are seeing the most push-back from investors on their stock-option schemes.

BSE 100		IPO
58% ▼	**Companies with stock options which were granted at discount to market price**	64% ▼

▲ Increase ▼ Decrease ◄ ► No change

IPO companies continue to want to grant stock options at a discount to market price. They quickly need to align themselves to the investors' thought process, and issue stock options at market-linked prices.

CONCLUSION.

Given the number of issues that have plagued corporate India over the past 18 months, it is remarkable that the median score of SENSEX companies has increased to 61 from 60, and BSE 100 companies have maintained their median score at 58. Having maintained stability in this environment has been challenging. That the larger companies have been able to maintain scores reflects the institutionalization of their governance processes. In contrast, the median scores of IPO companies have declined to 54 from 55 is likely a reflection of a check-the-box approach to corporate governance.

Our analysis shows that, at a portfolio level, well-governed companies (those with a score of 60 or more) have outperformed the rest of the pool over a two and three-year period. This analysis is not a back-testing of current scores, but an assessment of companies scored in our earlier studies. Therefore, the assessment has predictive value. Essentially, well-governed companies will deliver better market returns going forward.

The analysis holds true for stock Beta too; stock Beta signifies the volatility in stock price movement. Well-governed companies (those with a score of 60 or more) tend to, at a portfolio level, be less volatile than the residual pool of companies. This assessment too is based on the 100 companies we scored two years ago.

At a company-specific level, there will be exceptions. Stock-prices of well-governed companies may not outperform the index and vice-versa. Even so, at a portfolio level, the argument of a direct correlation between price performance and stock beta vis-à-vis corporate governance standards holds true.

While regulations in India continue to push for better standards on corporate governance, the push back on account of ‘ease of doing business’ is equally high. The current issue of separation of roles of Chairperson and CEO is at testimony of these contradicting forces. Even so, overall governance practices in India have been steadily improving across various facets.

From a board composition perspective, the regulators have gone beyond the scope of gender diversity. While it is now mandatory for the top 500 companies to have a woman independent director, companies are also required to disclose in their annual reports the list of skills they believe their boards have. From the next year, companies are required to map the skills to the individual director. This has brought to fore yet another discussion on board composition. Last year, we focused on boards having at least one non-executive director that understands the domain business of the company – and this is a necessary requisite for boards to be able to challenge the assumptions managements make while deciding on strategy. This year, we have focused on asking if boards have the necessary skill with respect to technology. With cyber security risks becoming pronounced, and companies digitalizing their business as well as tapping e-commerce opportunities, having technology skills on the board is becoming a necessity.

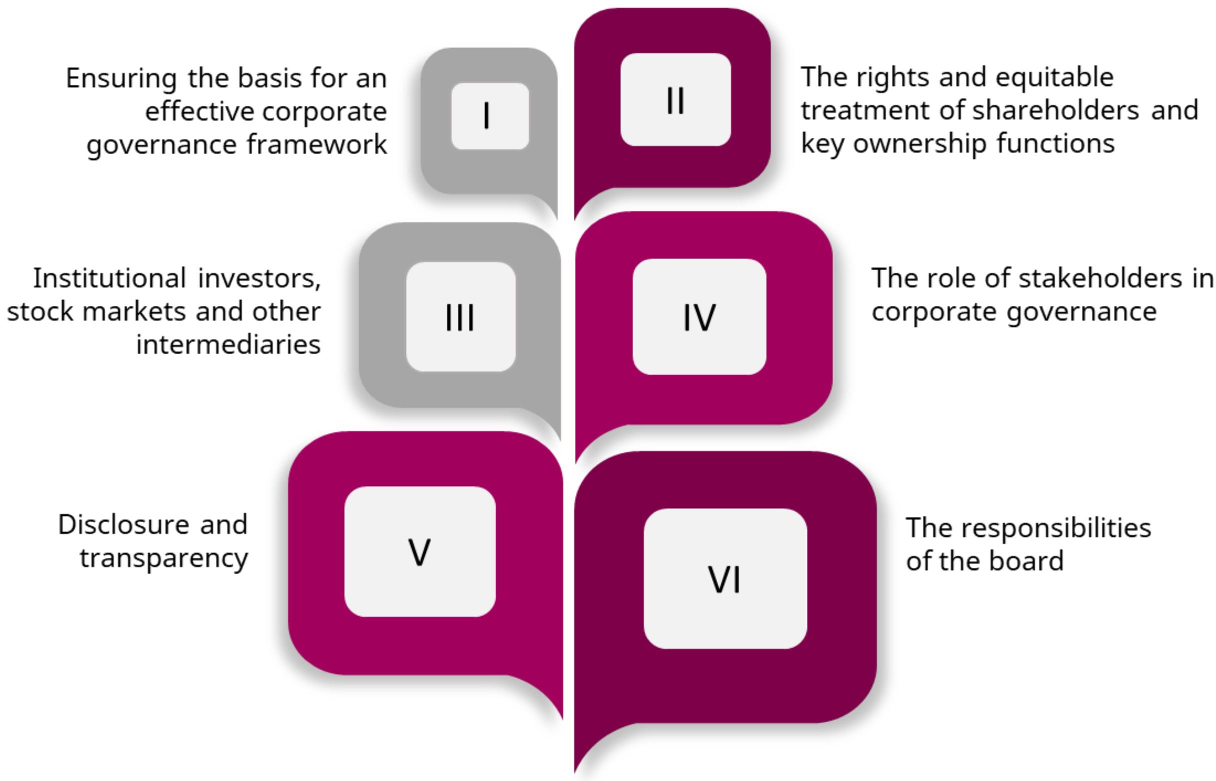
Whistle-blower mechanisms in India work for the most part. But today there seems to be a dangerous trend of whistle-blowers using media to get attention. Even so, while whistle-blowers get protection under law, the use of media to raise questions on management has severe repercussions. In a regime where defamation laws are weak, an event of this nature is essentially out of control of boards. Boards can only react, and not pre-empt this. Boards need to be trained to tackle these trial-by-media episodes, an issue we raised in our last report as well.

In a bear market, or when markets are volatile, there is flight to quality. This is being played out in the current market context in India. Both investors and companies will be wise to remember that quality emanates from strong, institutionalized corporate governance practices.

ANNEXURE A.
EVALUATION FRAMEWORK.

The evaluation framework is built around the G20/OECD Principles of Corporate Governance (G20/OECD Principles)[13], which are the globally accepted benchmark for corporate governance. While applying the G20/OECD Principles, consideration was given to issues relevant in the Indian context and the regulatory framework prescribed by Indian regulators and oversight bodies.

G20/OECD Principles of Corporate Governance



[13] *http://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf*

The principles capture the essential elements of corporate governance:

- **Principle I:** Ensuring the basis for an effective corporate governance framework:
  The corporate governance framework must help promote transparent and fair markets, and the efficient allocation of resources.
- **Principle II:** The rights and equitable treatment of shareholders and key ownership functions:
  The corporate governance framework must identify basic shareholder rights and provide equitable treatment of all shareholders.
- **Principle III:** Institutional investors, stock markets and other intermediaries:
  The corporate governance framework must disclose and minimize conflicts of interest of market participants.
- **Principle IV:** The role of stakeholders in corporate governance:
  The corporate governance framework must encourage active co-operation between companies and their stakeholders.
- **Principle V:** Disclosure and transparency:
  The corporate governance framework must facilitate disclosure of material information to aid in informed decision-making.
- **Principle VI:** The responsibilities of the board:
  The corporate governance framework must ensure effective supervision by the board and enhance the board accountability to stakeholders

The G20/OECD Principles of Corporate Governance:

have been adopted as one of the Financial Stability Board's (FSB) Key Standards for Sound Financial Systems serving FSB, G20 and OECD members

have been used by the World Bank Group in more than 60 country reviews worldwide

serve as the basis for the Guidelines on corporate governance of banks issued by the Basel Committee on Banking Supervision

The scorecard requires the evaluation to be conducted only on publicly available data. Sources of information will primarily include official company documents on the company website and stock exchange filings. For a few specific questions, the verification sources may even include regulatory orders and media reports.

The questions in the Scorecard have been grouped into four categories – each category corresponding to one of the principles recognised in the G20/OECD Principles as a measure of good corporate governance:

Rights and equitable treatment of shareholders	Role of stakeholders in corporate governance	Disclosures and transparency	Responsibilities of the board
• Quality of shareholder meetings	• Business responsibility initiatives	• Ownership structure	• Board and committee composition
• Related party transactions	• Supplier management	• Financials	• Training for directors
• Investor grievance policies	• Employee welfare	• Company filings	• Board evaluation
• Conflicts of interest	• Investor engagement	• Risk Management	• Director remuneration
	• Whistle-blower policy	• Audit integrity	• Succession planning
		• Dividend payouts and policies	

The Scorecard has been developed considering four of the six G20/OECD Principles (Principle II, IV, V, and VI), which focus directly on the company's governance practices. G20/OECD Principles I and III have been kept outside the purview of the model as they deal with the overall regulatory environment and the role of market participants in corporate governance – factors which are not in the control of the company.

