

clear

Nov 2024

Clear's Report on Corporate Board Evaluation Practices 2023

Study of Nifty 50 Companies



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- General Information:** Clear has prepared the Report on Corporate Board Evaluation Practices, 2023 to identify the practices of Nifty 50 Companies, with the intent of formulating a model disclosure 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:** Clear shall not be responsible for any loss or damage arising for anyone using any information contained in this report.
- Source of Information:** Clear has used the information contained in the websites/Annual Reports 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, Clear will rectify the report at the earliest and have the revised report available on its website. Clear does not accept any loss or damage caused to any individual or institution by use of this report.

NIFTY 50 Companies

Adani Enterprises Ltd	Britannia Industries Ltd	Hero MotoCorp Ltd	ITI Mindtree Ltd	Sun Pharmaceuticals Industries Ltd
Adani Ports and Special Economic Zone Ltd	Cipla Ltd	Hindalco Industries Ltd	Mahindra & Mahindra Ltd	Tata Consultancy Services Ltd
Apollo Hospitals Enterprise Ltd	Coal India Ltd	Hindustan Unilever Ltd	Maruti Suzuki India Ltd	Tata Consumer Products Ltd
Asian Paints Ltd	Div's Laboratories Ltd	ICICI Bank Ltd	Nestle India Ltd	Tata Motors Ltd
Axis Bank Ltd	Dr. Reddy's Laboratories Ltd	ITC Limited	NTPC Ltd	Tata Steel Ltd
Bajaj Auto Ltd	Eicher Motors Ltd	Indusind Bank Ltd	Oil & Natural Gas Corp Ltd	Tech Mahindra Ltd
Bajaj Finance Ltd	Gasim Industries Ltd	Infosys Ltd	Power Grid Corp of India Ltd	Titan Company Ltd
Bajaj Finserv Ltd	HCL Technologies Ltd	JSW Steel Ltd	Reliance Industries Ltd	UPL Ltd
Bharat Petroleum Corp Ltd	HDFC Bank Ltd	Kotak Mahindra Bank Ltd	SBI Life Insurance Company Ltd	Ultra Tech Cement Limited
Bharti Airtel Ltd	HDFC Life Insurance Company Limited	Larsen & Turbo Ltd	State bank of India	Wipro Ltd

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Insights into the Evolving Landscape of Corporate Board Evaluations in India

Dear Readers,

In the evolving landscape of corporate governance, continuous improvement remains essential. Over eight years of mandated board evaluations, Nifty 50 companies have consistently advanced in both the scope and quality of their disclosures. More companies now highlight board evaluations as a governance cornerstone, identify areas for improvement, and report on action plans to address identified gaps.

The Companies Act 2013 introduced India's first mandate for listed and public companies with paid-up capital of Rs.25 crores or more to annually evaluate board performance and disclose findings in board reports to their shareholders. Since 2015, these disclosures have been forming a part of the Board's Report and in 2016, we launched our inaugural report with a proprietary Five-Star Rating System to assess disclosure quality. This framework, consistently applied in 2015, 2020, 2021, 2022, and now 2023, allows us to track and report changes in board evaluation practices over time.

The Nifty 50 Index saw changes between 2022 and 2023, with Housing Development Finance Corporation Limited and Shree Cement Limited being replaced by Adani Enterprises Limited and LTI Mindtree. To this extent, comparisons between last year's and this year's disclosures differ. This study is undertaken by CimplifyFive Corporate Secretarial Services Private Limited (a Clear Company), a company with the vision to 'leverage research and technology to eliminate procedural noncompliance by entities regulated by the Companies Act, 2013'. The objective is to promote better governance and disclosures through data-based research. We look forward to receiving your feedback to enrich this study at contact@cimplifyfive.com.

Team Clear

November 08, 2024

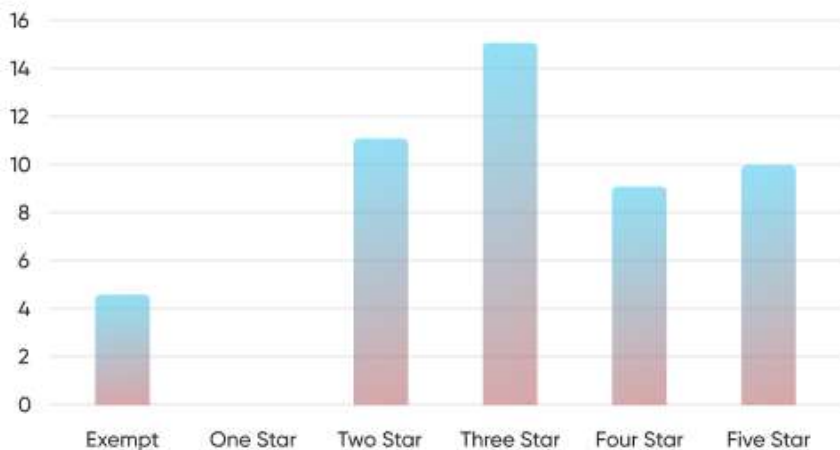
1. Findings of Board Evaluation Practice in 2023

We analysed the disclosures made by the Nifty50 companies using our proprietary Five-Star rating system. This system considers disclosures made of the five elements of Corporate Board Evaluation—(i) Criteria considered, (ii) Process followed, (iii) Favourable findings, (iv) Improvement areas identified, and (v) Action Plan for addressing the Improvement areas identified.

We assign one star for each of the company's disclosed parameters, and a company that has disclosed all five parameters is assigned a five-star rating.

- 1.1 All 45 private-sector companies have disclosed their Corporate Board Evaluation practices in their Annual Reports. The remaining five companies in the Index are exempt from disclosing their Board Evaluation practices due to their status as public-sector companies.

