

CIMPLYFIVE'S REPORT ON

INDEPENDENT DIRECTORS' INDUCTION & FAMILIARISATION PROGRAM

AN ANALYSIS OF NIFTY 50
COMPANIES

*Includes CimplifyFive's
Model Policy on
Independent
Director's Induction &
Familiarisation*

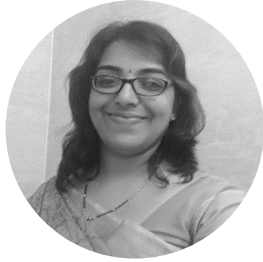


APRIL 2021

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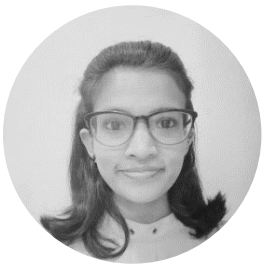
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Disclaimer and Limitations of the Study

- **General Information:** CimplifyFive has prepared Independent Directors' Induction and Familiarization Report 2020 to identify the practices of Nifty 50 Companies, with the intent of formulating a model policy for use by Listed Companies. This report is not intended to act as a recommendation or condemnation of any practice, company or firm covered in this report.
- **Risk Warning:** CimplifyFive shall not be responsible for any loss or damage arising for anyone using any information contained in this report.
- **Source of Information:** CimplifyFive has used the information contained in the websites of the Company.
- **Limitations:** Competent professionals with adequate experience have undertaken this study. Further, they have also followed a due process of checks and verifications to ensure accuracy of this report. This should have eliminated almost all errors from this report. If any points in the nature of errors are brought to our notice and we agree with the same, CimplifyFive will rectify the report at the earliest and have the revised report available on its website. CimplifyFive does not accept any loss or damage caused to any individual or institution by use of this report.

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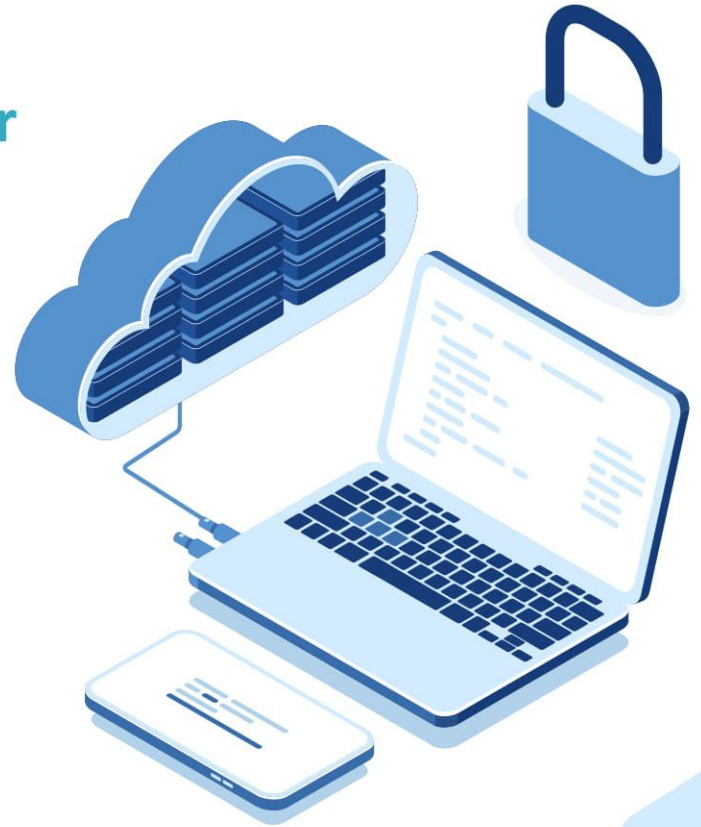
Risk management and alert system