The underlying principles behind the Scorecard are listed as follows:

- The Scorecard must be able to provide a true and fair assessment of governance practices.
- The Scorecard should reflect globally recognized good governance practices.
- The Scorecard should factor in the Indian construct. However, to the extent possible, it should be universally applicable even for companies outside the Indian markets.
- The Scorecard should be constructive and encourage companies to adopt better practices beyond minimum compliance.
- The Scorecard should be reliable and have appropriate checks and balances to ensure credibility of the assessments.

CAVEAT

As all evaluation frameworks do, the methodology of the Indian Corporate Governance Scorecard also has its own limitation. A high score on the scorecard is not an indicator of current or future financial performance, or stock price performance. The scores also do not indicate the permanency of governance practices: a company's governance practices may improve or deteriorate from the date of the scoring. The scorecard is based on publicly available information, which has its limitations and cannot predict corporate behaviour – especially during contentious or divisive situations.

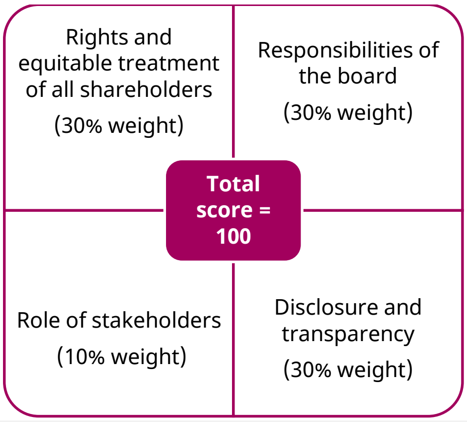
To ensure that the Scorecard is easily comprehensible and applied consistently, detailed scoring keys and guidance notes have been developed for each question.

FAQs

Questions	Responses
What type of companies can be evaluated by the scorecard?	The metrics used in the scorecard can be universally applied to all companies. However, given that the scorecard relies only on publicly available data, external assessments will be relevant mostly for listed companies.
Is the scorecard applicable to small/recently listed companies?	The scorecard takes the view that listing on the stock exchanges casts a public obligation to adopt good corporate governance practices. Thus, the fact that companies may be only recently listed or may be small in size are not legitimate reasons to lower the measurement thresholds of the governance scorecard.
Who fills in the scorecard?	The scorecard can be used by all market participants to evaluate companies. While filling up the questionnaire, the assessor needs to refer to the guidance notes included as part of the scoring model. However, this score can only be used by participants for internal evaluation – it cannot be used publicly unless validated.
When can the company use the score publicly?	The company can only use the score publicly if it has been validated by a task-force comprising corporate governance experts appointed by an authorized body.

ANNEXURE B.
METHODOLOGY.

The scorecard comprises a total of 70 questions. These questions are divided into four categories corresponding to the respective G20/OECD principles. Each category has a different number of questions that address the relevant issues related to the specific G20/OECD principle. The weightages assigned to each category are based on the number of questions in the category and the relative importance of the questions in that category in the Indian corporate governance framework.



SCORECARD MATRIX

It was determined that the quality of corporate governance practices referred to in each question should be recognised on three levels:

- **2 points:** If the company follows global best practices for that element of corporate governance
- **1 point:** If the company follows reasonable practices or meets the Indian standard for that element of corporate governance
- **0 point:** If the company needs to improve in that element of corporate governance

Some questions do require a more limited ‘yes’/‘no’ response. In such cases, 2 points are awarded for a positive response and zero points for a negative response. If information is not observable through publicly available relevant information, the question will not be awarded any points.

Some questions may also provide for a ‘not applicable’ option. If the assessors select this option, the question will be excluded while applying the scoring formula.

Each question has a detailed response key which underlines the best practice. The assessors need to strictly adhere to what is mentioned in the response key for scoring on each question.

CATEGORY WEIGHTS

Category	Number of questions	Maximum attainable score	Category weight (%)
Rights and Equitable Treatment of shareholders	19	38	30
Role of stakeholders	9	18	10
Disclosure and Transparency	23	46	30
Responsibilities of Board	19	38	30
TOTAL	**70**		**100**

To arrive at a final score for a company, the assessors need to:

a. Add the scores for all responses under a category and divide it by the maximum attainable score for the category. This may need to account for questions which are not applicable for the company.
b. Multiply the ratio so obtained by the total category weight to give a weighted score for that category.
c. Sum all weighted scores across all four categories. The final score will be rounded off to the nearest integer.

$$\textbf{Category Score} = \frac{\text{Aggregate score of all questions under category}}{\text{(Number of applicable questions in category x 2)}} \times \text{Category Weight}$$

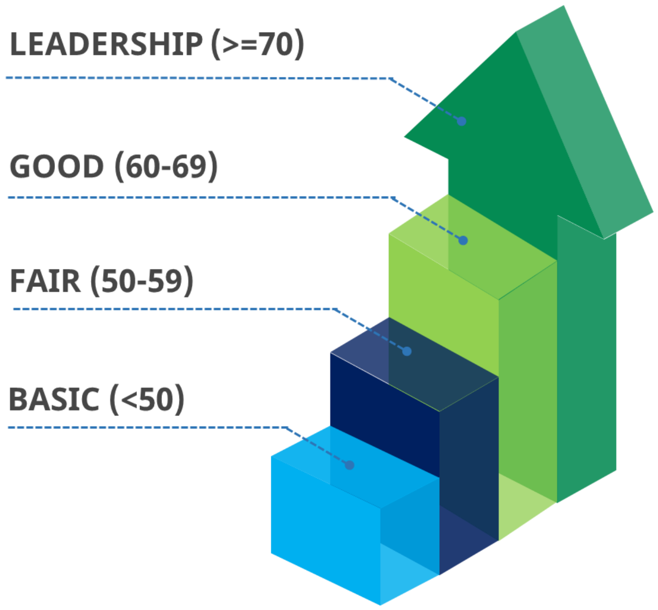
$$\textbf{Total Score} = \text{Category Score}_1 + \text{Category Score}_2 + \text{Category Score}_3 + \text{Category Score}_4$$

SCORING EXAMPLE

Category	Total score (A)	Maximum attainable score (B)	Category weight (%) (C)	Weighted score (A/B)*C
Rights and equitable treatment of shareholders	30	38	30	24
Role of stakeholders	12	18	10	7
Disclosure and transparency	38	46	30	25
Responsibilities of board	28	38	30	22
FINAL SCORE				**77***

** Rounding-off to be performed only at the final score level*

Based on the final score, companies will be grouped into the following buckets:



ANNEXURE C.
LIST OF COMPANIES.

The list of BSE 100 (on 30 September 2019) companies[5] covered under the study is given below:

S. No	BSE Code	Company
1	500410	ACC Ltd.
2	532921	Adani Ports and Special Economic Zone
3	500425	Ambuja Cements Ltd.
4	508869	Apollo Hospitals Enterprise Ltd.
5	500477	Ashok Leyland Ltd.
6	500820	Asian Paints Ltd.
7	524804	Aurobindo Pharma Ltd.
8	540376	Avenue Supermarts Ltd.
9	532215	Axis Bank Ltd.[14]
10	532977	Bajaj Auto Ltd.
11	500034	Bajaj Finance Ltd.
12	532978	Bajaj Finserv Ltd.
13	500490	Bajaj Holdings and Investment Ltd.
14	532134	Bank of Baroda
15	500493	Bharat Forge Ltd.
16	500103	Bharat Heavy Electricals Ltd.
17	500547	Bharat Petroleum Corp Ltd.
18	532454	Bharti Airtel Ltd.
19	534816	Bharti Infratel Ltd.
20	532523	Biocon Ltd.
21	500530	Bosch Ltd.
22	500825	Britannia Industries Ltd.
23	532321	Cadila Healthcare Ltd.
24	500087	Cipla Ltd.
25	533278	Coal India Ltd.
26	500830	Colgate-Palmolive India Ltd.
27	531344	Container Corporation of India
28	539876	Crompton Greaves Consumer Electricals Ltd.
29	500480	Cummins India Ltd.
30	500096	Dabur India Ltd.
31	532488	Divi's Laboratories Ltd.
32	500124	Dr Reddy's Laboratories Ltd.
33	532922	Edelweiss Financial Services Ltd.
34	505200	Eicher Motors Ltd.
35	500086	Exide Industries Ltd.
36	500469	Federal Bank Ltd.
37	532155	Gail India Ltd.
38	532296	Glenmark Pharmaceuticals Ltd.