Graph 1.1-Board Evaluation Disclosures in 2023
Board Evaluation Disclosure Rating of Nifty 50 Companies in 2023



For the year 2022-23, there was no company that had got a single-star rating.

Based on our Five-Star Rating system, ten companies have made the highest level of disclosure to get the Five-Star rating. In addition to the parameters disclosed, the quality of disclosures by some of these companies is exemplary and comparable to the global best-in-class disclosures, as highlighted in Chapter 3 of this report.

- 1.2 The length of disclosures also indicates the importance accorded by the corporate leaders to Board Evaluation. Evaluated on this front, the average length of board evaluation practice disclosures made by the Nifty 50 companies was 337 words, with the longest disclosure of 947 words and the shortest disclosure of 13 words.

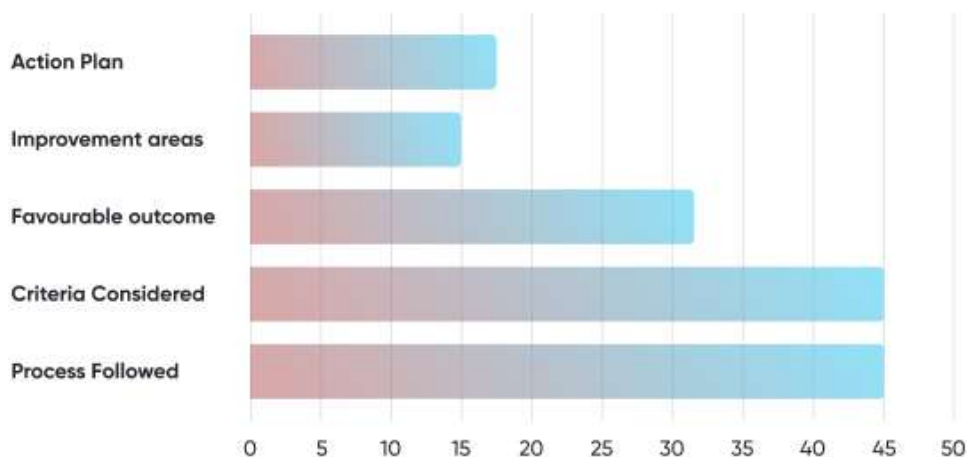
- 1.3 While quality cannot be presumed with quantity, the ten companies with Five-Star ratings had a disclosure length of 574 words, the longest being 858 words and the shortest being 317. Companies with four-star ratings had a disclosure length of 479 words, with the longest being 947 words and the shortest one being 270 words. Companies with three-star ratings (The rating that 15 of the Nifty50 companies have received) had a disclosure length of 276 words, with the highest being 446 words and the least being 114 words. In contrast, companies with a two-star rating (the lowest rating assigned to companies in this study, as there was no company with a single-star rating) had an average disclosure length of 243 words, with the highest being 382 words and the shortest being 116 words.
- 1.4 The five public Sector companies that are exempt from disclosing their board evaluation system and results had an average disclosure length of 98 words, with the longest being 300 words and the shortest at 13 words.

Table 1—Length of Board Evaluation Disclosures by Nifty 50 Companies

Class of Companies	Average Length (in words)	Longest	Shortest
All Nifty 50 companies	347	947	13
Five-Star Companies	574	858	317
Two-Star Companies*	243	382	116
Public Sector Companies	98	300	13

- 1.5 Forty-five companies disclosed information on a total of 153 parameters under the five elements in their Board evaluation practices, as detailed in Graph 1.2.

Graph 1.2-Board Evaluation Parameters Disclosed in 2023
Board Evaluation Disclosures by Nifty 50 Companies



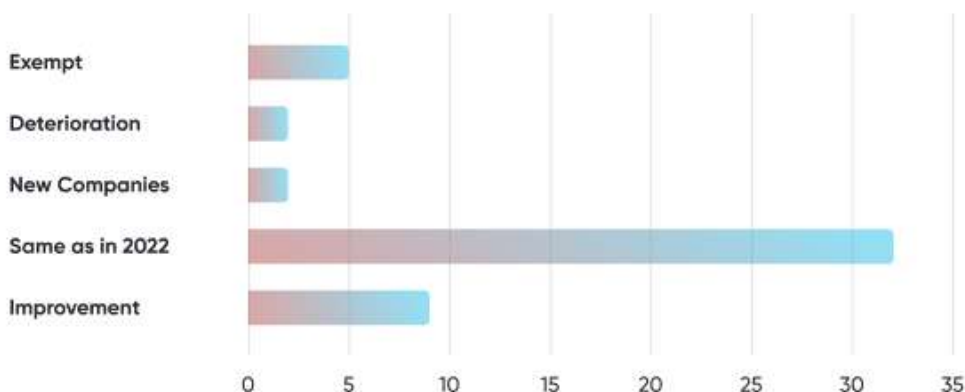
The most common disclosures were the process followed and the criteria considered, followed by the Favorable outcome. Further, 15 companies reported improvement areas, with 17 companies disclosing their action plan for implementing the improvement areas. In a few cases, companies disclosed their intent to act on the findings of the Board Evaluation without disclosing the improvement areas identified.

- 1.6 Eight companies, 18% of the companies that were required to disclose their board evaluation practice, had mentioned using a Digital Online Survey Tool to ensure anonymity of response for a free and fair evaluation process along with eliciting constructive feedback.
- 1.7 Though not mandated by law in India, 14 companies (31% of the companies) (11 Companies in the year 2022) disclosed using an external consultant to facilitate their Corporate Board Evaluation process.
- 1.8 The use of external consultants by 14 companies and digital tools by five companies reflect the intent of the Boards for serious introspection and improvement in the effectiveness of the Board, the result of which is visible in all-around improvement to the quality of disclosures. Bharti Airtel Limited, Cipla Limited, Larsen, and Toubro adopted the usage of both online tools facilitated by a consultant, thereby extracting the maximum advantage of both methodologies.

