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EXPERIENCE THE NEW

CORPORATE GOVERNANCE SCORES 2018

THE GOOD GET BETTER

INSTITUTIONAL INVESTOR ADVISORY SERVICES

Technical Partner

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February 2019

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ACKNOWLEDGEMENT.

Welcome to this third 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. This, provides investors, regulators and stakeholders key information to help them in their decisions with regards to such companies.

We started this journey in India, with the first scorecard issued in December 2016. This announced the scores of 30 companies. In the second edition, 100 companies were scored, and in this 2018 edition, 150 companies have been scored. This year, IPO companies have been scored for the first time.

This report, and the entire three-year effort of the Indian Corporate Governance Scorecard, reflects the collective commitment of IFC, BSE and IiAS, and the Government of Japan towards the advocacy of good governance practices in Indian markets. Our entire effort is an outcome of the contributions and support of several individuals:

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I also take this opportunity to thank the several companies that have undertaken this exercise over the past 18 months, and the institutional investors that have begun factoring this assessment as one of their portfolio monitors.

A lot of dynamic changes have been set in motion since the scorecard was first launched in 2016; I expect India to continue this journey.

Vladislava Ryabota
Regional Corporate Governance Lead, South Asia
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INTRODUCTION.

Last year, we presented an assessment of the BSE 100 constituents (earlier known as S&P BSE 100)[1]. This report has an expanded scope – we have evaluated 150 companies[2]: all the constituents of the BSE 100 index, and 50 recently listed companies (between April 2015 and March 2017). The BSE 100 companies aggregate about 67% of the total market capitalization of companies listed on BSE. To that extent, we believe the conclusions of our assessment are indicative of a broad market trend.

For India, 2018 was a year of triumphs and tribulations for market participations.

Given how tumultuous 2018 has been for corporate India, companies with strong corporate governance practices have been able to brace themselves well. Our study shows that "The Good Get Better" – with several companies increasing their scores and more companies entering the "Leadership" grade. The highest score in this assessment, at 76, is higher than that of last year. Our study also shows the potency of investor participation. While pitting the corporate scores of the large and established BSE 100 constituents with those of the 50 recently listed companies, the differences in scores can only be explained by greater institutionalization of shareholding and a more engaged set of investors leading to the establishment of appropriate processes and practices.

Corporate governance considerations have been at the centre of several events in India that have occurred over the past one year. The spiralling asset quality and losses on account of frauds in public sector banks raised questions on the strength of their processes and their overall governance structures. Private sector banks too came into limelight as the Reserve Bank of India played its own 'activist' role in not extending the tenure of two CEOs, pushing for sharper recognition of asset quality deteriorations, and censuring banks for not diluting their promoters' equity stake. The IL&FS meltdown was yet another concern – it was a systemically important non-banking finance company (NBFC-SI) that had defaulted on debt. Concerns over corporate governance appeared to be the central cause of the default, more so that the natural delays in executing infrastructure projects, which led The Ministry of Corporate Affairs to step in and change the entire board. Whistle-blowers played an important role and tested the preparedness of boards in addressing the onslaught of a discerning, well-gathered complaint. Two companies forming part of the BSE SENSEX[3] were tested with whistle-blower complaints that raised questions on the strength of oversight provided by their boards. All these events and more explain why even as the good have done better, the median scores for the cohort were lower.

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

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[1] *The index has been renamed to BSE 100 after the termination of the Operation, License and Distribution Agreement between BSE and S&P Dow Jones Indices LLC effective 31 December 2018.*

[2] *The assessment factors in developments till 31 December 2018*

[3] *The index has been renamed to BSE SENSEX after the termination of the Operation, License and Distribution Agreement between BSE and S&P Dow Jones Indices LLC effective 31 December 2018.*

This time, we scored recently listed companies (on BSE) that undertook Initial Public Offerings between April 2015 and March 2017 (IPO companies) on the Indian Corporate Governance Scorecard. The median scores across the board have been lower than for the BSE 100 companies. While this is the first such exercise, it validates a view that companies after listing have a more robust investor engagement program. With the passage of time we expect them to align their policies to what investors expect as well as those of their better-governed peers. Clearly, the market brings its own discipline.

In 2018, SEBI announced that it had accepted several recommendations of the Kotak Committee that was instituted in 2017. As a result, beginning April 2019, companies will have to make a few more changes to their board structures, company policies, and governance practices. For the most part, several of the Kotak Committee recommendations that have been made mandatory are aligned with the guiding principles adopted as part of this corporate governance scorecard assessment framework (please refer to Annexure E for more details).

Investors engagement has reached a new high for Indian companies. Mutual funds are taking a position on issues and voting their shares. Insurance companies, under the diktat of the Insurance Regulatory and Development Authority, are voting their shares too and are getting ready to have a structured engagement process with companies. The pension regulator too has asked its funds to vote and develop a stewardship code. At the same time, the Kotak Committee recommended that SEBI, being the dominant capital markets regulator, must create broad principles of engagement and create a standard stewardship code for all asset managers. While one could argue that there needs to be better cohesiveness in the approach, the overarching philosophy of all regulators is the same – that increased engagement by investors with their investee companies will create long term value.

SENSEX TRENDS.

The 30 constituents of the BSE SENSEX (SENSEX)[4] account for about 40% of total market capitalization. Even in this narrow set, the Good have got Better. The number of companies entering the "Leadership" category have increased year-on-year over the past three years, and the highest score was 76 against previous year's 73. Two companies, Housing Development Finance Corporation Limited (HDFC)[5] and Tata Motors Limited[6] have made significant strides since last year and now feature as entrants to our list of top 10 scores from the BSE 100 constituents. Median scores of SENSEX companies at 60 remained in the "Good" category, although they were lower than last year's 62. The median score for SENSEX was weighted down by banks, which make for 7 of its 30 constituents.