E-repository for Secretarial records



Automation of Secretarial Compliance

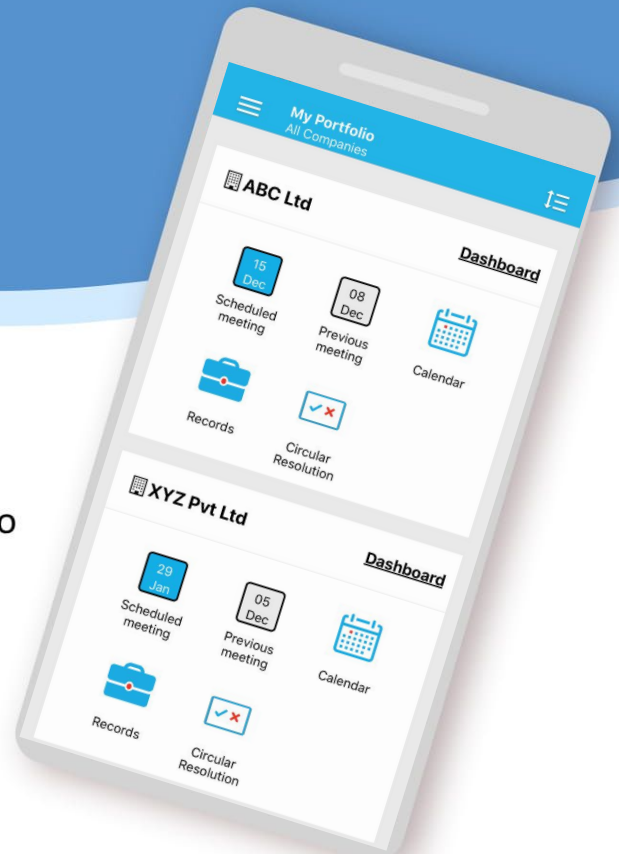


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A. Preamble

The regulatory mechanism for Indian corporate governance consisting of the Companies Act, 2013 and SEBI's LODR, 2015 have become predominantly rule based systems that is prescriptive and defines different elements of governance. One of the key aspects of the prescription is the need for companies to define a policy for Independent Directors' Induction & Familiarisation Programs and disseminate it on their website along with quantification of the programs and hours spent on it by the directors during the year, and cumulative data till date.

B. Sample Size

We analysed the Policy for Independent Directors' Induction & Familiarisation Programs of the Nifty 50 companies as displayed on their website in the month of December 2020/January 2021. Using this information and the best practices identified therein, we formulated CimplyFive's Model Policy on Independent Directors' Induction & Familiarisation Programs for the benefit of corporate professionals.

C. Regulatory Extracts

A. Regulation 25 (7) of SEBI's LODR, 2015: Obligations with respect to Independent Directors:

'The listed entity shall familiarise the independent directors through various programmes about the listed entity, including the following:

- (a) Nature of industry in which the listed entity operates,
- (b) Business model of the listed entity,
- (c) Roles, rights, responsibilities of independent directors, and any other relevant information.'

B. Regulation 46 (2) of SEBI's LODR, 2015: Website:

'The listed entity shall disseminate the following information under a separate section of its website:

- (i) Details of familiarisation programmes imparted to independent directors including the following details:
 - i. Number of programmes attended by independent directors (during the year and on a cumulative basis till date),
 - ii. Number of hours spent by independent directors in such programmes (during the year and on a cumulative basis till date), and
 - iii. Other relevant details.'

C. Schedule IV of the Companies Act, 2013 -Code for Independent Directors

'III Duties

The independent directors shall

- A. Undertake appropriate induction and regularly update and refresh their skills, knowledge, and familiarity with the company.'