[14] *Axis Bank is one of IiAS' shareholders*

S. No	BSE Code	Company
39	532424	Godrej Consumer Products Ltd.
40	500300	Grasim Industries Ltd.
41	517354	Havells India Ltd.
42	532281	HCL Technologies Ltd.
43	500180	HDFC Bank Ltd.
44	540777	HDFC Life Insurance Company Ltd.[15]
45	500182	Hero MotoCorp Ltd.
46	500440	Hindalco Industries Ltd.
47	500104	Hindustan Petroleum Corporation Ltd.
48	500696	Hindustan Unilever Ltd.
49	500010	Housing Development Finance Corporation Ltd.[6]
50	532174	ICICI Bank Ltd.
51	535789	Indiabulls Housing Finance Ltd.
52	530965	Indian Oil Corporation Ltd.
53	532187	IndusInd Bank Ltd.
54	500209	Infosys Ltd.
55	500875	ITC Ltd.[16]
56	500228	JSW Steel Ltd.
57	500247	Kotak Mahindra Bank Ltd.[17]
58	500510	Larsen & Toubro Ltd.
59	500253	LIC Housing Finance Ltd.
60	500257	Lupin Ltd.
61	532720	Mahindra & Mahindra Financial Services Ltd.
62	500520	Mahindra & Mahindra Ltd.
63	531642	Marico Ltd.
64	532500	Maruti Suzuki India Ltd.
65	517334	Motherson Sumi Systems Ltd.
66	500290	MRF Ltd.
67	500790	Nestle India Ltd.
68	526371	NMDC Ltd.
69	532555	NTPC Ltd.
70	500312	Oil & Natural Gas Corporation Ltd.
71	532827	Page Industries Ltd.
72	532522	Petronet LNG Ltd.
73	500331	Pidilite Industries Ltd.
74	500302	Piramal Enterprises Ltd.
75	532898	Power Grid Corporation of India Ltd.
76	532461	Punjab National Bank
77	540065	RBL Bank Ltd.[10]
78	532955	REC Ltd.
79	500325	Reliance Industries Ltd.
80	500387	Shree Cement Ltd.
81	511218	Shriram Transport Finance Co Ltd.

[15] *HDFC Investments Limited, a fellow subsidiary, is one of IiAS' shareholders*

[16] *There is a civil suit filed by ITC Limited against IiAS and two of its employees, in the Calcutta High Court, alleging defamation in relation to a voting advisory and a report issued by IiAS on succession planning at ITC. The suit is being contested by IiAS and its two employees, and is presently pending before the court*

[17] *Kotak Mahindra Bank is one of IiAS' shareholders*

S. No	BSE Code	Company
82	500550	Siemens India Ltd.
83	500112	State Bank of India
84	524715	Sun Pharmaceutical Industries Ltd.
85	500770	Tata Chemicals Ltd.[7]
86	532540	Tata Consultancy Services Ltd.[7]
87	500800	Tata Global Beverages Ltd.[7]
88	500570	Tata Motors Ltd.[7]
89	500400	Tata Power Co Ltd.[7]
90	500470	Tata Steel Ltd.[7]
91	532755	Tech Mahindra Ltd.
92	500114	Titan Co Ltd.[7]
93	532343	TVS Motors Ltd.
94	532538	UltraTech Cement Ltd.
95	512070	UPL Ltd.
96	500295	Vedanta Ltd.
97	500575	Voltas Ltd.[7]
98	507685	Wipro Ltd.
99	532648	Yes Bank Ltd.[18]
100	505537	Zee Entertainment Enterprises Ltd.

[18] *Yes Bank is one of IiAS' shareholders*

The list of IPO companies[19] covered under the study is given below; these 50 companies comprise of those that listed on BSE between April 2015 and March 2017:

S. No	BSE Code	Company
1	539056	Adlabs Entertainment Ltd.
2	540025	Advanced Enzyme Technologies Ltd.
3	539523	Alkem Laboratories Ltd.
4	539799	Bharat Wire Ropes Ltd.
5	540403	CL Educate Ltd.
6	539436	Coffee Day Enterprises Ltd.
7	540047	Dilip Buildcon Ltd.
8	539524	Dr. Lal Pathlabs Ltd.
9	540153	Endurance Technologies Ltd.
10	539844	Equitas Holdings Ltd.
11	540124	GNA Axles Ltd.
12	539787	HealthCare Global Enterprises Ltd.
13	540530	Housing & Urban Development Corporation Ltd.
14	540136	HPL Electric & Power Ltd.
15	540133	ICICI Prudential Life Insurance Company Ltd.[11]
16	539807	Infibeam Avenues Ltd.
17	539083	Inox Wind Ltd.
18	539448	Interglobe Aviation Ltd.
19	540115	L&T Technology Services Ltd.
20	540005	Larsen & Toubro Infotech Ltd.
21	540222	Laurus Labs Ltd.
22	539957	Mahanagar Gas Ltd.
23	539207	Manpasand Beverages Ltd.
24	539126	MEP Infrastructure Developers Ltd.
25	540366	Music Broadcast Ltd.
26	539551	Narayana Hrudayalaya Ltd.
27	539332	Navkar Corporation Ltd.
28	539889	Parag Milk Foods Ltd.
29	513228	Pennar Industries Ltd.
30	540173	PNB Housing Finance Ltd.
31	539150	PNC Infratech Ltd.
32	539302	Power Mech Projects Ltd.
33	539636	Precision Camshafts Ltd.
34	540544	PSP Projects Ltd.
35	539978	Quess Corp Ltd.
36	539678	Quick Heal Technologies Ltd.
37	540497	S Chand And Co Ltd.
38	539450	S H Kelkar & Company Ltd.
39	540048	S P Apparels Ltd.
40	539346	Sadbhav Infrastructure Project Ltd.
41	540425	Shankara Building Products Ltd.

[19] Avenue Supermarts Limited and RBL Bank Limited, which were part of the IPO list in the previous study have moved to the BSE 100. Further, Prabhat Dairy Limited sold substantial part of its business to a third party, while Pennar Engineered Building Systems Ltd. (PEBSL) was merged into and replaced with Pennar Industries Ltd. These companies were replaced by Housing and Urban Development Corporation Ltd., S Chand and Company Ltd. and PSP Projects Ltd.

S. No	BSE Code	Company
42	540203	Sheela Foam Ltd.
43	539334	Shree Pushkar Chemicals & Fertilizers Ltd.
44	539268	Syngene International Ltd.
45	539658	TeamLease Services Ltd.
46	539871	Thyrocare Technologies Ltd.
47	539141	UFO Moviez India Ltd.
48	539874	Ujjivan Financial Services Ltd.
49	540180	Varun Beverages Ltd.
50	539118	VRL Logistics Ltd.

ANNEXURE D.
CG SCORECARD QUESTIONNAIRE.

Category I: Rights and equitable treatment of shareholders [Questions: 19; Weightage: 30%]

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
1	Has the company taken steps to ensure that the basic rights of shareholders are clear and unequivocal?	Assessors need to check for additional steps taken by the company to help shareholders exercise their franchise. Possible steps that may be taken by companies to go beyond the regulatory directives include: • listing out all shareholder rights in company documents, OR • conducting shareholder education programs on their rights, OR • disclosing the process to be followed by shareholders while exercising their rights, OR The list is only indicative of possible scenarios and is not meant to be exhaustive. Any good practice adopted by the company, beyond regulatory measures, to ensure easy facilitation of shareholder rights must be considered while scoring on this question.	There is evidence of violation of existing law	No specific steps taken by the company beyond compliance with the law	Company has taken steps to educate shareholders on their basic rights or has implemented measures to facilitate the exercise of shareholder rights
2	Did the previous AGM allow sufficient time for shareholder engagement?	The assessors must look for minutes/proceedings or AGM webcast on the company website and check if there is any evidence of shareholder discussion and participation. A company will score maximum points on this question if the issues/queries raised by shareholders in the AGM and the management responses to each of those issues/queries have	There is no evidence of time provided	There was evidence of time being allocated for shareholder engagement in the minutes or the AGM webcast	There was evidence of time being allocated for shareholder engagement in the minutes or the AGM webcast and the details of shareholder

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		been listed out in the minutes or the AGM proceedings are available through the webcast.			engagement/queries were provided
3	Can a minority shareholder, with less than 10% stake, propose an agenda item in a shareholder meeting?	Companies Act 2013 requires the right to be provided to shareholders only if they collectively have more than 10% voting rights. The assessor needs to check if the company has specified a lower threshold in any of its publicly available documents. If no evidence is found in any of the publicly available documents, the threshold will be deemed to be fixed at 10% and no points will be awarded. Since, in the Indian context, all shareholders can propose a candidate on the board, resolutions pertaining to director appointments will not be considered for this question.	No, shareholders, in aggregate, need to hold at least 10% stake to propose agenda items		Yes, the company has taken steps to ensure that even shareholders who hold less than 10% stake (in aggregate) can propose any agenda item
4	Was there any evidence of combining multiple matters or issues in a single resolution?	While it is not possible to list out all possible scenarios where resolutions are clubbed together, the following list may be used as a guiding reference by the assessor: • Appointment and remuneration resolutions being combined in a single resolution • Appointments of several directors/auditors being combined in one single resolution instead of separate ones for each director • Equity and debt raising resolutions being combined in a single resolution • Mortgage and borrowing resolutions being combined in a single resolution The list is only indicative of possible scenarios and is not meant to be exhaustive. The assessors may need to use their own judgement to determine if the company has clubbed critical issues under one resolution.	Yes, there is evidence of multiple resolutions being clubbed together	Yes, only one resolution was clubbed	No, all matters were presented to shareholders through separate resolutions