2. Changes in Corporate Board Evaluation Practices between 2022 and 2023

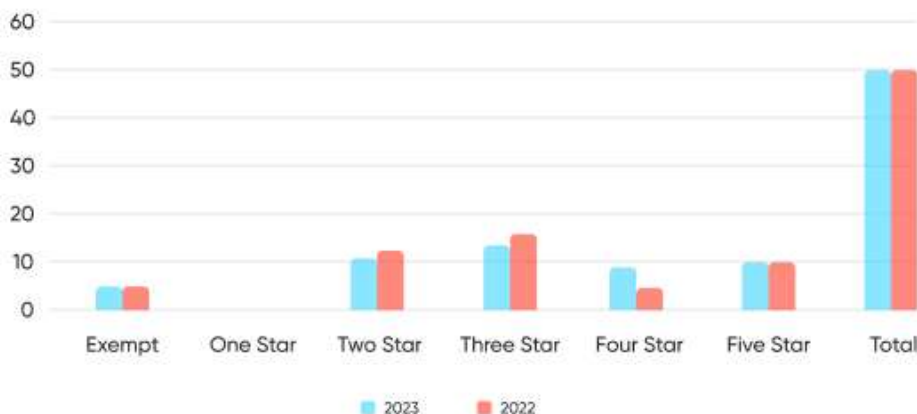
2.1 Comparing the Corporate Board Evaluation practices disclosed in the last two years, we find that 18% i.e., nine companies, had improved disclosure levels, 64% i.e., 32 companies had the same level of disclosure, and only 4% i.e., two companies' disclosure levels had deteriorated compared to 2022.

Table 2.1 -Change in Board Evaluation Practice between 2022 and 2023



2.2 Improvement in 2023 disclosures is visible with the increase in Three-Star Rated Companies from 14 to 16 and Four-Star Rated Companies from 3 to 5 compared to 2021. Five-Star Rated Companies too saw an increase from 9 to 10.

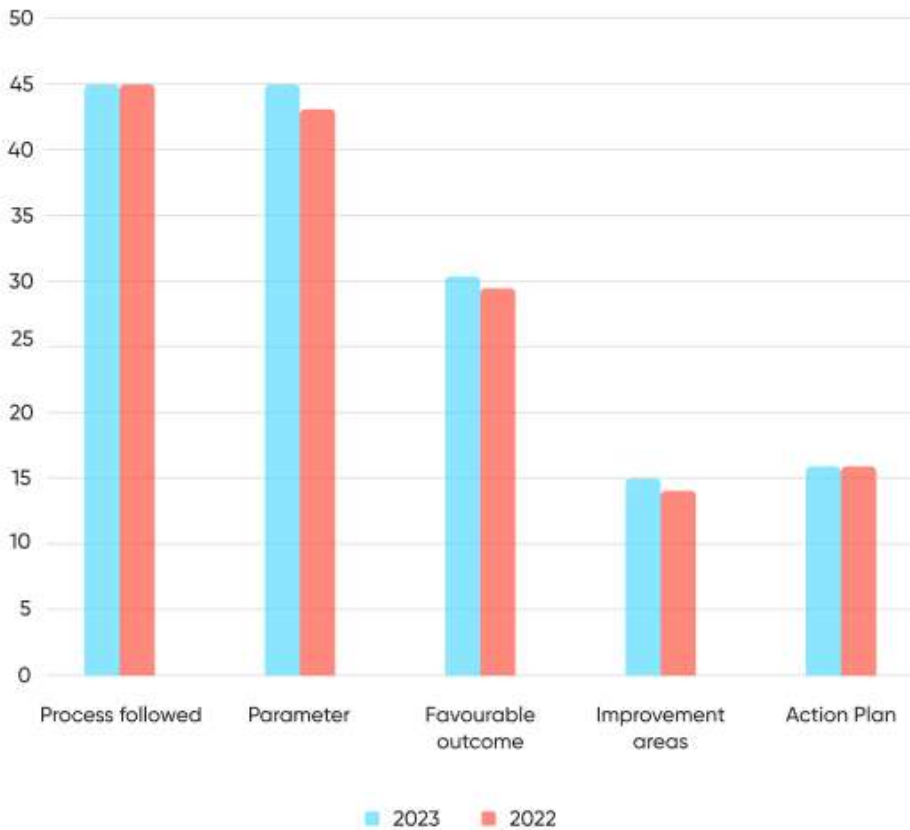
Board Evaluation Rating based on Disclosures made by Nifty 50 Companies



2.3 Rating parameters displayed in Graph 2.3, indicate improvement in disclosures across all the five parameters, with the increase being shown in Criteria considered, Favourable outcome and Improvement areas. The process followed for the Board Evaluation has been penned down by each of the 45 Companies.

Table 2.3 -Change in Parameters Disclosed in Corporate Board Evaluation Practice between 2022 and 2023

Board Evaluation Parameters Disclosed by Nifty 50 Companies



3. Extracts of Exemplary Disclosures on Corporate Board Evaluation Practices

A. The objective of Corporate Board Evaluation

Capturing the primary need for Corporate Board Evaluations by going beyond the mandate for undertaking board evaluations.

The purpose of the Board evaluation is to achieve persistent and consistent improvement in the company's governance at the Board level, with the participation of all concerned in an environment of harmony. The Board acknowledges its intention to establish and follow "best practices" in Board governance to fulfil its fiduciary obligation to the Company. The Board believes the evaluation will lead to a closer working relationship among Board members, greater efficiency in using the Board's time, and increased effectiveness of the Board as a governing body.

Annual Report 2023, JSW Steel Limited

The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as to fulfil expectations of other stakeholders through strategic supervision of your Company; such parameters include securing alignment of your Company's goals with the nation's economic, ecological and social priorities, ensuring that your Company has a clearly defined strategic direction for realisation of its vision, and supporting your Company's management to meet challenges arising from the operating & policy environment in the country.