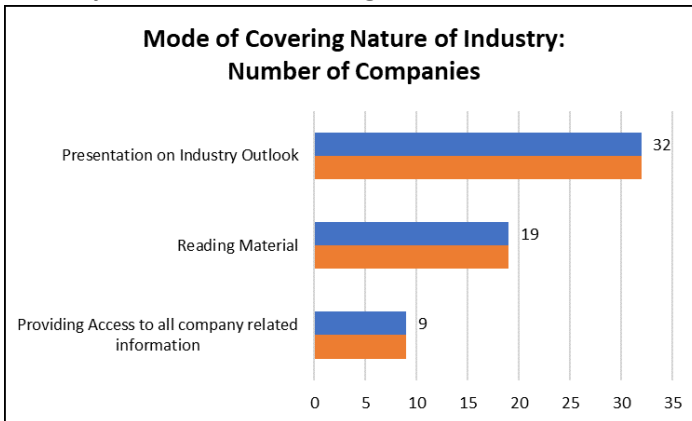
D. Our Findings

1. On Induction and Familiarisation Practice

a. Mode of Familiarisation for Nature of Industry

Three modes are identified by the Nifty 50 companies for familiarisation of Independent Directors about the Nature of Industry the company operates in:

Graph 1: Mode of Covering Nature of Industries



3 companies use all the three methods, while 14 companies used 2 methods and 23 companies one method. The remaining 10 companies did not specify the method they use for familiarisation of Independent Directors about the nature of Industry the company operations in.

CimplyFive recommends that all the three methods identified along with a new mode 'Interaction with Investor Relations team /Equity Analysts covering the industry' be introduced as a method of familiarising the Independent Directors with the Nature of Industry in which the company operates.

b. Familiarisation with Company's Business Model

To fulfil the requirement to familiarise directors with the company's business model, Nifty 50 companies have identified nine different topics ranging from Company's performance, Risk management systems, Company's products and markets, Organization structure, Board processes, Financial and internal controls, and CSR activities. Further one company had included pre-board meeting briefings to the directors as one of the items in this section.

Among the Nifty 50 companies the topics covered ranged from eight at the higher end disclosed by 4 companies and at the lower end, zero topics disclosed by three companies. 13 companies had disclosed five topics each, which was the most common practice documented.

Graph 2: Topics Covered in Company's Business Model

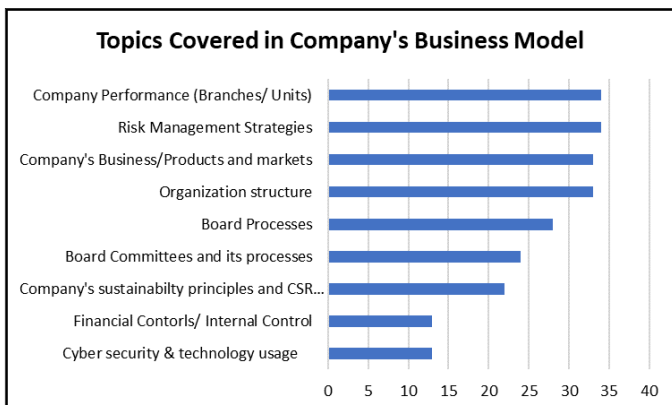


Table:1

Topics Covered by Nifty 50 Companies for Business Model Familiarisation

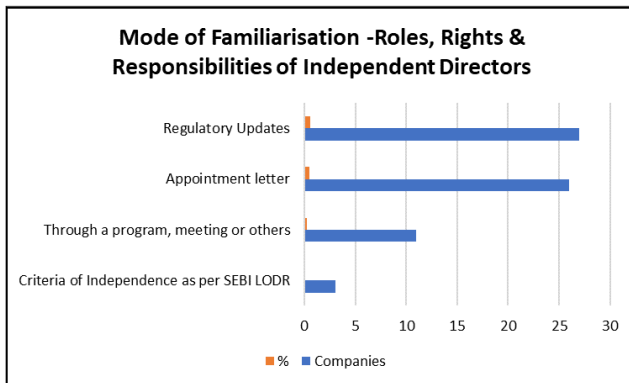
Topics	0	1	2	3	4	5	6	7	8
Companies	3	2	3	5	6	13	7	7	4

CimplyFive recommends that presentations on Revenue and Cost structure of the businesses undertaken by the company be included under familiarisation of the Business Model in addition to the Company's strategy & Risk Management practices.

c. Mode for Familiarisation & Induction of Independent Directors -Roles, Rights & Responsibilities

Nifty 50 companies have used three methods for familiarising independent directors with their roles, rights & responsibilities. Of the three methods, only one company had used all the three methods, with 24 companies using two methods and 13 companies using only one method. The remaining 12 companies did not disclose the method used by them.