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		A look back period of one year will be considered for this question.			
5	Was shareholder participation facilitated for all shareholders at the previous AGM in the past one year?	The assessors must first check if the meeting notice lists out the process for shareholders to submit their questions in advance to the company. A company will score maximum points in this question if it provides video/tele-conferencing facilities for shareholders to dial in and raise their issues/queries to the board. Evidence of such facilities must be present in the meeting notice, meeting minutes/webcast or in the scrutinizers report filed with the stock exchanges after the meeting.	No evidence of facilities/opportunities being provided	Yes, shareholders could submit questions in writing before the meeting	Yes, there is evidence of facilities being provided for shareholder participation through video-conferencing or tele-conferencing
6	Did the company provide proxy and e-voting facility for all shareholder meetings in the past one year?	The assessors need to check if the process for appointing proxies and authorized representatives is clearly stated in the shareholder meeting notice (not applicable for Postal Ballots). The proxy nomination form must be attached with the notice or uploaded separately on the website. Further, the company must provide shareholder the opportunity to vote electronically through the depository platforms. The e-voting instructions must be clearly articulated in the meeting notice. A look back period of one year will be considered for this question.	Such facilities were not provided for all AGMs, EGMs and Postal Ballots	Such facilities were provided for all AGMs, EGMs and Postal Ballots, but not provided for Court Convened Meetings	Such facilities were provided for all shareholder meetings
7	Did all board members attend the previous AGM?	The attendance details of directors must be recorded in the minutes or outcome of the AGM. If the minutes/outcome are not available (and there is no other documented evidence for director attendance), companies will not score any points on this question. A company will score maximum points on this question only if all the directors (board members as on the date of the AGM) attended the AGM.	Either the Chairperson of the board, or the CEO, or the Chairperson of Audit Committee did not attend the meeting	The Chairperson of the board, the CEO and the Chairperson of the Audit Committee attended, but not all board members	The entire board attended

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		Note: The annual report of the company only states the director attendance at the previous AGM and not the latest AGM. For example, the FY16 annual report will list out attendance details for the FY15 AGM. Hence the attendance data in the annual report will not be considered.			
8	Did the external auditors attend and participate in the previous AGM?	The attendance details of auditors must be recorded in the minutes or outcome of the AGM. If the minutes/outcome are not available (and there is no other documented evidence for auditor attendance), companies will not score any points on this question. A company will score maximum points on this question only if the auditors attended the AGM and presented their views on the financials/accounting practices or to specific queries raised by shareholders.	There is no evidence of auditor attendance at the AGM	Yes, the auditors attended the AGM	The auditors attended and provided their views on the financials and the accounting practices adopted by the company
9	Within how many months of the fiscal year end was the last AGM held?	The timeline for the AGM may be computed as: T = Date of AGM - FYE FYE = 31 March, for companies with a March year-end FYE = 31 Dec, for companies with a Dec year-end FYE = 30 Sep, for companies with a Sep year-end FYE = 30 Jun, for companies with a Jun year-end IF, T < 4 months, score 2 IF, 4 months < T < 6 months, score 1 IF, T > 6 months, score 0 The date of the AGM is to be checked from the shareholder meeting notice or from the AGM outcome documents.	More than six months after the fiscal year end	Within four-six months of the fiscal year end	Within four months of the fiscal year end
10	Were any preferential warrants issued to the	The assessors need to check for board meeting outcomes, stock exchange filings and resolutions proposed in shareholder meetings to assess if preferential warrants were	Yes, preferential warrants were issued	Yes, but preferential warrants were issued	No preferential warrants were issued

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
	controlling shareholders in the past one year?	granted to the controlling shareholders. A company will score maximum points on this section if it has not issued any preferential warrants to the controlling shareholders in the past one year. If, however, these warrants were issued pursuant to a debt restructuring scheme, the assessors will need to take that into account before scoring. A look back period of one year will be considered for this question.		pursuant to a debt restructuring scheme	
11	Do the charter documents of the company give additional rights to certain shareholders?	Based on the details available, the assessors need to classify the additional rights, if any, into three buckets: • Board nomination rights: Right to appoint nominees (up to two directors) on the board • Transaction related right: These include right of first refusal and tag-along rights • Control related rights: These include the right to veto board decisions, right to appoint Chairperson, right to appoint multiple (>2) board members, and the right to decide remuneration of key executives (in addition to what is approved by other shareholders) The assessor also needs to check for clauses which allow the controlling shareholder to exercise disproportionate voting power (in any form). Notwithstanding, if rights are given to lenders/creditors pursuant to a debt restructuring scheme or is included as enabling provision in case of defaults, the assessors must take that into consideration before scoring.	The latest charter documents are not available, or they give control related rights to certain non-controlling shareholders or give disproportionate voting power (in any form) to the controlling shareholders	The latest charter documents are available and certain non-controlling shareholders only get board-nomination rights or transaction related rights	The latest charter documents do not have any clauses which give additional rights (in any form) to any non-controlling shareholder or give disproportionate voting power (in any form) to the controlling shareholders

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
12	Does the company have a policy requiring all related party transactions (RPTs) to be dealt only by independent non-conflicted board members?	Details for this question are generally available in the company’s code of conduct, related party transaction policy or in the charter documents. If there is no evidence available, the company will not score any points on this question. To score maximum points on this section, the company must clearly state that all interested directors will abstain from both discussing and voting on concerned issues.	No, or the policy is not disclosed	Yes, but the decision on whether the director must abstain is left to the discretion of the Chairperson or the board	Yes, there is a policy for abstention from the decision- making process (including discussions)
13	Does the company have in place a system, including policies and procedures, to facilitate disclosures of conflicts of interest by stakeholders?	The assessor must check for the possible areas of conflict: • Board cross linkages • Executive directors in Nomination and Remuneration Committee • Controlling shareholders/executive directors in the Audit Committee • Association (directly/indirectly) with competitors • Association with key suppliers/vendors • RPTs with entities associated with directors and senior executives The list is only indicative and the assessors may need to use their own judgement while scrutinizing structures which may result in a conflict of interest.	No, or the policies are not disclosed	Yes, the policies clearly list out the process for stakeholders to disclose their conflicts of interest but does not cover suppliers and vendors	Yes, the policy clearly lists out the process for all stakeholders to disclose their conflicts of interest
14	Did the company undertake any related party transaction in the past three years, which may have been prejudicial to the interests of minority shareholders?	Prejudicial transactions will include any RPT which: • Is not at arm's length pricing, or • Is not on commercial terms, or • Amounts to more than 10% of revenues, but is not fully disclosed (nature, frequency, materiality, quantum and pricing terms) to stakeholders, or • Is not managed as per the RPT policy To score points on this question, a company must disclose its RPTs publicly. Evidence of such transactions may be obtained through media reports, shareholder meeting notices, annual report, investor transcripts, and minutes of meetings.	Yes, the company had related party transactions which could be prejudicial to the interests of minority shareholders		No, the company did not have any related party transactions which could be prejudicial to the interests of minority shareholders

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		If any of the RPT resolutions in the past three years were defeated or were voted against by a majority of minority shareholders, the assessors will need to take that into consideration while scoring. If there is no clear evidence, the company will score maximum points on this section.			
15	Does the company pay out disproportionately high royalty to its group entities?	Royalty payouts include payments for transfer of technology, and usage of trademark/brand name. For this question, only royalty payouts to the promoter group will be considered (payments made to government entities or royalty paid on account of franchisee agreements will be excluded). Royalty pay-outs will be considered disproportionate as per the profit threshold or royalty growth threshold: Profit threshold: Royalty must be less than 20% of net profits in each of the past three fiscal years Growth threshold: Growth in royalty must be less than growth in profits in the past three fiscal years. For example, if an assessment is being conducted anytime in FY17, the following formula is to be used: $G_{Roy/Profits} = \frac{(\text{FY16 value - FY14 value})}{\text{FY14 value}}$ A company will score maximum points only if the profits threshold is met and $G_{Profits} > G_{Roy}$.	Yes, the royalty payout is high compared to net profits and growth in profitability	Yes, the royalty payout is either high compared to net profits or growth in profitability	No, the royalty payouts were not disproportionate