Annual Report 2023, ITC Limited

B. Process Followed:

Detailed description of the process followed in the Board Evaluation process.

To improve the effectiveness of the Board and its committees, as well as that of each individual director, a formal and rigorous Board review is internally undertaken on an annual basis. The Board had engaged Egon Zehnder, a leadership advisory firm on board matters, to conduct the Board evaluation for fiscal 2023. The evaluation process focused on Board dynamics, softer aspects, committee effectiveness and information flow to the Board or its committees, among other matters.

The methodology included various techniques such as questionnaires, one-on-one discussions, etc.

Annual Report 2023, Infosys Limited

The Chairman of the Board had one-on-one meetings with the Independent Directors, and the Chairman of NRC had one-on-one meetings with the Executive and Non-Executive, Non-Independent Directors. These meetings were intended to obtain Directors' inputs on the effectiveness of the Board/Committee processes. The Board and the NRC reviewed the performance of individual Directors based on criteria such as the contribution of the individual Director to the Board and Committee Meetings, such as preparedness on the issues to be discussed, meaningful and constructive contributions, inputs in meetings, etc. In a separate meeting of independent directors, the performance of Non-Independent Directors and the Board as a whole was evaluated. Additionally, they also evaluated the Chairman of the Board, taking into account the views of Executive and Non-Executive Directors in the aforesaid Meeting. The Board also assessed the quality, quantity, and timeliness of the flow of information between the Company Management and the Board, which is necessary for the Board to effectively and reasonably perform its duties.

Annual Report 2023, Tata Motors Limited

C. Criteria used in Board Evaluation

Online questionnaires were deployed for evaluation of the following parameters:

- Board evaluation covering governance, strategic planning, audit and compliance, risk identification and management, human resources, the board's relationship with executive management, customer grievance/protection, financial inclusion, Board functioning and induction, and professional development.
- Evaluation of every committee's composition, terms of reference, fulfilment of assigned functions, regularity of meetings and attendance, appropriateness of agenda and timely circulation of same, value addition to the bank, effective steering by the chairperson of committees, and timely reporting to the Board.
- Flow of information, including regularity & agenda of meetings and timeliness & adequacy of preparatory information.
- Chairperson effectiveness covering open-mindedness, decisiveness, professionalism,

courtesy extended to other members and ability to steer the meetings and discussions, impartiality, encouraging dissent, facilitating consensus building, knowledge of the industry complexity, and surfacing issues of strategic importance.

- Individual director's effectiveness covering knowledge and expertise, active participation and contribution during meetings, regularity and punctuality in attending meetings, preparation for meetings and keeping oneself abreast of matters, collaborative relationship with other directors, openness to others' input and acceptance of constructive feedback, uninhibited participation in meetings and willingness to bring forth their insights and integrity.

Annual Report 2023, Axis Bank Limited

The Board, board committees, and individual directors were evaluated based on the approved criteria. The Chairman, the Executive Vice-Chairperson, and the Managing Director were evaluated on additional criteria. The key performance evaluation criteria were as follows:

Board – Structure, composition and quality, board meetings schedule, agenda and collateral, board meeting practices, overall board effectiveness.

Board Committees: Composition and diversity, leadership of the Chair, meeting frequency and duration, clear delegation of responsibilities and decisions, contribution to the Board, annual assessment of committee performance, etc.

Individual directors – Time devotion, participation and contribution, attendance, engagement with fellow board members, KMPs and senior management, etc.

Independent directors – Independence from the Company, independent decision-making, contributing strongly and objectively to the Board deliberations based on their external expertise, etc.

Chairman – Effective leadership, moderatorship and conduct of impartial discussions, seeking participation from board members and promoting a positive image of the Company.

Executive Vice-Chairperson – Effective management and communication with the shareholders, Board, management, employees and other external stakeholders; effectiveness in leading the Board in developing and delivering the Company's

strategy and business plans; Ease of raising issues by the Board members by promoting constructive debate and effective decision making at the board meetings.

MD & GCEO – MD & GCEO was additionally evaluated against the Key Performance Indicators approved at the beginning of the financial year, which, inter alia, included annual, long-term, short-term, as well as financial and non-financial parameters. The financial parameters included targets on revenue, EBITDA, ROCE, COPE target, etc., while the non-financial parameters covered innovation and new business building, new market development and future growth engines, organisation and leadership development, compliance and ESG, etc. The Board and the NRC periodically reviewed the performance of the MD & GCEO against the approved scorecard.

Annual Report 2023, Cipla Limited.

D. Disclosure of Favourable Findings of Board Evaluation

The results of the evaluation showed a high level of commitment and Engagement of the Board, its various Committees and Senior leadership. As part of the outcome of the Performance Evaluation exercise, it was noted that the Board is Independent, operates at a high level of Governance Standards and is committed to creating value for all stakeholders. It was also noted that the board meetings are well-planned and run effectively by the Chair. Its committees are managed well and continue to perform in their respective focus areas of governance and internal controls.

Annual Report 2023, Mahindra and Mahindra Limited

It was observed that the Board, as a whole, is performing as a highly effective and cohesive body. It was also observed that the Board's Committees are functioning effectively in accordance with their defined charters/ terms of reference. The evaluation process also confirmed the high governance standards being set by the Board and the constructive relationship between the Board and the Management. The Board was also appreciative of management's efforts to gain market share in the Centres of Excellence through various initiatives despite a very challenging environment and to take concrete steps in sustainability initiatives. Progress on the recommendations from last year's evaluation was also discussed and reviewed. During the period under review, as a result of the previous evaluation's results, it was noted that the Board engaged more with the Company's leadership team and received

more frequent updates/discussions on the emerging business landscape.