Graph 3: Mode of Familiarisation-Roles, Rights & Responsibilities of Independent Directors



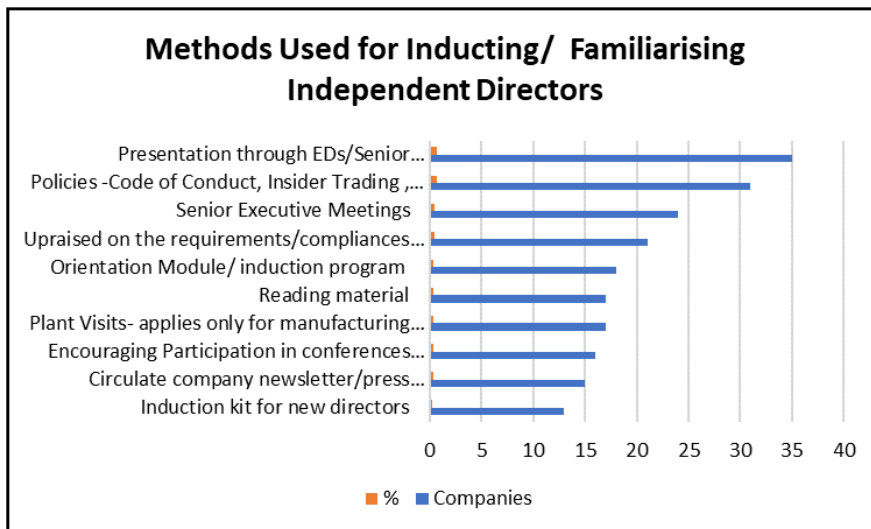
SimplyFive recommends that companies use appointment letter as the basic document and supplement it with a face to face or online program to reiterate their roles, rights and responsibilities. In addition, companies should demonstrate the compliance systems in place to ensure compliance. At periodic intervals of say every six months, regulatory updates be provided to the Independent Directors.

d. Methods Used to Induct/ Familiarise Independent Directors

Nifty 50 companies have used a total of 21 methods to induct /familiarise their Independent Directors. While 4 companies did not specify the methods used, 21 companies had identified one to five methods and another 21 companies six to ten methods, with the remaining 4 companies identifying more than 10 methods used. The highest number of methods listed was 14 by 2 companies.

Manufacturing companies had included a visit to their plant as a method for familiarising their Independent Directors with the company's operations.

Graph 4: Methods Used for Inducting / Familiarising Independent Directors



In view of the wide range of experience that incoming Independent Directors have, SimplyFive recommends distinct methods be used keeping in mind the experience profile of the Independent Directors. Independent Directors with less experience could have more face to face interactions including a

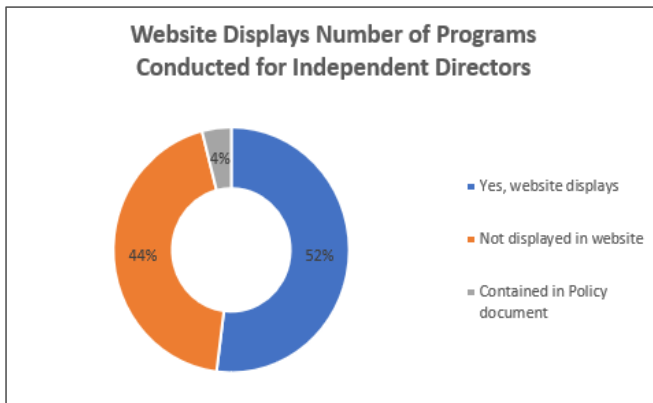
defined induction program, and the more experienced directors having a shorter induction limited to company specific elements like Senior Executive briefings/meetings on company specific practices and Plant visits supplemented by reading materials.