Exhibit 1: Scorecard categories

Bucket	Score Range
Leadership	>=70
Good	60 – 69
Fair	50 – 59
Basic	<50

Exhibit 2: Percentage of companies in each governance category

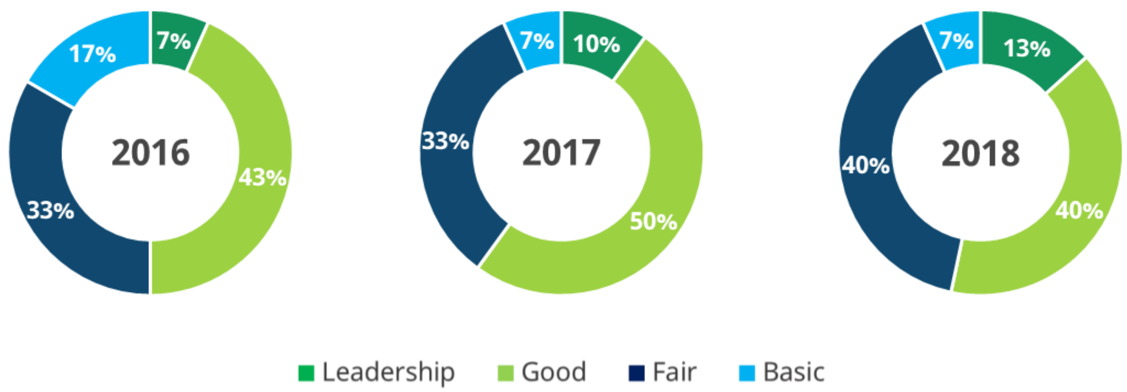
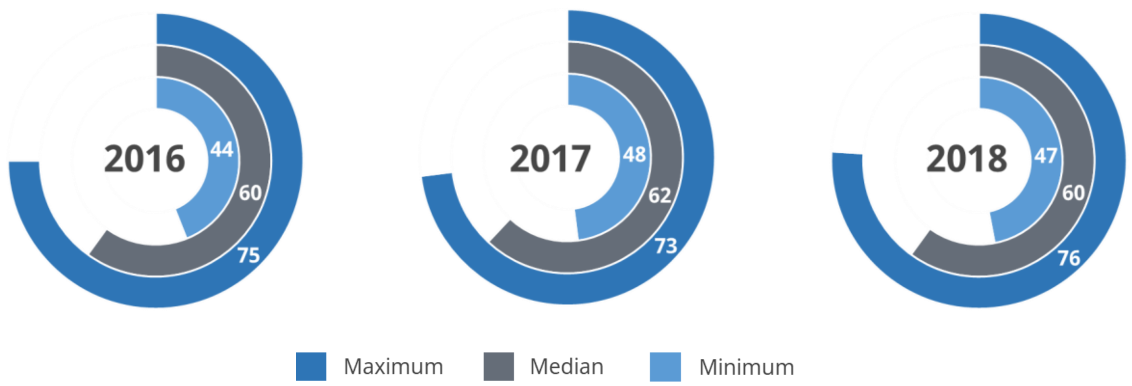


Exhibit 3: Median, maximum and minimum scores for SENSEX companies



[4] *On 30 September 2018*

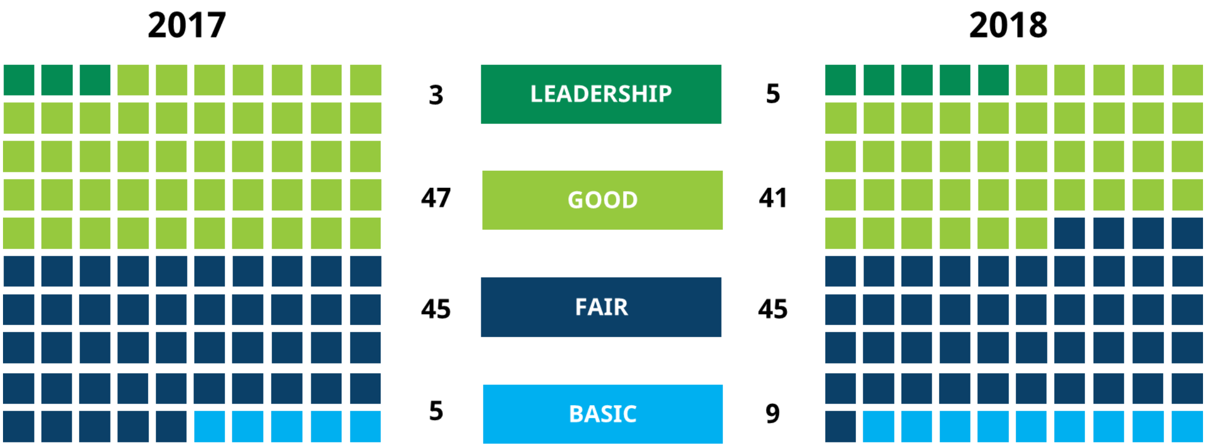
[5] *HDFC, through its subsidiary HDFC Investments Limited, is one of IiAS' shareholders.*

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

BSE 100 TRENDS.

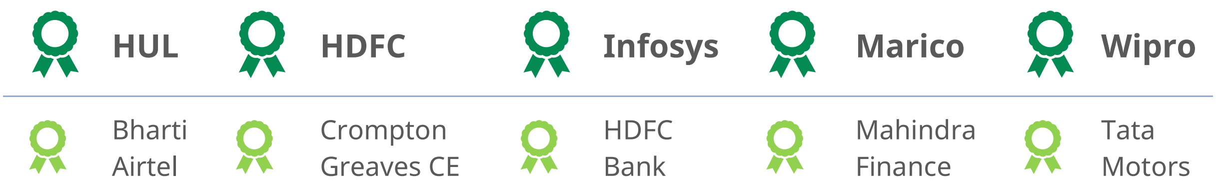
Given below are the results of the evaluation of BSE 100[7] companies on the Indian Corporate Governance Scorecard. Because these 100 companies comprise over 2/3rd of BSE's market capitalization, the results can be construed to reflect the overall state of governance of listed companies in India.