Annual Report 2023, Apollo Hospitals Enterprise Limited

For the year under review, as an outcome of the performance evaluation exercise, it was noted that:

- The Board is independent and takes its role of governance very seriously;
- The Board is committed to creating value for all stakeholders;
- The Board Meetings are well-planned and run effectively by the Chair
- The board's Committees are well-functioning and well-managed. They make meaningful contributions, especially the CSR Committee, which has helped the Company set a benchmark for CSR activities amongst its peers.
- The contributions made by the Audit Committee stood out, with special praise and recognition of the role played by the Chairperson of the Audit Committee.

Annual Report, 2023, Hindustan Unilever Limited

E. Improvement Areas Disclosures

Five observations emanated from the Board performance evaluation for fiscal 2023, detailed as follows:

- Closer focus on and smooth transition of the Board Chair.
- Further improve Board agenda & information management.
- Continue to lay thrust on further improving the institutionalisation of compliance practices.
- Closer focus on customer service & complaints.
- Oversight on Citi businesses' integration.

Annual Report 2023, Axis Bank Limited

F. Disclosure of Action Plan for Addressing Deficiencies

Progress on recommendations from last year's performance evaluation was also discussed/ reviewed. The Board continued to have deep engagement with management on key strategic matters, including 5G implementation and progress, overall talent management strategy and the dynamic industry landscape. This served two objectives:

- Allow the business leaders to interact with the board and seek its guidance
- Enabling the board to gauge the depth of business leadership. During the year, the Board/ ESG Committee continued to have an enhanced oversight of the Company's ESG journey, key interventions, improvements in ESG ratings and plans ahead.

Based on the inputs received, action plans are drawn up in consultation with the Directors to encourage greater participation and deliberations at the meetings and to bring their experience and guidance to improve your Company's performance further.

Annual Report 2023, Grasim Industries Limited

G. Disclosure of Progress Against Earlier Year's Action Plan

It was also noted that the Company, during the year under review, conducted a session on EV familiarisation with the Board, highlighting the Company's Strategy and Approach and an Exclusive Strategy and Technology Meeting with the Board Members to apprise and seek feedback from the Board on future initiatives in these areas. Based on the evaluation of the year under review, the Board has agreed to maintain high standards of governance, visibility, and interaction in the coming years.

Annual Report 2023, Grasim Industries Limited

The Board also noted that while there has been a positive development in the areas of focus identified in the previous year's evaluation, efforts need to continue in that direction. The appropriate feedback was conveyed to the Board members and other concerned stakeholders for suitable action.

Annual Report 2023, HDFC Bank Limited

H. The rationale for using external consultants

As a step towards better governance practice, APSEZ conducts a third-party evaluation of Board performance once every year. For the financial year that ended 31st March 2023, the Board engaged Talentonic HR Solutions to facilitate Board evaluation. The evaluation process focused on Board dynamics and softer aspects and involved independent discussions with all Board members.

Annual Report 2023, Adani Ports and Special Economic Zone Limited

To quote one company, 'To continuously improve corporate governance, a reputed external consulting organisation assisted the Bank in laying down parameters for Performance evaluation of Directors, Chairman, Board Level Committees and Central Board as a whole, and also facilitated the performance evaluation process.'

Annual Report 2023, State Bank of India

I. The rationale for using technology to facilitate Board Evaluation

Based on the said criteria, a questionnaire-cum-rating sheet was deployed using an IT platform to seek confidential feedback from the directors regarding the performance of the board, its committees, the chairperson, and individual directors.

Annual Report 2023, Bajaj Auto Limited, Bajaj Finance Limited and Bajaj Finserv Limited

4. Top 5 Learnings from the Corporate Board Evaluation Practices 2023 Study

1. Continued progress in 2023 disclosures over 2022

Measured both quantitatively and qualitatively, Nifty 50 companies have made significant progress from 2022 to 2023.

- The number of parameters reported by the companies increased from 146 to 153, i.e., 4.79%
- 9 companies (18%) improved their overall level of disclosures.
- The number of companies with Five-Star Disclosures remained the same at 10, similar to the previous year, indicating consistency in the disclosures made.
- Disclosure w.r.t. criteria considered saw an increase from 43 to 45 companies, for favourable outcomes, it increased from 28 to 31 companies and for improvement areas identified, it increased from 13 to 15 companies.

2. Focus on improved Corporate Governance:

- The foundational pillars of corporate governance serve as a crucial element in the functioning of business. In this year's evaluation, focus on corporate governance was identified as a part of the procedure and companies included the same in their disclosures.
- 6 companies considered corporate governance as a criterion for the evaluation process.
- 4 companies indicated that Board Evaluation was part of their corporate governance framework.
- To quote a Company, "We believe that Annual Board Evaluation is a key pillar of our Corporate Governance framework. The Board firmly believes that an effective Board Evaluation helps in delivering greater value to the Company and all its stakeholders."

This involves a comprehensive and transparent assessment, providing candid feedback and constructively using the outcome of the evaluation process to continuously enhance the overall effectiveness of the Board and optimise the individual strengths of the Board members.*

3. Focus on Actionable findings in Corporate Board Evaluation

The objective of Corporate Board Evaluation is to identify areas for improvement and prepare and implement an action plan to address them.

- 17 companies, or more than a quarter of the population, have disclosed improvement areas identified through the Corporate Board Evaluation Process and their intent to implement an action plan to redress the improvement areas identified. In many cases, the areas for improvement are not disclosed.

4. External Consultants Enhance the Effectiveness of Corporate Board Evaluation

Corporate Board Evaluation requires time, effort, access to a database of information, and the definition of practices for effective benchmarking. Considering the apex position of the board and the potential for enhancing board effectiveness, the use of external consultants is a positive trend that has helped companies fare significantly better in Board evaluation disclosures.

- 14 companies or 28% of the population analysed, used external consultants for corporate board evaluation, compared to 11 companies last year, indicating increased reliance on external consultants for effective evaluation.