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
16	In the past, has the company (or its subsidiaries) provided financial assistance to promoter entities which had to be written off or unlikely to be recovered?	The assessors need to check for loans given or investments made in promoter entities (specified in the related party transactions section of the annual report). The company will score maximum points in this question if no such financial assistance had to be written-off or provided for in the financial statements in any of the past three years. This question will not be applicable for companies which have not extended any financial assistance in the past three years and there have been no instances of write-offs during this period.	Yes, some loans/investments have been written off or classified as doubtful		No loans/investments have been written off or classified as doubtful
17	Has the company been transparent while undertaking any M&A, restructuring, or slump sale?	This question covers only those actions for which shareholder approval was required. The company needs to publicly disclose the independent fairness opinion and valuation reports on the transaction before presenting it to shareholders for their vote. If the transaction is with a third party (which is not a related party), and company has confirmed that the consideration is based on a negotiated price, one point may be given even if no fairness opinion/valuation report is provided. Apart from valuation, if the company has not provided critical strategic details on the restructuring, the assessors will need to take a closer look and use their subjective opinion to decide on the scoring based on the transparency levels.	No, there have been instances where the fairness opinion was not disclosed for a transaction	Yes, but only to a limited extent - it has always disclosed the fairness opinion, but has not disclosed the independent valuation report for some transactions	Yes, the company has always conducted and publicly disclosed the fairness opinion and the independent valuation report
18	Does the company have a policy to publicly disclose the reasons for pledging of shares by the controlling shareholders?	Indian companies generally disclose the quantum of shares pledged by the promoters. But for greater clarity, they also need to provide a rationale for pledging. A company will score maximum points on this question if the reasons for creation of fresh pledges in the past twelve months are publicly available.	No, the reasons for pledging are not disclosed publicly		Yes, the company has provided reasons for pledging of shares by the controlling shareholders

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
19	Is there evidence of structures or mechanisms that have the potential to violate minority shareholder rights?	The assessors will need to check for: • Pyramidal holding structures, which results in disproportionate voting power of the promoter • Opaque holding structures where the ultimate beneficial ownership cannot be fully ascertained • Cross holdings between the company and entities of its promoter group • Companies which have many inactive or nonfunctional subsidiaries/Joint Ventures/associate companies • Companies which have established many subsidiaries/Joint Ventures/associate companies with promoter entities with no clear rationale The list is only indicative and the assessors may need to use their own judgement while scrutinizing structures which could violate minority shareholders' rights.	Yes, there is evidence of a structure/mechanism that could violate minority shareholders' rights		No, there is no evidence of any structure/mechanism that could violate minority shareholders' rights

Category II: Role of stakeholders [Questions: 9; Weightage: 10%]

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
20	Is the company committed towards developing stakeholder relationships?	The assessor must check for the latest composition of the SRC. The review will consider any new appointments and resignations from the SRC after the last annual report. If the SRC composition in the company website lists the name of any director who, as per stock exchange filings, has resigned from the board, the committee composition will adjust accordingly (by excluding such directors). The meeting frequency will be reviewed based on the number of SRC meetings in the previous fiscal year (as stated in the annual report). To score maximum points on this question, the company must provide at least two of the following references to their stakeholder engagement process in the company documents: • Stakeholder rights • Stakeholder grievance redressal • Stakeholder communication	There is no Stakeholders' Relationship Committee, or it meets less than 4 times a year	The committee meets at least 4 times a year, but has less than 2/3 independent directors	The committee meets at least 4 times a year, has at least 2/3 independent directors, and there is mention of importance of stakeholders in company documents
21	Does the company have publicly disclosed policies and/or mechanisms to address the health, safety, and welfare of employees?	To measure the robustness of the policies, the assessor needs to check if: • There is a stated commitment by the company to adopt measures and processes that focus on the prevention of occupation-related injuries, accidents and illnesses • The company provides health, safety and sexual harassment trainings to its employees • The safety and health policies cover the company's suppliers and vendors • The sexual harassment policy lists out details on the reporting, redressal and enquiry process	The policies are not publicly disclosed and the company has not provided information on the number of employee accidents and sexual harassment incidents	The policies are publicly disclosed or the company has provided information on the number of employee accidents and sexual harassment incidents	The company has provided information on the number of employee accidents and sexual harassment incidents and has publicly disclosed its health, safety and sexual harassment policies

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		In addition, to score maximum points, the company must report the number of employee accidents and sexual harassment cases each year to stakeholders – and the three-year trend should have a declining trajectory.			
22	Does the company have in place policies and practices which explain its supplier/contractor selection and management processes?	The assessor must establish if the company has clearly articulated policies for supplier/contractor management and selection. A good supplier/contractor selection policy must include: • Supplier Accountability • Code of conduct and Ethics policies for suppliers • Environmental Protection and Human Rights Policies for suppliers • Health and Safety policies for suppliers A good supplier/contractor management policy must include: • Supplier Audit • Supplier Improvement programs • Supplier trainings and education programs • Supplier Empowerment The above list is only indicative and the assessors must use their own judgement to determine if the policies are effective and meaningful.	Policies are not publicly available	Policies are publicly available either for supplier/contractor management or selection	Policies are publicly available for supplier/contractor management and selection
23	Has the company demonstrated commitment to protect the rights of its lenders, creditors, and suppliers?	The company's commitment to protect the rights of lenders, creditors and suppliers is being measured by the timeliness of repayment of financial obligations. The look-back period for this question is three years (FY16, FY15 and FY14). The assessor must check the independent auditors' report and the notes to the annual financial statements to establish whether the company has made any delayed repayments to its	The company has made delayed repayments to lenders	The company has made timely repayments to lenders, but has made delayed repayments to suppliers or to other creditors	Payments are made on time and there is no evidence of late payments to lenders, suppliers or to other creditors

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		lenders, creditors or suppliers over the past three years. The latest credit rating report, if available, may also be referred to while scoring on this question. For this question, repayments are being used as a proxy for stakeholder commitment. The assessors must take into account any liquidity constraints (which results in conversion of debt to equity) and other obvious violations (for example, media reports of running sweat shops) before scoring.			
24	Does the company demonstrate a commitment to strong ethical practices and is clearly anti-corruption and anti-bribery?	The assessor will need to establish if the company has disclosed an ethics policy/code of conduct. Ideally, the policy must cover most of the following: • Core values of the company • Ethical standards expected from employees and directors • Dealing with conflicts of interest • Dealing with third parties • Compliance with laws and regulations • Protection of assets and information management • Disciplinary action in case of failure to adhere to the ethics code In addition, the policy must clearly state that the company is against bribery and corruption in any form. The assessor may also consider if the company is a signatory to a well-known global anti-corruption framework or code of ethical conduct while scoring on this question. In case there is any known violation of the policy or instances where the company has been accused of bribery or corruption, or ethical violations, the company will not score any points.	No ethics policy evident or publicly available	Ethics policy is publicly available but it does not mention anti-corruption or anti-bribery measures	Ethics policy is publicly available on website and the policy mentions the company is against any form of corruption or bribery
25	Does the company demonstrate its commitment to being a good corporate citizen?	The assessor must evaluate if the CSR related spending disclosed by the company in its annual report is above 2% of average net profit over the last three years.	The company has not spent any amount on CSR in the past one year	The company has spent on CSR, but the CSR spend is less than 2% of	The company's CSR spend is at least 2% of average profits for the last three years

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		If the company has experienced losses on average over the past three years and still spend on CSR, the assessor may assign maximum points for this question.		average profits for the last three years	
26	Does the company have processes in place to implement and measure the efficacy of its CSR programs?	A company will obtain maximum points on this question if it has: • Formed a CSR committee with minimum three directors, of which one must be independent • Disclosed areas of CSR spending • Conducted an impact assessment of its CSR programs and disclosed the results to stakeholders Impact assessment studies must include details on: • Coverage of the CSR programs • Beneficiary profile • Economic benefits for the company and for the beneficiaries (if applicable) The above list is not exhaustive and assessors must use their judgement in determining whether the impact assessment studies convey meaningful information to external stakeholders.	The company does not have a CSR committee or the areas of CSR spending have not been disclosed	The company has a CSR committee and the areas of CSR spending have been disclosed, but the company has not disclosed details on CSR impact assessment	The company has a CSR committee, the areas of CSR spending have been disclosed, and the company has disclosed details on CSR impact assessment
27	Does the company have policies and processes in place to handle investor grievances?	The assessors first need to check for an investor grievance policy. For some companies, this policy is a separate document and for others, it is part of the code of conduct or business responsibility report. While reviewing the policy, the assessors need to check if the company has: • Named the individual/team to whom the complaint needs to be addressed • Established an ombudsperson to deal with the complaints • Listed out a process to be followed by the company for handling investor complaints • Provided a grievance escalation mechanism	The company does not have a policy or the policy is not disclosed publicly	There is a policy for handling investor grievances, but it does not provide any grievance escalation mechanism	There is a policy for handling investor grievances, which provides details on the grievance escalation mechanism