Exhibit 4: Distribution of governance scores for the BSE 100 companies



Of the BSE 100 companies, five companies were in the 'Leadership' category with a score of 70 and above (compared to three companies in 2017). The largest proportion of companies were in the 'Fair' category (45%), followed closely by those in the 'Good' category (41%). Nine companies had a score of less than 50, in the 'Basic' category (compared to five companies in 2017).

Exhibit 5: Companies with highest scores in BSE 100 (top 10, in alphabetical order, by grade)[5 6 8]



Infosys and Wipro, which were in the 'Leadership' category even in the earlier exercise, remained in this category. Two new entrants, HDFC and Tata Motors, made it into the top 10 list this time. Only seven companies in the list are part of the SENSEX[4], suggesting that size is not a necessary determinant of good corporate governance practices.

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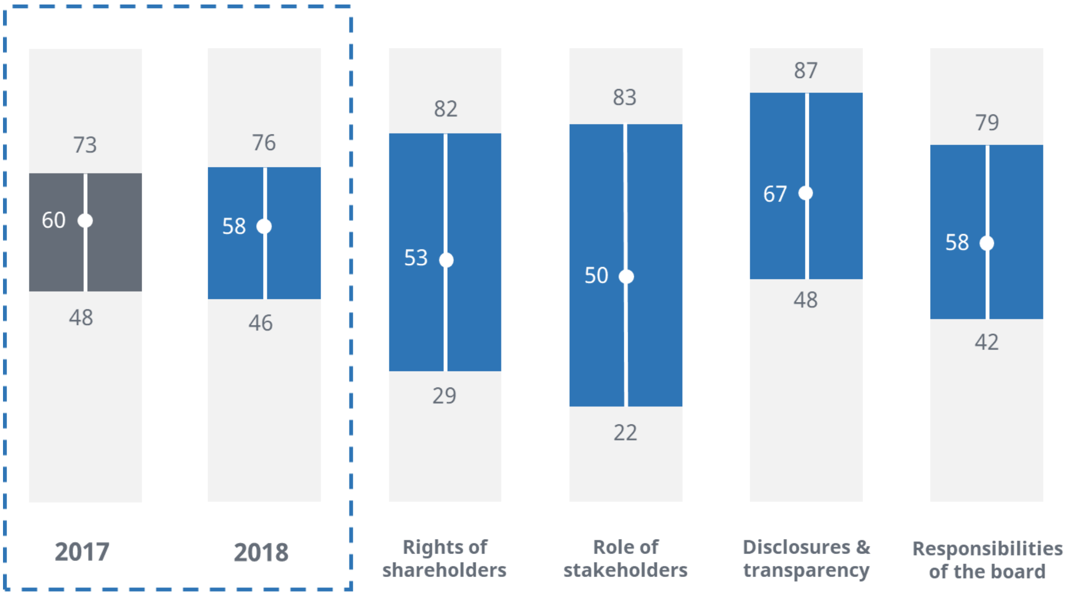
[7] *On 30 September 2018*

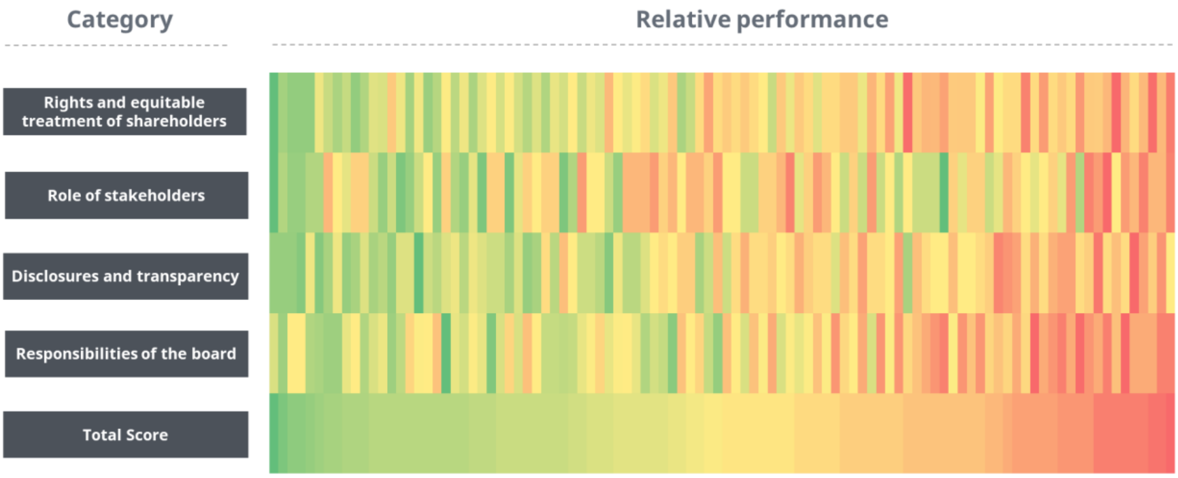
[8] *IiAS as a proxy advisor provides various services including voting advisory, publishing reports on corporate governance and related matters. These services are subscribed to by some of these companies, for which IiAS has received remuneration in the past twelve months.*

Exhibit 6: 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 2018 and on an overall basis for the past two years. The overall scores for the BSE 100 companies ranged between a maximum of 76 and a minimum of 46, with a median score of 58. The median score for the 100 companies has declined marginally from 60 in 2017. Like last year, the largest variance in scores was in the second category – 'Role of stakeholders' with scores ranging between 83 at the upper end and 22 at the lower. The highest category scores were observed in the 'Disclosures and transparency' category with the scores ranging between 87 and 48. The median score of 67 in this category was the highest among all categories.