- Of the 10 Companies that received 5-star ratings, 6 (60%) conducted their Board evaluations through an external consultant.

- Three of these companies also used online tools, thereby extracting the maximum advantage of both methodologies.

5. Technology Used for Equitable and Fair Corporate Board Evaluation

- The use of automated survey tools that provide anonymity to the respondents is a critical element in ensuring free and fair responses. The improvement areas so identified can significantly enhance board effectiveness and promote good governance. Technology can be leveraged to automate the entire process, starting from the circulation of the survey questionnaires to final reports that can be directly presented to the Board for its consideration while maintaining the anonymity of responses.
- Two of the ten companies that received a 5-star rating disclosed using technology to facilitate the Board Evaluation Process.

6. Indian mandate requires a minimum of eight to ten evaluations every year, consisting of the Board, five mandated committees, the Chairperson, and a minimum of three independent directors. Considering the effort required, spreading out the calendar for board evaluation over two meetings during the year: one for the board and subcommittees and the second for the chairperson and directors would significantly enhance the board's effectiveness.

5. Clear's Model Disclosures for Indian Corporates on Corporate Board Evaluation

Objective

The disclosure should start with the Objective, which should contain a statement on the intrinsic value derived by the company from the Board Evaluation process and how it aids the company in assessing the effectiveness and efficiency of the Board and its directors. The objective should also contain a statement that all the legal requirements are complied with.

Annual Board Evaluation is a key element of our corporate governance process that targets areas for improvement to enhance the Board and Sub-committee's effectiveness and efficiency and provide constructive feedback to the Chairperson and board members.

Our Corporate Board Evaluation policy and practice also comply with all the mandatory requirements of the Companies Act, 2013 and the SEBI's LODR, 2015.

We measure the effectiveness of our Annual Board Evaluation by identifying areas of focus for improvement and developing time-bound and actionable plans for implementing improvements identified.

Process

The process should contain the sequence of events that formed part of the Board Evaluation process for the year, along with the evaluation methodology, dates when the scheduled meetings were held, and a brief gist of the proceeding.

The Nomination & Remuneration Committee of the Board met on dd-mm-yyyy to define and recommend the criteria to be used for the year in the evaluation of the Board, its sub-committees, the Chairperson and the directors based on the Corporate Board Evaluation Policy approved by the Board on dd-mm-yyyy. The committee, in its meeting, also recommended the following:

- Calendar for board evaluation*
- The software will be used for the evaluation*
- The external consultant will facilitate the exercise.*

The Board, in its meeting held on dd-mm-yyyy, accepted the recommendation of the NRC committee and initiated the board evaluation exercise, which was carried out between dd-mm and dd-mm.

During the process, the Independent Directors evaluated the Chairperson and Executive Directors in their meeting held on dd-mm-yyyy, based on the criteria recommended by NRC.

<External Consultant>, appointed to facilitate Board Evaluation, summarised the findings of the exercise and provided additional details and context where required for constructive deliberation.

<Software> was used to administer the questionnaire that provided end-to-end automation, which is essential for obtaining frank feedback from the Directors and maintaining confidentiality & transparency of the process.

The Board of Directors received the report of the Corporate Board Evaluation and deliberated on the findings in their meeting held on dd-mm-yyyy. Subsequent to the discussion, the Board approved the findings of the evaluation exercise to be disclosed in the Board's Report.

Criteria

The critical parameters used in the Board Evaluation Process should be tabulated under each distinct segment of evaluation, with emphasis on new criteria added or removed during the year.

Criteria considered in Board Evaluation for the year

S no.	Key Criteria used for Board Evaluation (sample)
A	For evaluation of the Board of Directors <ol style="list-style-type: none"> 1. Size and Structure of Board 2. Quality of discussions 3. Leadership 4. Feedback/guidance and other relevant parameters
B	For evaluation of Sub-committees <ol style="list-style-type: none"> 1. Composition 2. Terms of Reference 3. Regularity of meetings 4. Value addition to the Board and other relevant parameters
C	For evaluation of Individual Directors and Chairpersons <ol style="list-style-type: none"> 1. Participation 2. Involvement/Participation 3. Regularity 4. Industry Knowledge and other relevant parameters
D	For evaluation of Independent Directors <ol style="list-style-type: none"> 1. Maintenance of independence/Objective Judgement 2. Forerunner for Corporate Governance

3. Adherence to the Code of Conduct and other relevant parameters

E For evaluation of Executive Directors

1. Based on contribution to business strategy and Organisational growth.
2. Showcasing of Leadership skills.
3. Managing relationships with all stakeholders and other relevant parameters.

Reassurance

Performance that was found to be optimal or that fulfilled the criteria laid down during the Board Evaluation process could be listed under each of the distinct segments evaluated, i.e., the Board, Subcommittees, Chairperson, and Directors. The details need not be specific; they could be generic, such as where the evaluation pertains to individuals without referring to the person concerned.

The Board Evaluation exercise provided reassurance on many aspects of the board process, like

1. Active participation
2. Effective leadership
3. Proactive risk management
4. Transparency

Focus Areas Identified

The primary objective of Board Evaluation is to identify areas for improvement. Hence, this is a critical aspect of disclosure as it not only discloses the effectiveness of the process but also communicates the company's transparency culture, as endorsed by the Board.

The Board approved the findings of the evaluation exercise to be disclosed in the Board's Report, including the findings of the exercise, the action plan for its implementation and the implementation status for the previous year's plan. The exercise identified <number> issues for improvements to enhance the effectiveness of the Board and its sub-committees:

Action Plan for Implementation

Areas identified for improvement should be addressed with a time-bound action plan covering the nature of the action and the calendar for its implementation.