2. Disclosure on Programs Conducted and Duration

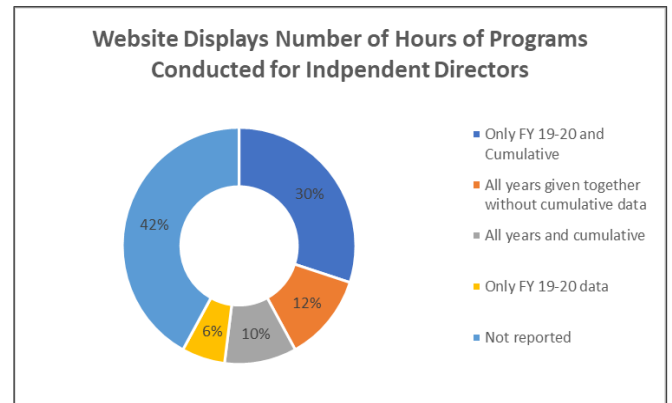
LODR regulations require the company to disclose the number of programs conducted in the year and the duration in hours of time spent by the directors in induction and familiarisation in the website of the Company.

a. Quantifying on Websites Programs Conducted and Participation

Graph 5: Website Displays Number of Programs Conducted for Independent Directors



Graph 6: Website Displays Number of Hours of Programs Conducted for Independent Directors



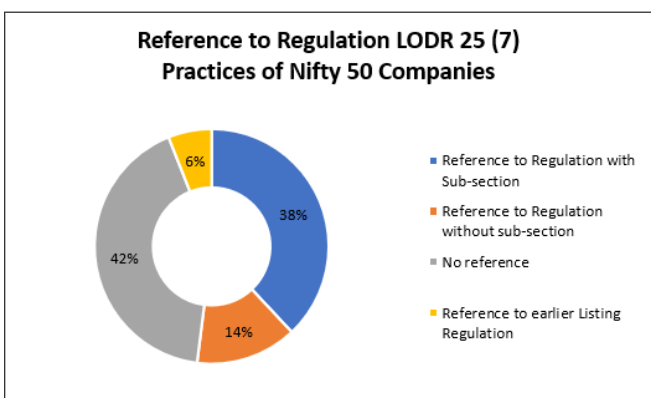
CimplyFive believes the information provided on this is inadequate for drawing any meaningful conclusions, unless the information is provided for each Director and the number reported is cumulative only for the independent directors who were active during the year. Hence the regulation needs to be amended to require the reporting entities to disclose this information director wise or this reporting requirement should be dispensed with.

3. Policy Governance elements

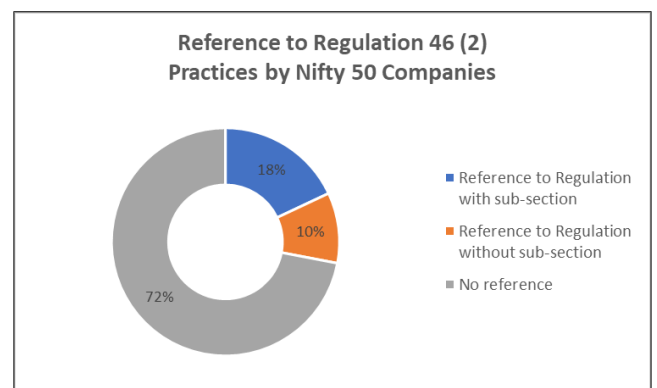
b. Regulation Reference

The policy documents of the Nifty 50 companies had different styles of referring to the regulations as detailed in the graph placed below.