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		The assessor must also consider the percentage of unresolved investor complaints at the end of each quarter before scoring on this question.			
28	Does the company have an effective whistle-blower mechanism for stakeholders to report complaints and suspected or illegal activities?	For a whistle-blower policy to be considered effective, the assessor must check if the policy provides details on: • Range and nature of issues covered under the policy • Procedure to report any incident, including all available reporting channels • Steps to be taken for resolving reported issues • Expected investigation timeline • Measures adopted to protect the anonymity of whistle-blowers For the whistle-blower mechanism to be considered effective, it must cover all stakeholders (including customers, vendors and suppliers). A company will score maximum points on this question only if most of the above details are available.	There is no disclosed mechanism or policy	There is an effective whistle-blower policy for employees, but it does not cover external stakeholders	There is an effective whistle-blower policy which covers all stakeholders, including employees, customers, vendors and suppliers

Category III: Role of stakeholders [Questions: 23; Weightage: 30%]

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
29	Does the company have a policy for determining and disclosing material information?	The assessors need to check if the company has clearly articulated a policy defining parameters which determine a material event or information. To score maximum points on this question, the following items need to be disclosed in the materiality policy: • criteria for determination of materiality of events/ information • events that shall be deemed to be material automatically • timeline to disclose material information In addition, there must be no evidence of the company having made no/delayed disclosures on material events in the past three years.	There is no policy or the policy is not publicly disclosed	There is a policy for determining and disclosing material information, but there have been cases in the past three years where the disclosures have not been timely	There is a policy for determining and disclosing material information and the company has made timely disclosures in the past three years
30	Have there been any concerns on the financial statements in the past three years?	To score maximum points on this question, the independent auditors' report must have an unqualified opinion on the financial statements and there should be no emphasis of matter. Management response to the qualifications and matter of emphasis, if any, must be considered before scoring on this section. The assessors may take a subjective call, depending on the severity of the issue and the adequacy of the clarifications provided by the company. This is applicable to both standalone and consolidated financial statements.	Auditor has issued a qualified opinion or the financial statements have been restated or the auditor has resigned due to differences in accounting opinion	Auditor has raised an emphasis of matter	Auditor has issued an unqualified opinion without any matter of emphasis

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
31	Is the company transparent in disclosing financial performance on a quarterly basis in the past one year?	To score maximum points on this question, the company must have disclosed standalone and consolidated financial performance for each of the past four quarters. The immediately preceding four complete quarters will be taken into consideration while scoring on this question. For a company that has no reportable subsidiaries, the assessor must check if financial performance has been reported for the past four quarters	The company has not disclosed financial performance for all the past four quarters	The company has not disclosed either standalone or consolidated financial performance in any one of the past four quarters	The company has disclosed both standalone and consolidated quarterly financial performance for each of the past four quarters
32	Is the company transparent in disclosing segmental information?	The assessor must check the company's annual reports and quarterly financial filings for information on the company's segments. The assessors may need to use their judgement to decide if all relevant segments have been covered. Financial information on segments include segment revenues and profits. Other segmental Information will be considered comprehensive if at least two of the below points are covered in the company's segmental reporting: • Demand drivers for each segment • Risks factors for each segment • Business strategies for each segment • Key initiatives taken by the company • Capacity utilization for each segment The company may operate in a single business segment, but multiple geographical segments, in which case, the above information must be covered for the geographical segments. If the company does not have any reportable segments, and sufficient detail is available for that single segment, a maximum score may be given.	The company has not disclosed financial information on some business segments	The company has disclosed financial information on all business segments, but other segment related information is not comprehensive	The company has disclosed comprehensive information on all business segments

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
33	Is the company transparent in disclosing non-financial information?	The assessor must check the company's annual reports and for information on non-financial disclosures. Information will be considered meaningful if the below points are covered as part of the company's non-financial disclosures: • Industry growth and performance • Environmental issues • Business model: key strengths and weaknesses • Business strategy • Capacity and capacity utilization To score maximum points on this question, all the above non-financial parameters must be disclosed in sufficient detail by the company.	The company has not disclosed meaningful information on non-financial parameters	The company has provided information on some non-financial parameters, however all have not been disclosed	The company has disclosed meaningful information on all non-financial parameters
34	Does the company provide comprehensive disclosures on its foreseeable risks?	The assessor must check relevant company documents to identify if the company has developed and disclosed an effective risk management framework. To be considered detailed and score maximum points, the risk management framework must disclose both the foreseeable risks that the company is likely to experience in the course of its business as well as mitigating factors that have been implemented to manage the risks.	The company does not have a risk management framework or it is not disclosed	There is a disclosed risk management framework which outlines the risks but no mitigation measures are provided or they are generic	Both risks and mitigation measures have been clearly outlined
35	Has the company developed and disclosed a comprehensive related party transaction (RPT) policy?	A related party transaction policy is required to be disclosed under the Companies Act, 2013 and SEBI LODR regulations. To score maximum points on this question, the related party transaction policy must be publicly disclosed by the company. Further, the policy must be comprehensive, mandatorily including the following points: • Definition on ordinary course of business • Definition on materiality of transactions • Requirement of the external auditors to review material RPTs	The company does not have an RPT policy or has not disclosed it	The company has an RPT policy as required under regulations but it is not comprehensive	The company has a comprehensive RPT policy

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
36	Did the company provide timely, accessible and comprehensive information for all shareholder meetings in the past one year?	The assessor must check details for all shareholder meetings held over the last one year. To score maximum points on this question, the information for shareholder meeting must be: • Timely: the notice is made public at least 21 days prior to the meeting date (30 days for postal ballot) • Accessible: the company has put up the notice (and other relevant documents) on the stock exchanges (with a time stamp) and on the company website • Comprehensive: Sufficient information was available for shareholders to make an informed decision The assessor must judge comprehensiveness on a case by case basis by checking if the resolutions presented over the past one year were transparent and had adequate details for shareholders to exercise their judgement.	Information was neither timely nor accessible for some meetings	Information was timely and accessible for all meetings but not sufficiently comprehensive	Information was timely, comprehensive and accessible for all meetings
37	Are the detailed minutes or transcripts of the previous AGM publicly available?	Minutes will be considered reasonably detailed if they include the following: • Attendance record of each director and the external auditors • Issues discussed by shareholders The company will only score maximum points in this section if it has provided the entire meeting transcript or if the link to the meeting webcast is available on the company website.	The company has not disclosed meeting minutes within 7 days of the meeting or they are not detailed	The company has disclosed the meeting minutes and they are reasonably detailed	The entire transcript or webcast of the meeting is publicly available
38	Did the company disclose voting results for each shareholder category for all resolutions proposed in the past one year?	To score maximum points, the company must disclose the voting details of each shareholder category, as well as the reasons for rejection of invalid votes. Shareholder voting categories include 'promoters', 'institutional shareholders', and 'other shareholders'. The criteria on invalid votes will not be applicable for	Voting details of each shareholder category were not disclosed (within 48 hours) for some or all resolutions	Voting details of each shareholder category were disclosed for all resolutions, but the reasons for rejection of invalid votes were not disclosed	Voting details of each shareholder category were disclosed, along with the reasons for rejection of invalid votes

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		companies where the scrutinizer's report specifically mentions that there were no invalid votes for the resolutions.			
39	Is the company transparent in disclosing its shareholding pattern?	The assessors need to go check if the quarterly filings contain information on: • Promoter shareholding • Institutional shareholding (FII and DII) • Other public shareholding • Names of entities which hold more than 1% stake A one year (four quarters) lookback is to be considered for this question. A company will score maximum points on this question if it has disclosed the quarterly shareholding pattern and names of its top ten shareholders in its latest annual report.	The shareholding pattern is not disclosed on a quarterly basis or the latest annual report does not list out the top 10 shareholders	Either the quarterly shareholding pattern filings have not been made or the latest annual report does not list out the top 10 shareholders	The quarterly shareholding pattern filings have been made and the latest annual report lists out the top 10 shareholders
40	Is the shareholding of individual board members and key managerial personnel (KMP) disclosed in the latest annual report?	A company will score maximum points on this section if it has disclosed shareholding details for its board members and KMP (both the number of shares and the percentage of holding) in its latest annual report.	The shareholding has not been disclosed for the board members, nor for KMPs	Shareholding for either board members or KMPs has been disclosed	Shareholding for board members as well as KMPs has been disclosed
41	Has the company articulated a dividend policy for its shareholders?	The assessors need to scan the company website and annual reports to determine the existence of a dividend policy. To score maximum points on this question, companies need to specify a target payout/retention ratio (or any other meaningful metric). In addition, the policy must have been approved by shareholders. If there are any deviations from the policy, without any clear rationale, the assessors will need to scrutinize the matter closely before scoring.	Dividend policy is not publicly available or does not specify a target payout ratio	The policy is publicly available and specifies a target payout ratio, but the policy is not approved by shareholders	The policy is publicly available, specifies a target payout ratio and is approved by shareholders