The Board has identified the following actions for improvement, and the timeline for implementation is listed in the table given below:

S no.	Plan of Action	Timeline for Implementation
1	To expedite the timeline for completion of the familiarisation programme for Independent Directors	Within 1 month of induction
2	To facilitate the interaction of Directors with group heads	Planned on a half-yearly basis

Status Report on Previous Year's Action Plan

A brief statement on the status of the action plan identified in the previous year's evaluation for implementation.

All the findings from the previous Board Evaluation, which included <mention the actions identified> were implemented during the year to the satisfaction of the Board/Committee.

Or

The findings from the previous Board Evaluation, which included <mention the actions identified> were implemented during the year to the satisfaction of the Board/Committee. Further, <mention actions identified> are carried forward to the current year as these have a longer implementation period and are being implemented in a phased manner.

6. Clear's Five Cardinal Principles for Effective Board Evaluation

1. Brief Board Evaluation Questionnaires

Short and focused questionnaires with not more than 10-12 questions covering criteria identified in the Board Evaluation Policy will contribute to an effective Board Evaluation. Among the questions, it is important to have two to three open-ended questions to elicit constructive responses for improvement without casting aspersions on the current process. It could cover aspects viz.,

- What new practices can be introduced?
- What are the current practices that can be discontinued?
- What are the areas of improvement in the functioning of the Board? and
- What new global trends in Board processes could be considered for adoption going forward?

2. Quantifiable answers for summing up the responses

Most of the questions should have multiple choice answers that can be quantified, to sum up the responses for identifying actionable. For instance, the choices could be

- Always evident, Evident on Most occasions, Evident on Few Occasions, Not Evident
- Trusted by all stakeholders, trusted by all major stakeholders, trusted by few stakeholders, trusted by none.

3. Assuring anonymity of responses for getting critical feedback

The use of online survey tools that provide anonymity of response is critical in receiving a free and fair response. Automated report generation without any human intervention is the key to ensuring anonymity, as often a set of responses may give away the identity of the respondent to the insider who has access to the responses.

4. Engagement of specialists to facilitate Board Evaluation

Like a pinch of salt that enhances the taste of even the most royal cuisine, a fruitful Board Evaluation can enhance the effectiveness of Board processes, thereby creating significant shareholder value. To get the most out of this process, engaging specialists with broad exposure to varied boardroom practices and performance benchmarks is critical.

5. Allocating adequate time for identifying criteria and analysing results of the Board Evaluation

Minimising the time spent on preparation and circulation of the survey and reporting would maximise the time spent on deliberating the findings and formulating action plans for improvement areas identified, thereby optimising the Board's efficiency. As a thumb rule, for optimal results, at least 25% of the time spent on criteria and process selection and more than 50% of the time spent on deliberating the results of Board Evaluation is desirable.

Annexure-1: Evolution of Corporate Board Evaluation Practices-Significant Milestones

1992 - Voluntary practice by Campbell Soup Co., -

In a bid to ward-off hostile takeover threats, Campbell Soup Co., voluntarily adopts the 'Code of Corporate Governance' which includes board evaluation. Based on Board Evaluation conducted, company reports areas for improvement (spend longer time for long-term strategic plans, some directors to speak up in meetings and upgrade in quality of Company Reports) along with an Action Plan to implement it. This practice was identified by the **Business Week** in their November 25, 1996 issue as an innovative practice in their article on 'The Best and Worst Boards'

1995-Comply or explain provision by Toronto Stock Exchange, Canada

Failure of Canadian Life Insurance companies in early 1990s led to the appointment of Dey Commission, which submitted a Report, titled 'Where were the Directors?' The report recommended a 14-point corporate governance practice to prevent such occurrences. The 5th practice recommended by the committee was 'Assessing the effectiveness of the Board, its committees and individual directors.'

1998-Acceptance in the UK, Hampel Report on Corporate Governance in the UK

Hampel Report advocated the practice of Board Evaluation which was accepted in the Combined Code of Corporate Governance, 2003

2001-Acceptance in the USA, National Association of Corporate Directors (NACD)

Report of the NACD Blue Ribbon Commission on Board Evaluation for improving Directors Effectiveness recommended Board Evaluation for listed entities in the USA

2003–Acceptance in India SEBI Report on Corporate Governance

The committee recommended evaluation of non-executive directors as a non-mandatory reporting requirement.

2014–15 Mandate in India by The Companies Act, 2013 for Large companies and SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 for listed companies

Like most other governance and disclosure practices, Corporate Board Evaluation too has followed the path of voluntary adoption by a few companies who understood its benefits and were acclaimed, leading to regulators recommending it for adoption by larger group of companies. Initially the regulators adopted the 'Comply or Explain' mode before finally mandating it for all entities under their regulatory ambit.

Annexure 2: Regulatory Provisions on Board Evaluation

A. Relevant Sections of the Companies Act 2013 are:

Section 134 (3) (p) read with Rule 8 (4) of Companies (Accounts) Rules 2014 in case of a listed company and every other public company having such paid-up capital as may be prescribed (Rs.25 crores or more), a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and individual directors in the Board's Report shall be laid down before the company in a general meeting.

Section 178 (2) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

SCHEDULE IV: CODE FOR INDEPENDENT DIRECTORS

II (2): The Independent Directors shall bring an objective view in evaluating the performance of the board and management.

V. The re-appointment of an independent director shall be based on the report of performance evaluation.

VII. Separate meetings:

1. The independent directors of the company shall hold at least one meeting in a financial year without the attendance of non-independent directors and members of management;
2. All the independent directors of the company shall strive to be present at such meeting;
3. The meeting shall:
 - Review the performance of non-independent directors and the Board as a whole;
 - Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - Assess the quality, quantity, and timeliness of information flow between company management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

VIII. Evaluation mechanism:

1. The entire Board of Directors, excluding the director being evaluated, shall perform the performance evaluation of independent directors.
2. Based on the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

B. Relevant Regulations of the SEBI (LODR) Regulations, 2015 for Equity Listed Companies:

Regulation 4(2)(f)(ii)(9) Monitoring and reviewing the board of director's evaluation framework.