Graph 7: Reference to Regulation LODR 25 (7)



Graph 8: Reference to Regulation LODR 46 (2)

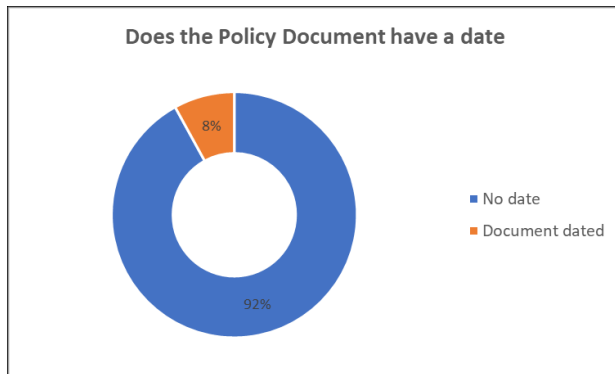


CimplyFive recommends that the information in Policy on regulations include sub-regulation numbers, like LODR 25 (7) or LODR 46(2), in this case, for clarity and ease of cross-verification.

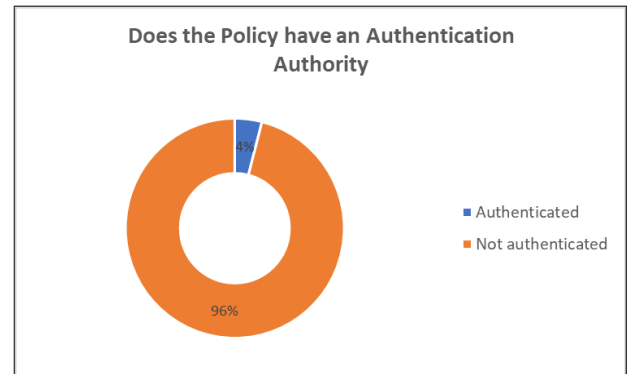
c. Dating and authentication of the Policy

Good governance requires that all policies be authenticated by an approving authority and have a date on which they were approved. The data on the policies displayed by the Nifty 50 companies is shown in the graph below:

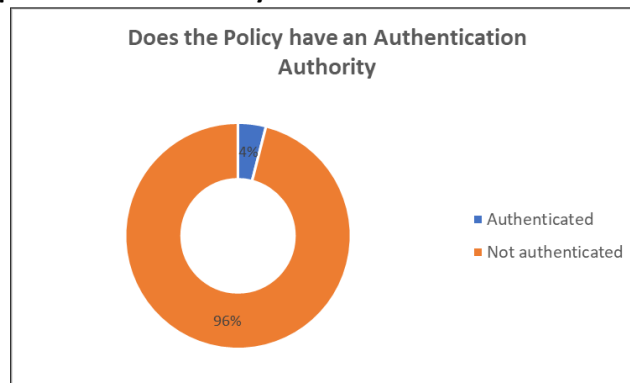
Graph 9: Does the Policy Document have a date



Graph 10: Does the Policy have an Authentication Authority



Graph 11: Does the Policy have an Authentication Authority?



CimplifyFive recommends that all the operational policies have clearly displayed on the policy document itself the approving authority, the date on which the policy was approved and the date or event that will call for the policy to be reviewed.

Based on this study, SimplifyFive has prepared SimplifyFive's Model Policy on Independent Director's Induction and Familiarisation Program, which forms part of this report.

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CimplifyFive's Model Policy on Independent Directors Induction & Familiarization Program
Pursuant to Regulation 25(7) of SEBI (LODR) 2015

Effective from	dd/mm/yyyy
Last Reviewed on	Dd/mm/yyyy
Applicable to	Mandatory for all Independent Directors and at the discretion of the company to Non-executive, non-independent directors

1.0 Preamble & Objective:

- 1.1 Directors, especially independent directors play a key role in shaping the destiny of the company as the leaders who set the tone at the top and enable good corporate governance. Hence the process and methods by which the directors are inducted into the company plays a key role in the effectiveness of Board Supervision and oversight. This policy is intended to document the induction & familiarization of its directors followed by the company for providing guidance and ensuring consistency of implementation, thereby creating an institutional memory.
- 1.2 This policy is also intended to meet the regulatory requirements outlined in Regulation 25(7) and 46(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") on the requirement to familiarize and induct the Independent Directors with the nature of the industry, business and operations of the Company, its business model and their roles, rights, responsibilities of independent directors.
- 1.3 Further, as required by Regulation 46(2) of LODR, the policy also outlines the basic information to be captured on the programs, its participant's attendance for reporting in the Company's website and providing a web link thereto in the Annual Report.
- 1.4 This policy is primarily intended to cover the Independent Directors. However, this could also form the basis for inducting other directors, especially Non-Executive Directors to help all of them assimilate and contribute effectively to the Company.