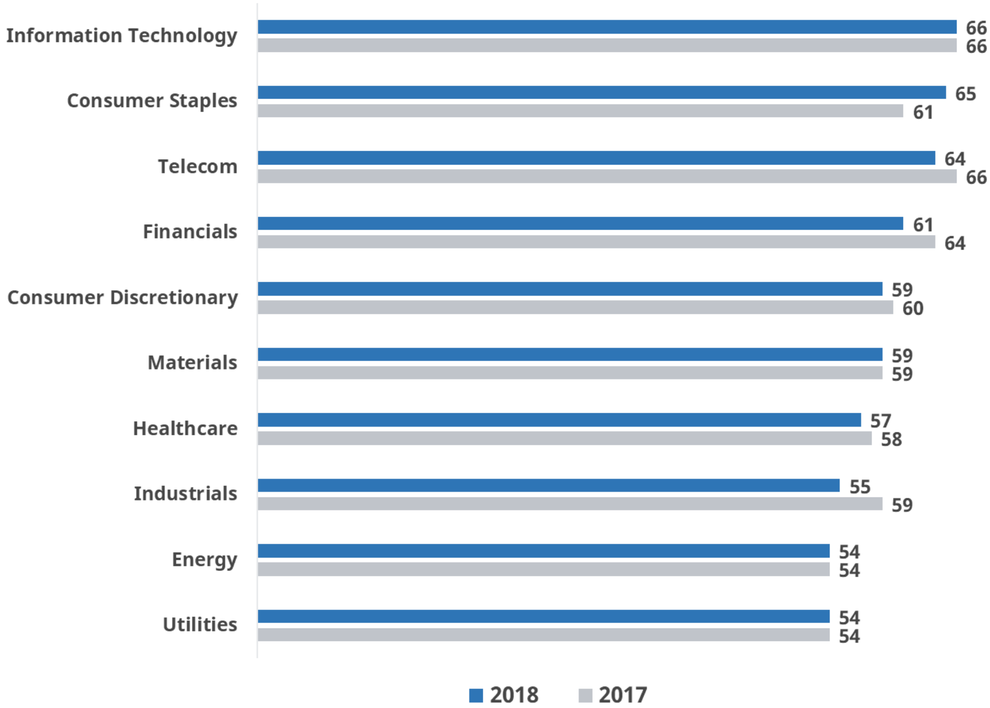
Exhibit 7: Heat map displaying relative performance of BSE 100 companies across categories



A key conclusion from the heat map is 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.

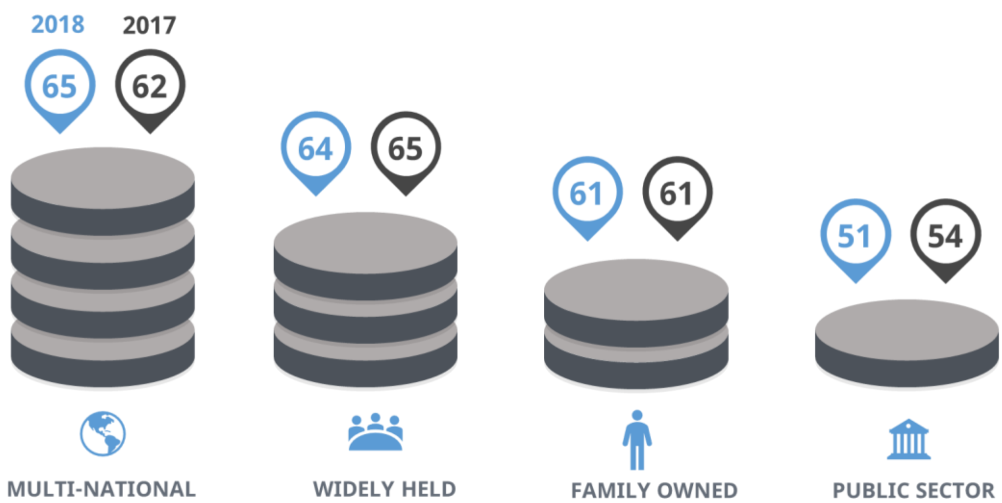
Companies in the services-focused sectors tend to have a better score than other companies in the index. Part of this may be attributed to stronger governance requirements demanded of them by their stakeholders. Despite the decline in scores of the banking sector, the median scores of companies in the financial services sector remain in the "Good" category (above 60).

Exhibit 8: Industry wise median scores for BSE 100 companies



In the BSE 100, institutionally owned and widely held companies tend to have better governance scores. PSUs continue to fare poorly. This year, the median score for PSUs decreased to 51 from 54 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 9: Ownership wise median scores for BSE 100 companies



IPO TRENDS.

This year, we evaluated 50 recently listed companies on BSE. These companies were chosen based on the time of their initial public offering: between April 2015 and March 2017 (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 two- or three-year track record of being listed is important.

Five 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 10: Distribution of governance scores for IPO companies

The study concludes that while IPO companies do not score as well as the BSE 100 companies, their scores are reasonable. Compared to the median score of 60 for the SENSEX companies, the median score for the IPO companies is at 55. A dominant reason for the median score trailing size is the institutionalization of shareholders and the active engagement of investors. Recently-listed companies may have institutional shareholders, but their engagement with investors is still nascent.