Regulation 17 (10) The evaluation of independent directors shall be made by the entire board of directors, which shall include –

- Performance of the directors, and
- Fulfilment of the independence criteria as specified in these regulations and their independence from the management:

Provided that the directors who are subject to evaluation are included in the above evaluation, they shall not participate.

Regulation 25(3): The independent directors of the listed entity shall hold at least one meeting in a financial year without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.

Regulation 25(4): The independent directors in the meeting referred to in sub-regulation (3) shall, inter alia –

- Review the performance of non-independent directors and the board of directors as a whole;
- Review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;
- Assess the quality, quantity, and timeliness of the flow of information between the management of the listed entity and the board of directors, which is necessary for the board of directors to effectively and reasonably perform their duties.

Regulation 19 Schedule II Part-D, Role of Nominations and Remunerations Committee

- Formulation of criteria for evaluation of the performance of independent directors and the board of directors;
- Identify persons who are qualified to become directors and who may be appointed to senior management in accordance with the criteria laid down, and recommend their appointment and removal to the board of directors.
- Whether to extend or continue the term of appointment of the independent director based on the report of performance evaluation of independent directors.

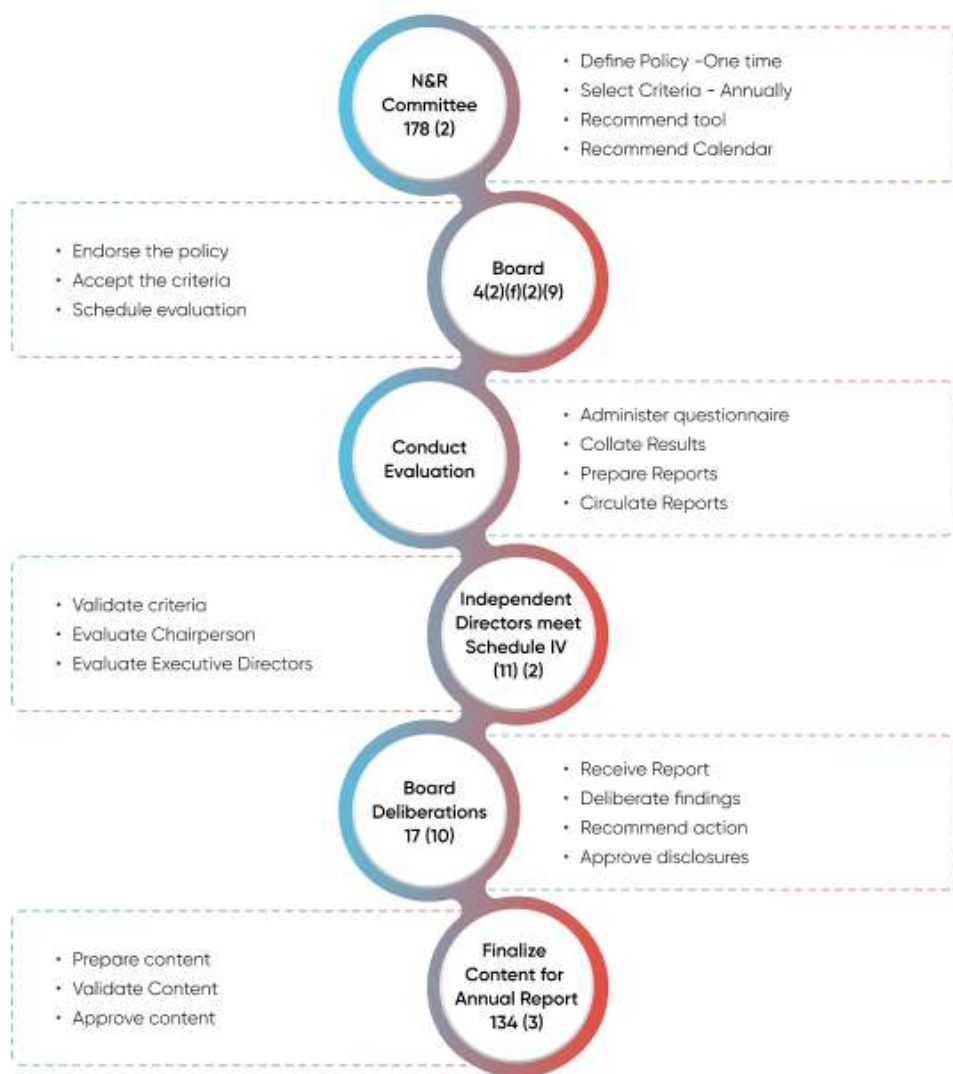
Regulation 34 Schedule V Part C Corporate Governance Report

- Performance evaluation criteria for independent directors.

Annexure 3: Process flow of Board Evaluation as Envisaged in the Companies Act, 2013

The regulatory provisions outlined in the earlier section translate to the process flow as described here.

Picture 1: Corporate Board Evaluation Process –Flow Chart



1. The Board's Nomination and Remuneration Committee will define and recommend the Corporate Board Evaluation Policy, evaluation criteria, and tools for conducting it, as well as propose an evaluation calendar.

2. The Board of Directors is to approve the Corporate Board Evaluation Policy and the criteria with or without changes recommended by the N&R Committee and initiate the evaluation process.

3. The identified directors, external evaluators or the company executive to prepare accordingly for the approved board evaluation,

4. Independent Directors will be present in their meeting to evaluate the performance of the Chairperson and Executive Directors vis-à-vis the criteria.

5. The Board of Directors is to receive the Corporate Board Evaluation Report, deliberate upon its findings, decide on the Action Plan and approve the disclosures to be made in the Annual Report.

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