2.0 Induction Program Content

- 2.1 Directors' induction program will cover the following topics:
 - **Nature of Industry in which the company operates,**
 - Presentation on each distinct Industry segment in which the company operates, covering:
 - Industry's track record, growth prospects, and SWOT analysis
 - Company's position, dominant players, and major competitors.
 - Interaction with Investor Relations team/ Equity Analysts covering the company.
 - **Business Model of the Company,**
 - Company's products and markets in which they operate,
 - Revenue model and cost structure for each distinct segment the company operates in,
 - Business strategy, goals, and plans including risk management practices.
 - Organization charts of the company
 - Company's sustainability principles and CSR activities
 - Cyber security & technology usage

- **Directors Role, Rights and Responsibilities.**
 - Statutory role, rights, and responsibilities
 - Company's Code of conduct and Values
 - Appointment letter and criteria of Independence
 - Compliance Systems in place to ensure compliance with all laws, especially corporate laws.

3.0 Mode of Induction & Familiarisation

3.1 For experienced Independent Directors

3.1.1 For Independent Directors who have served on the boards of other listed companies prior to joining this board:

- Senior Executives / ED briefings on Company specific practices
- Reading materials on the company's plans and policies
- Plant visit and interactions with company's mid-level executives
- Company newsletters and press releases

3.1.2 For Independent Directors who are for the first time being inducted on the board of a listed company:

- In addition to the methods identified for experienced Independent Directors, the following methods:
 - Structured Induction program covering
 - Senior Executive /EDs covering their appointment letter & criteria of Independence,
 - Discussions on Code of Conduct/ Code on Insider Trading with the legal counsel / company secretary
 - Compliance with regulatory requirements by the Independent Directors

4.0 Continual Familiarization Program

- Encouraging Participation in conferences conducted by professional bodies and organizations,
- Executive briefings on Regulatory/Environmental updates for changes in the corporate world, either prior to the meeting or following the Board Meetings
- Scheduling either formally or informally slots for directors to exchange their board room experiences/ learnings from their other board experiences.

5.0 Information to be Captured for Reporting

5.1 Details of Independent Directors' Induction & Familiarization Program Conducted

Details of Independent Directors' Induction & Familiarization Program Conducted

S no.	Program date	Program title	Duration (in hours)	Topics covered	Attended by Director's names	Remarks
1						
2						
3						

5.2 Details of Time Spent by Independent Directors on Induction & Familiarisation Programs

S no.	Name of Independent Director	Program Dates during the year	# of Programs attended		Duration of Programs	
			For the year	Cumulative	For the year	Cumulative
1						
2						
3						

6.0 Disclosure Requirements

6.1 This program shall be uploaded on the website of the Company and a web link of the same shall also be provided in the Annual Report of the Company as required in LODR 46 (2).

7.0 Next Review

The Nomination and Remuneration Committee shall monitor and periodically review the familiarisation program and approve changes, if any. The Company Secretary is authorized to identify and incorporate any change required to this program due to the effect of any changes/amendments notified by the Ministry of Corporate Affairs or SEBI. The amended program shall be placed before the Nomination and Remuneration Committee for noting and ratification.

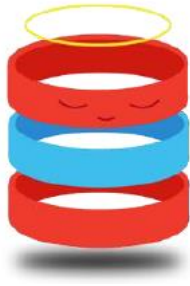
Signature:

Designation of the Signatory:

On behalf of/ authorized by the Board

Date: dd/mm/yyyy.

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