Exhibit 11: Comparison of median scores across indices

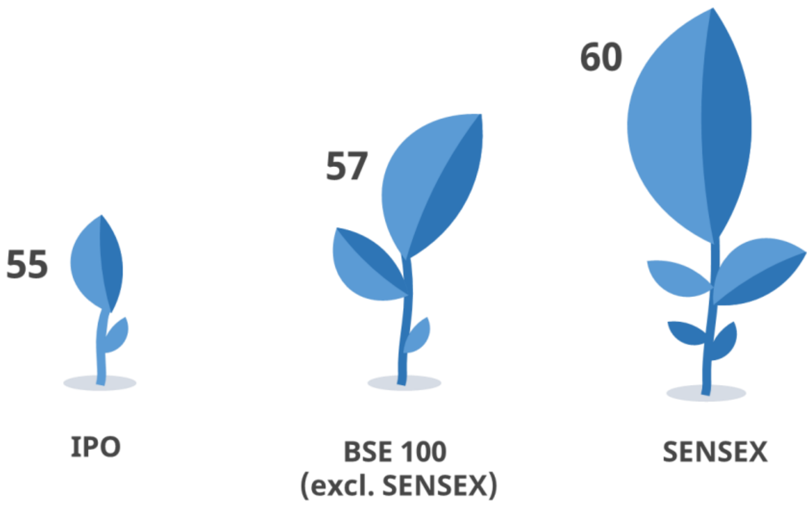
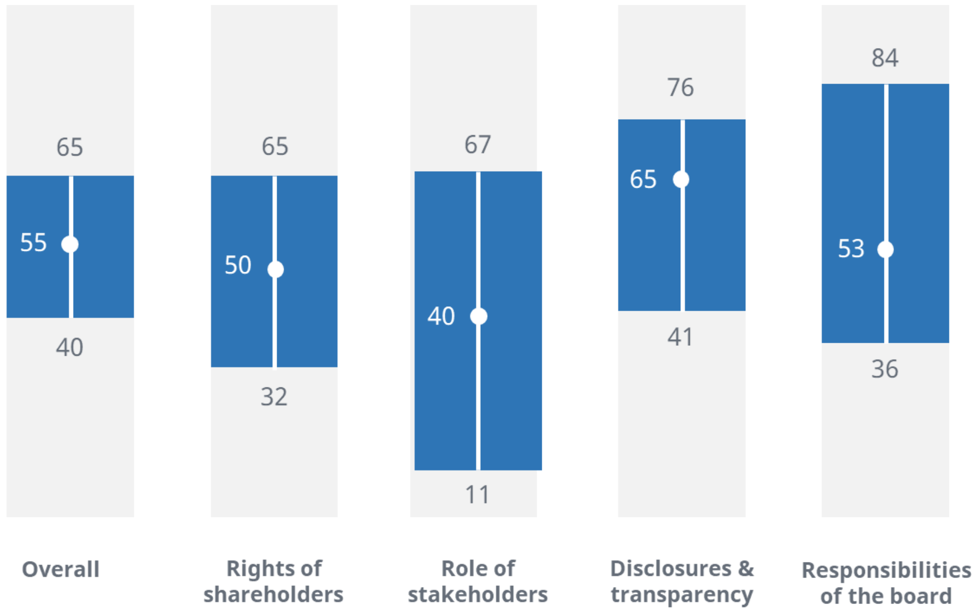


Exhibit 12: Companies with highest CG scores in IPO list (top 5 in alphabetical order)[8] [9]

- Avenue Supermarts
- Equitas
- ICICI Pru Life
- RBL Bank
- Ujjivan Financial

Even for the IPO companies, there was a large variation in the scores across categories. When compared to the BSE 100 companies, an area where the IPO companies tend to lag behind the most is in 'Category 2: Role of Stakeholders'. This is in line with expected results – IPO companies will continue to lag during their period of transition from a privately held entity to one with a large and diverse set of external and public stakeholders.

Exhibit 13: Category wise median, maximum and minimum scores for IPO companies



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

KEY THEMES.

A. BOARD EFFECTIVENESS

The board of directors is a key construct of a company's corporate governance framework. Directors have a fiduciary responsibility towards all stakeholders and are expected to act diligently in carrying out their stewardship responsibilities.

Given its supervisory role in driving the company's growth and strategic agenda, the board's ability to maintain an objective oversight on the company's actions is critical to the success of the corporate governance structure. One way of achieving that is by having a strong board composition with diversity across skills, and a strong oversight of the management with a non-executive Chairperson.

BSE 100	VS	IPO
Companies where at least one non-executive director has prior work experience in the industry		
89% ◄►		62%
Companies with at least one non-promoter woman director		
88% ▲		74%
Companies where Chairperson and CEO roles are separated		
57% ◄►		42%

▲ Improvement ▼ Deterioration ◄► No change

Diversity of skills is an important aspect of a strong board composition. Over the years, Indian companies have strived to get different expertise on their boards (legal, accounting, taxation, communications, marketing). While we recognize the impact of such skill diversity, Indian companies are yet to focus on having cyber security experts on their boards[10].

The other critical element of a good board composition is ensuring there are non-executive directors that understand the dominant industry in which the company operates. This allows the board to ask pertinent questions and dwell deeper into the company's strategy and rationale for taking decisions. The Wells Fargo scandal that occurred not too long ago was partly attributed to the lack of directors with adequate banking knowledge on the board. Indian companies too score reasonably well on this aspect with 89 of the BSE 100 companies having a non-executive board

[10] *Giving IT its due in the boardroom; Hiren Shah: https://www.iiasadvisory.com/single-post/Giving-IT-its-due-in-the-boardroom*

member that has the necessary industry experience. For IPO companies though, 17 of the 50 companies evaluated did not have a non-executive director with domain industry experience.