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
42	Is the information on the company website comprehensive and accessible?	To test for comprehensiveness of information, the assessors need to check if the company website contains all the disclosures as required under the prescribed regulations. The links provided must be working and all documents listed must be available. In addition, they must be accurate and up-to-date.	The information is not accessible or is inaccurate	Information is accessible and accurate, but is not comprehensive	Information is accessible, accurate, and comprehensive
43	Does the company have a dedicated investor relations team/person whose contact details are publicly available?	To score maximum points on this question, the company must provide both an email address and a phone number of the designated person/team on its website. Generic board-line numbers will not be considered.	No details provided on any nominated team/person	The names of the individuals are disclosed, but no contact details are available	The names of the individuals are disclosed and their contact details available on the website
44	Does the company provide any information about the independence, competence and experience of the external auditor?	The company must provide a statement on its auditor selection process. Details on the process must cover the evaluation criteria for determining auditor independence. In addition, the company must provide information about the competence and experience of the auditor. If this information is not provided by the company, the assessors need to check the auditors' website and determine if it provides meaningful information. To score maximum points on this question, the company must proactively disclose all the relevant details.	The company has not disclosed any details on the auditors and such information is not publicly available	The company has not disclosed any details on the auditors, but such details are publicly available on the auditors' website	The company has disclosed the details on the competence and experience of the auditor and has also provided an evaluation criteria for determining auditor independence
45	Has the company periodically rotated its auditors (firm and partner)?	For this question, the assessor need to calculate the tenure of the audit network, which means that the aggregate tenure of audit firms within a network will considered as the total tenure of the auditor. For example, if audit firm A and audit firm B are both part of the same network and they have a tenure of 5 years and 7 years respectively, the total tenure will be computed as 12 years.	Audit firm tenure > 10 years	Audit firm tenure < 10 years but audit partner > 5 years	Audit firm tenure < 10 years and audit partner < 5 years

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		When there are multiple auditors, the assessors need to consider the tenure of the auditor with the longest association. In companies, which are spin-offs from a larger company, the assessor needs to take a subjective call on whether the tenure will include when the company was being audited as a division of a larger company (prior to the spin-off into a separate company).			
46	Does the latest annual report contain a statement confirming the company's compliance with the regulatory requirements on corporate governance?	To score maximum points on this question, the company must provide reasons for the non-compliance (if any) along with the steps it is taking to comply. The company will also score maximum points if it has stated that it has complied with all regulatory requirements. Despite the company's statement, if there is evidence to believe that the company may not have complied with all the laws/regulations, the assessors will need to take that into consideration before scoring.	There is no statement regarding compliance with regulatory requirements on corporate governance	There is a statement, but no reasons (or generic reasons) have been provided for non-compliance (if any), neither have the steps taken for compliance in the future been outlined	There is a statement and the detailed reasons have been provided for non-compliance (if any), along with the steps taken for compliance in future periods
47	Has the company identified its senior executives and their responsibilities?	The assessors need to check if the details have been provided for the following executives: • Chief Financial Officer • Chief Operating Officer • All other C-level executives • Business heads To score maximum points on this question, the roles and responsibilities of such individuals must be clearly outlined in the annual report/company website.	The senior executives have not been identified	The senior executives have been identified, but their roles have not been clearly stated	The senior executives have been identified and their roles have been clearly stated
48	Has the company disclosed the experience of each board member and senior executives?	The experience details must cover the following: • The areas in which the individual has relevant domain knowledge and expertise • The number of years of working experience	Neither for board members, nor for senior executives	Only for board members, but not for senior executives	For both board members and senior executives

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		A company will score maximum points on this question if such details are shared both for its board members and its senior executives (which include those referred to in Q47).			
49	Has the company clearly identified its independent directors in the annual report and on its website?	The assessors need to check if the latest annual report lists out the entire board composition, along with the names of each independent director. In addition, the company website must be updated to reflect the names of the current set of independent directors.	No, the company has not made any distinction of independent directors in the annual report		Yes, independent directors are clearly identified and disclosed in the annual report
50	Does the company fully disclose the process and criteria used for appointing new directors?	A company will score maximum points on this section if it has provided details on: • how candidates are identified (whether the name was proposed by the promoter, board or any other shareholder) • The criteria based on which the candidature of directors are evaluated	Neither the process nor the criteria are disclosed	Either the process or criteria are disclosed	Both the process and criteria are disclosed
51	Does the company disclose details on its training, development and orientation programs for directors?	Disclosures are considered detailed if there is information on: • who is required to undergo the program • core modules covered under the program • who conducts the program	No, there is no disclosure in the public domain	A detailed framework is not disclosed or there is no information on the training programs conducted in the previous year	A detailed framework is disclosed, along with details on the training programs for the year

Category IV: Responsibilities of the board [Questions: 19; Weightage: 30%]

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
52	Are all directors fully engaged in company matters and committed to corporate governance?	For each director, the average attendance needs to be computed based on the data available in the previous three annual reports. Attendance through video-conferencing/telecon is taken into consideration. Attendance of directors who have been on the board for less than three years will be excluded for this question. For example, if the assessment is being conducted in FY17, the average attendance for each director will be computed as follows: $A_{3YR} = \frac{\text{No. of meetings attended in FY14+FY15+FY16}}{\text{Total no. of meetings held in FY14+FY15+FY16}}$ A company will score maximum points only if, for all directors, $A_{3YR} = 1$. In addition, assessors must also look for statements made by the company (and its directors) about its governance practices to ascertain their commitment to corporate governance.	There are some directors with less than 75% average attendance in board meetings in the past three years	All directors have at least 75% average attendance in board meetings in the past three years	All directors have 100% attendance in board meetings in the past three years and there is evidence of commitment to corporate governance in company documents and director statements
53	Does the board meet sufficiently to exercise due diligence?	The number of board meetings need to be verified from the latest annual report. The company will score maximum points if the board has met more than four times in the previous year.	The board met less than four times in the past year	The board met four times in the past year	The board met more than four times in the past year
54	Is there separation of roles between the Chairperson and the CEO?	The most recent board membership needs to be checked by the assessors while scoring on this section. The review will consider any new appointments and resignations in the Chairperson/CEO role after the last annual report. For this question, the assessor will test for independence of the Chairperson. Merely the company's classification of the	The roles are not separated or the Chairperson is an executive director	The roles are separated, but the Chairperson is a non-executive non-independent director	The roles are separated and the Chairperson is independent

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		Chairperson being an independent director is not sufficient. Vintage directors – those with a tenure of over 10 years – are not considered independent for the purpose of this evaluation. Therefore, a Chairperson with a tenure of more than 10 years on the board will not be considered independent and the scoring will be adjusted accordingly.			
55	Does the board have sufficient skills, competence and expertise?	The assessor must check for the latest composition of the board. The review will consider any new appointments and resignations from the board after the last annual report. To score maximum points on this question, the members of the board must have at least 10 years of working experience and collective knowledge on: • Legal • Financial • Marketing • General Management • Supply chain/operational • Specific Industry Dynamics A board with at least three sets of identifiable skills will be considered to have sufficient breadth of expertise. Exceptions for directors with less than 10 years of working experience: If a director is also part of the founding group of the company, the company will not be penalized as per option 1 of the scoring key.	There is a director with less than 10 years of aggregate working experience (refer exceptions) or there is no non-executive director with prior working experience in the major industry the company operates	At least one non-executive director has prior working experience in the major industry the company operates, but there is insufficient breadth of expertise	At least one non-executive director has prior working experience in the major industry the company operates and the board has sufficient breadth of skills
56	Does the board have gender diversity?	The assessor must check for the latest composition of the board. The review will consider any new appointments and resignations from the board after the last annual report. To score maximum points on this question, the company	There is no gender diversity	Yes, there is gender diversity, but all women directors are part of the promoter family	Yes, there is gender diversity, and not all women directors are part of the promoter family

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		needs to appoint professional women directors on the board who have not had affiliations with the promoter family.			
57	Does the company have adequate independent representation on the board?	Independent representation is considered adequate if the board independence norms (as per Companies Act 2013 and SEBI LODR) are satisfied. Companies with an executive/promoter Chairperson must have at least 50% directors as independent and other boards must have at least 33% directors as independent. Independent representation is better-than-adequate when: • Independence norms are satisfied • More than 50% of the board is independent (after classifying vintage directors, with a tenure of more than 10 years, as non-independent) • There is a policy/ process to annually affirm the continuing independence of independent board members The assessor must check for the latest board composition. The review will consider any new appointments and resignations from the board after the last annual report.	Independent representation is below regulatory requirements	There is adequate independent representation as per regulatory requirements	There is better-than-adequate independent representation and for directors with a tenure of more than 10 years, there is a process to affirm the continuing independence of the directors
58	Do the board committees have adequate independent representation?	The size for board committees must be as per regulations and independence norms must be met (as per Companies Act 2013 and SEBI LODR). To score maximum points on this question, the assessor needs to check if the requirements for all four committees required under regulation – audit, NRC, stakeholder relationship and corporate social responsibility, are met. Further, the audit committee and the NRC must have a balanced and non-conflicted mix of directors. This would mean: • The audit committee must have more than three directors • There is no executive director in the NRC	Either size or independence norms for committees required under regulations are not met	Both the size and independence norms for committees required under regulations are met	Both the size and independence norms for all committees required under regulation are met and the audit committee and nomination and remuneration committee only comprise non-conflicted members