Another area of focus for corporate boards is gender diversity. Female representation brings in a different perspective, intuitiveness and a more collaborative style of leadership into boardrooms. That corporate India resorted to appointing promoter family members to fill the mandatory requirement of one woman director is a myth: 88 of the BSE 100 companies have at least one non-promoter woman director. Further, 37 of the 50 IPO companies had constituted a board with a non-promoter woman director.

SEBI has accepted the Kotak Committee recommendation that the top 100 promoter-run listed companies must appoint a non-executive Chairperson who is not related to the MD/CEO. Our analysis indicates that 57 companies in the BSE 100 and 21 IPO companies have separated Chairperson and CEO roles; however, in some instances, the Chairpersons and CEOs belonged to the same promoter group.

Another recommendation of the Kotak Committee was that directors must keep themselves abreast of changes in laws, regulations, relevant judicial or regulatory orders, and compliance requirements.

BSE 100	vs	IPO
Companies where all directors have attended training programs		
7% ▼		Nil

▲ Improvement ▼ Deterioration ◄► No change

Companies across the board fare poorly in this regard. Based on the 2018 disclosures, in 65 companies, trainings were imparted to independent directors. However, in only 7 of the BSE 100 companies, all directors (including executive and non-executive non-independent directors) attended training programs. Among the IPO companies, none of the companies disclosed the trainings, if any, attended by its executive and non-executive non-independent directors.

Director training must become a focus for listed companies. While companies remain hesitant in articulating (and / or disclosing) a formal training agenda for their board members, recent instances show that boards remain untested at times of crisis. They are either too quick to react, perhaps adding more complexity to an already burning issue, or they become silent and go into a huddle. Neither is optimal – boards need to control the narrative in times of crisis to build investor confidence.

In 2018, SEBI accepted the Kotak Committee’s recommendations on attendance of board meetings, requiring directors who have not attended at least half of the meetings scheduled over two years to be re-elected by shareholders[11]. Further, as a good governance practice, directors

[11] *SEBI has asked the Ministry of Corporate Affairs to make the required changes in the Companies Act 2013 to effect this change.*

must also attend all general meetings to give shareholders the opportunity to communicate with them directly. Their presence and availability during shareholder interactions fosters greater trust and enforces board accountability.

This year, we find that the boards of BSE 100 companies have improved their overall level of engagement. In 55 companies, all directors have more than 75% attendance over a three-year period. With easier access to remote-conferencing tools, we expect director participation to improve going forward. Further, in 16 companies this year, all directors attended the latest annual general meeting (AGM).

However, IPO companies are yet to catch up in this regard. In 35 of the 50 companies, few of the directors had less than 75% board meeting attendance. In only two company AGMs, all directors were present to answer shareholder queries.

BSE 100	VS	IPO

Companies where all directors have more than 75% attendance

BSE 100	IPO
55% ▲	30%

Companies where all directors attended last AGM

BSE 100	IPO
16% ▲	4%

▲ Improvement ▼ Deterioration ◄► No change

Succession planning for executives is critical to ensuring continuity of business. While the responsibility of succession planning rests primarily with the board, it must communicate the succession planning policy for the benefit of all stakeholders. However, disclosures on succession planning remain weak, with only 9 companies in the BSE 100 disclosing a meaningful succession planning policy. Of the IPO companies, only 3 disclosed a succession planning framework.

BSE 100	VS	IPO

Companies where the board has discussed succession planning

BSE 100	IPO
9% ▲	6%

▲ Improvement ▼ Deterioration ◄► No change

A November 2017 survey conducted by IiAS and IFC on CEO Succession Planning in India[12] showed that 92% of respondents said that they had discussed CEO succession planning at board meetings. However, only 65% of the respondents indicated that CEO succession planning was an on-going process. In several instances, CEO succession planning was discussed in the event of a CEO departure. On the other hand, there are several business groups that have drafted a family constitution. However, disclosures around this issue remain limited.

Board evaluation is the first step towards establishing a measure of performance and setting accountability. It can be used to review the collective expertise of the directors and identify skill-gaps based on changes in strategy or business functions. Companies must provide meaningful information about the conclusions of the board evaluation process and chart an improvement plan post evaluation.

BSE 100	vs	IPO

Companies where a board improvement plan was disclosed

BSE 100	IPO
5% ▲	Nil

▲ Improvement ▼ Deterioration ◄► No change

Only five of the BSE 100 company provided some form of board improvement plan post the board evaluation process, with none of the IPO companies disclosing similar details.

[12] *https://www.iiasadvisory.com/single-post/Succession-Planning-Corporate-India*

B. CONFLICT OF INTEREST

One of the core tenets of the G20/OECD Principles of Corporate Governance states that the governance framework must facilitate disclosure and minimization of conflicts of interest. The robustness of internal control systems of any organization gets measured by its effectiveness in monitoring and handling of such conflicts. In the Indian context, this is especially relevant given the large family ownership in many companies. Companies need to therefore institute mechanisms to ensure that the conflicts of interest inherent in related party transactions (RPTs) are adequately addressed.

While regulatory focus has pushed companies to develop checks and balances, companies need to embrace the legal intent. For related party transactions, the law requires interested directors to abstain from voting on the proposals. However, only about half of the companies in BSE 100 have an RPT policy that requires interested directors to also abstain from discussion on these resolutions.

BSE 100	VS	IPO
Companies where it is explicitly mentioned that interested directors will abstain from voting and discussion on RPTs		
51% ▼		77%
Companies where there is a system to facilitate disclosures of conflicts of interest by employees		
60% ▼		36%

▲ Improvement ▼ Deterioration ◄► No change

Policies which state that all interested directors will abstain from both voting and discussion on RPT resolutions help mitigate the risk of undertaking transactions which may not be in the best interests of the company and its public stakeholders.

Further, only about 60% of companies have an explicit conflict of interest policy which extends to all its employees.[13]

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[13] Part of the decline is due to a change in the scoring methodology, where the scope of analysis has been broadened to check specifically for abstention from all board members (and not just audit committee). Further the model now examines whether the conflict management policies extend to all employees (and not just the board and senior management). This change has been made given the recent instances of related party transactions and non-disclosure of potential conflict of interest becoming a cause of significant investor concern in some of India's large listed companies.

C. STAKEHOLDER MANAGEMENT

In order to create sustainable value, companies must include all stakeholders including investors, employees, creditors, customers and suppliers, 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. It also underlines the importance of recognising the rights of stakeholders established by law or through mutual agreements, the right to obtain effective redressal for violation of rights, encouraging employee participation, enabling access to information, the ability to communicate concerns about unethical practices and effective enforcement of creditor rights.

Companies must therefore have well-articulated supplier or contractor selection and management policies. This will help ensure that a) the company is transparent in supplier selection, b) the company is objective and fair while dealing with its suppliers and c) other stakeholders are aware of the rules of engagement between the company and its suppliers/contractors.

57 of the BSE 100 companies publicly disclosed their supplier selection or management processes, an improvement over the previous year. In stark contrast, only four IPO companies had equivalent disclosures, clearly outlining the need for recently listed companies to articulate supplier related policies.

BSE 100	vs	IPO
Companies where the supplier selection or management process is disclosed		
57% ▲		8%
Companies where the whistle-blower policy extends to all stakeholders		
37% ▲		22%

▲ Improvement ▼ Deterioration ◄► No change

Stakeholders must also get the opportunity to report unethical or illegal activities without the threat of reprisals. This year, India Inc. has already witnessed multiple examples of whistleblowers which have highlighted severe governance and operational lapses in various companies. In this context, a robust whistle-blower mechanism promotes a transparent reporting structure, encourages clear communication and mitigates the risk of potential reputational loss. The study finds that 37 of the BSE 100 companies had a whistle-blower policy that allowed all stakeholders, including suppliers, to report issues. However, only 11 IPO companies had a robust whistle-blower policy encompassing all stakeholders.

One of the other ways in which companies can indicate their commitment towards the stakeholder community is 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.

Companies have embraced the spirit of the regulation and 70 companies in the BSE 100 have spent at least 2% of their average net profit on CSR in FY18. However, over half of the IPO companies in FY18 spent less than 2% of their average net profit on CSR.

BSE 100	vs	IPO
Companies where the CSR spend is at least 2% of net profits over the past three years		
70% ▲		46%
Companies where the areas of CSR spending and impact assessment have been disclosed		
21% ▲		4%

▲ Improvement ▼ Deterioration ◄► No change

Companies must demonstrate their commitment towards CSR by disclosing details on its CSR activities and spends. For this, companies must focus on the impact of their CSR efforts to evaluate the relationship between the company and the communities it operates in. However, very few BSE 100 and IPO companies have disclosed the impact assessment reports of their CSR activities.

D. EXECUTIVE REMUNERATION

Executive pay is becoming a pivotal theme in the corporate governance debate: remuneration to executives must be judicious and closely aligned to company growth. Remuneration must align the interest of the executives with that of the shareholders and promote the creation of long-term stakeholder value. Remuneration structures which are perceived as being excessive or non-transparent are being questioned by shareholders; evident in the fact that in 2018, four remuneration resolutions were defeated by shareholders while there were 56 resolutions where 25% or more institutional investors voted against the resolutions[14].

Indian companies have been forced to take note. In 2018, companies improved the alignment of executive director remuneration with company revenues and profitability. Executive director remuneration was in line with both consolidated revenue and profitability over three years in 44 of the BSE 100 companies. Similarly, 24 IPO companies had aligned pay with revenue and profit growth.

BSE 100	vs	IPO
Companies where executive pay was in line with revenues and profits over three years		
44% ▲		48%
Companies with stock option plans where options were granted at discount to market price		
66% ▲		67%

▲ Improvement ▼ Deterioration ◄► No change

Indian regulations allow stock options to be granted at market price or at a discount to market price, so long as the exercise price is not below face value. 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. In 31 of the 47 BSE 100 companies that have stock option plans, the options were issued at a discount to market price. Further, 16 out of 24 IPO companies with stock option plans granted options at a discount. This is an improvement from previous year – several companies which issued stock options for the first time are doing so at market price.

[14] *Source: www.iiasadrian.com*

CONCLUSION.

The “Good Get Better”. The number of companies in the “Leadership” grade has increased, as has the highest score on the evaluation framework. Most of the top 20 companies evaluated last year have displayed an improvement in their overall score or maintained their score despite adopting more stringent standards of scoring. Disclosure and transparency levels too have improved, with companies scoring as high as 87% in the category.

At the same time, the median score of the BSE 100 companies has fallen. Reduction in scores of banks and public sector enterprises (both banks and companies) have reduced the medians. The banking sector has been undergoing a difficult period – increasing concerns over frauds, non-performing assets, and the role of the board, and an active central bank have taken their toll. Public sector undertakings, while having picked up the baton last year and shown some degree of improvement, seem to have lost steam.

BSE 100 companies performed better than the 50 IPO companies we assessed. The main conclusion we draw is that investor engagement has a significant role to play in a company’s journey towards better corporate governance. All newly listed companies are compliant with regulation, but these companies need the investor experience to understand what matters, and therefore make long-term course corrections in their practices.

By and large though, corporate India’s governance practices are good. In an assessment of board composition and effectiveness, the overall performance of the BSE 100 has improved. Board compositions are more diverse – in terms of skill sets and better gender balance. Attendance of board meetings, which continues to plague some companies, has improved at an aggregate level. Overall stakeholder management by companies has also improved, sending a stronger signal of increased engagement between investors and companies.