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		• No independent director in the audit committee and NRC has a tenure of more than 10 years on the board			
59	Is the audit committee effective in its composition and its meeting frequency?	While reviewing the experience of audit committee members, the assessor needs to check if: • Members have an educational background/relevant professional certification in finance or accounting; or • Members have worked as CEO, CFO or as any other senior officer with financial oversight responsibilities While the number of audit committee meetings will be listed out in the last annual report, the current composition of the audit committee must be considered while scoring on this question. The audit committee charter may either be available as a separate document or it may be embedded in the annual report of the company. An effective audit charter must include: • Roles and responsibilities of the audit committee • Powers of the audit committee • Composition of the audit committee	The audit committee met less than four times in the past year or none of the directors meet eligibility criteria for audit committee members	The audit committee met at least four times in the past year and at least one director has sufficient accounting/ financial expertise but an audit charter is not available	The audit committee has a clear charter that is publicly available, has met more than four times in the past year and all directors have sufficient accounting/ financial expertise
60	Does the company have a strong and robust internal audit framework?	To score maximum points on this question, the company needs to establish a robust internal audit function. This would mean that: • The internal audit team must report to the audit committee directly • There must be an internal audit charter publicly available, which will include most of the following details: -Accountability and scope of work -Independent and objectivity of the team -Composition of the internal audit team -Training programs imparted of the internal audit team -Management support for internal audit function The internal audit charter may either be available as a separate	No disclosures on internal audit framework	No disclosures on internal audit framework but the internal audit function reports to the audit committee	The internal audit function reports to the audit committee directly and there are detailed disclosures on internal audit charter

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		document or it may be embedded in the annual report of the company.			
61	Were all resolutions proposed by the board to shareholders in the past one year accepted?	The assessor needs to check the stock exchange filings to find out how shareholders voted on all resolutions proposed by the board in the past one year. A company will score maximum points if: • All resolutions proposed in the past one year were passed; and • In all such resolutions, more than 50% of minority shareholders voted FOR the resolution	Some resolutions were defeated	No resolutions were defeated, but for some resolutions, majority of minority shareholders voted against	All resolutions in the last one year were accepted by majority of minority shareholders
62	Is there evidence to show that the company, directors or its key managerial personnel (KMP) have violated normally expected ethical/ behavioural norms?	The assessors need to go through annual reports, court rulings, regulatory orders, investigation reports to find evidence of transgressions. A web search may also be used for this purpose. A three-year lookback period (from the date of assessment) is to be considered. Only those violations that are established/proved by a statutory or regulatory authority must be considered. Based on the evidence available, the assessors then need to classify the violations (if any) into two buckets: • Administrative/Procedural: These are technical violations, for which a standard penalty is prescribed in the regulatory framework • Severe: These are more severe offences which may have a material impact on the company The assessors may need to use their judgement for classifying the offences based on materiality, frequency, quantum, level of involvement and other similar metrics. The scores will accordingly be adjusted based on the scoring key.	The company / directors / KMP have been penalized by any regulatory authority in the past three years	There have only been some procedural or administrative violations	No, neither the company nor its directors nor its KMPs have been fined or penalized by any regulatory authority in the past three years

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
63	Does the remuneration structure for executive directors align pay with performance?	The assessors need to check the annual reports and the appointment terms of directors to determine the variable pay mix. Short term incentives will include commission, performance bonus, and other similar instruments. Long term incentives will include stock options, restricted stock units, stock appreciation rights, and other similar instruments. If the appointment terms include a variable pay component, but if variable pay was not paid to a director in the last three years, it will be assumed that there is no variable pay incentive for the director. The final scoring will depend on whether all executive directors have individual variable pay components. Promoter directors (who are not eligible for long-term incentives) will not be penalized for not having a long-term incentive component in their salary structure, because of legal restrictions in India.	There is no information on variable pay	The executive directors are given variable pay through short term incentives	Variable pay is given through both short term and long term incentives
64	Has executive director(s) pay been aligned to company performance in the last three years?	The assessors must calculate the growth in aggregate executive directors' pay, company's profits and revenues over a three-year period. The data will be available in the latest annual report of the company. For example, if an assessment is being conducted anytime in FY17, the following formula is to be used for each of the metrics: $V_{Rev/Pr/Rem} = \dfrac{(\text{FY16 value - FY14 value}) * 100}{\text{FY14 value}}$ A company will score maximum points only if:	Three-year growth in aggregate pay is higher than growth in profits and growth in revenues	Either of the above two conditions are triggered	Three-year growth in aggregate pay is in line/ lower than growth in profits and growth in revenues

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		$V_{Rem} < V_{Rev}$ and $V_{Rem} < V_{Pr}$ The aggregate remuneration will be considered only for directors who have been present on the board for each of the three years. If there are resignations and appointments during this period, such directors will be excluded from this analysis.			
65	If the company has a stock option scheme, is the exercise price of the stock options fixed at a discount to market price?	Discounted stock options may be given in various forms: • Where the exercise price of the option is the face value of the share • Where the exercise price of the option is fixed at a specified discount to the market price of the share • Through restricted stock units and other similar instruments A company will score maximum points if all the options granted in the past one year had an exercise price which was equal to the market price on the date of grant. This question is not applicable for companies which did not grant any stock options in the past one year.	Only options granted to board members were discounted	Discount given on stock options to all employees	The stock options were issued at market price
66	Is the CEO compensation commensurate with the company's size and performance?	Variable pay includes both short term and long term incentives. The data will be available in the latest annual report of the company. For example, if an assessment is being conducted anytime in FY17, the following formulae are to be used: $R1 = \frac{(\text{FY16 short-term pay} + \text{FY16 long-term pay}) * 100}{\text{FY16 total pay}}$ $R2 = \frac{\text{FY16 total pay} * 100}{\text{FY16 profits}}$	Variable pay is less than 50% of overall pay or overall pay of the CEO is more than 5% of net profits	None of the two above conditions are triggered	Variable pay is more than 67% of overall pay and overall pay is less than 5% of net profits

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
		IF, R1 > 67% and R2 < 5%, score 2 IF, R1 > 50% and R2 < 5%, score 1 IF, R1 < 50% or R2 > 5%, score 0 For loss-making companies, the assessor must consider multiple factors including comparison with peers, correlation of pay versus the performance of the company, among others.			
67	Does the company have a succession plan for its directors and senior leadership?	The assessor must check all relevant company documents to identify if the company has developed a succession plan for its directors and senior leadership. The intent of the question is to identify if the board discusses succession planning in its meetings and if it has an internal plan to arrange a smooth transition. To score maximum points on this question, the assessor must determine if the company has disclosed the existence of a succession plan for both directors and senior management, even if granular details are not publicly disclosed.	There is no mention of succession planning in company documents	There is a succession plan either for directors or senior leadership	There is a succession plan for both directors and senior leadership
68	Are the disclosures on succession planning detailed?	The succession plan may be in presented in the form of a separate document or embedded in other company documents. The assessor needs to check if the succession plan includes details on the following: • Applicability of the policy • Development of a leadership pipeline • Criteria to be used while appointing successors A company will score maximum points on this question only if disclosures are made on all the three areas.	There is no policy, or the policy is not publicly disclosed	Only a broad framework for succession planning is disclosed	A detailed framework for succession planning is disclosed

S. No.	Parameters	Response key	Governance practice needs improvement Score: 0	Governance practice is reasonable Score: 1	Governance practice is closer to global standards Score: 2
69	Is the board evaluation policy and process in place and effective?	The assessor needs to check if the disclosures on board evaluation cover: • who is evaluated (individual directors, entire board, committees) • who evaluates (nomination committee, external consultant) • how the evaluation is conducted (criteria) A company will score maximum points on this question only if, in addition to the disclosures on all the three areas, there is an impact assessment conducted which lists out measures for board improvement.	No evaluation system in place or inadequate disclosures about board evaluation	There is a board evaluation system in place but no impact assessment is provided	A robust system for evaluation is publicly disclosed and there is an impact assessment which leads to a board improvement plan
70	Are board committees evaluated separately?	A company will score maximum points on this question if: • It has carried out a separate evaluation for its board committees • It has disclosed the criteria used for evaluating its committees	There is no separate evaluation of board committees	There is evidence of a review but the criteria for evaluation of committees is not disclosed	There is evidence of a review and the criteria for evaluation of committees is disclosed

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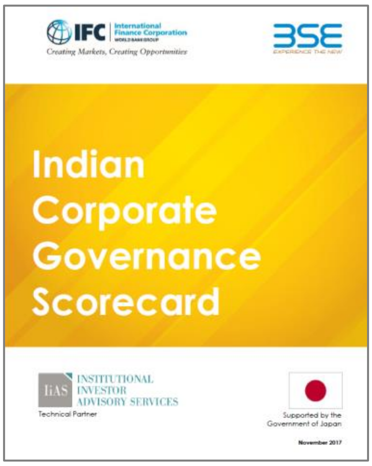

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