Areas where corporate India still needs to focus are conflict of interest. These issues have plagued several of the large listed companies over the past 12 months, some of these being raised by whistle-blowers. Related party transactions continue to be central to this discourse, despite stronger regulation being brought in.

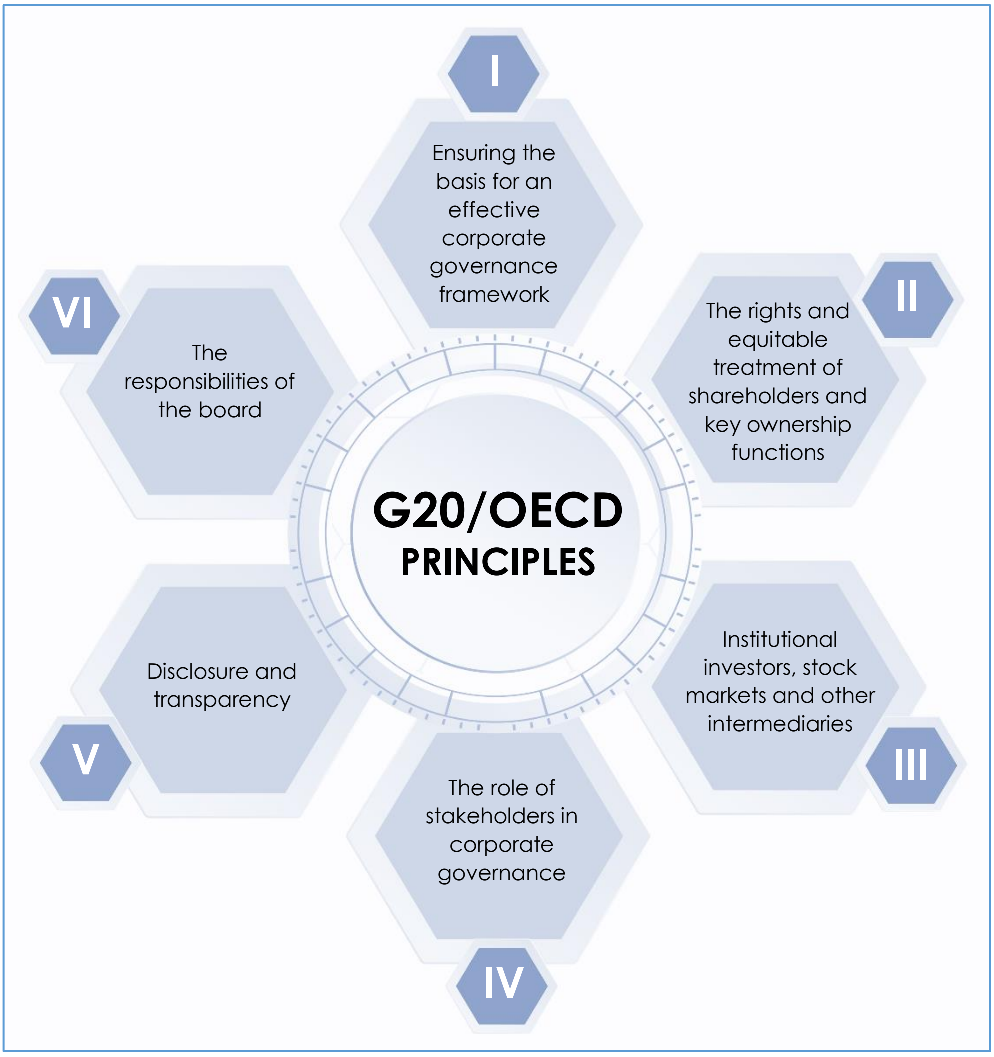
The other area of improvement – although not strictly an assessment parameter – is crisis management by boards. This year, there were several events that unfolded and some boards either reacted poorly or went into a huddle. This is an area of concern. Boards must be trained and prepared to instill greater investor confidence at crucial moments. In the next year, it would be prudent for companies to focus on this in their board training agendas.

The Indian Corporate Governance Scorecard is being adopted by both investors and corporates. Several corporates have had themselves assessed and have begun the journey towards better standards. Several investors too – especially foreign institutional investors – are using the scorecard to benchmark their investee companies or their India portfolio. The scorecard has helped them set a benchmark which they can use to periodically gauge progress.

ANNEXURE A.
EVALUATION FRAMEWORK.

The evaluation framework is built around the G20/OECD Principles of Corporate Governance (G20/OECD Principles)[15], which are the globally accepted benchmark for corporate governance. While applying the G20/OECD Principles, consideration was also 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



[15] *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.

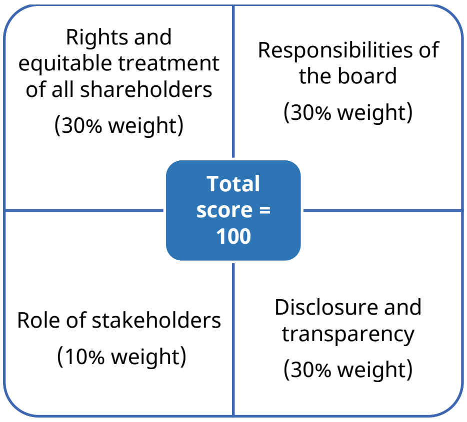
To ensure that the Scorecard is easily comprehensible and applied consistently, detailed scoring keys and guidance notes have been developed for each question.

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.
Does the scorecard consider industry specific issues?	While the scorecard currently does not address industry specific issues separately, sectoral parameters may be covered in future iterations of the scorecard.

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 & Equitable Treatment of shareholders	19	38	30
Role of stakeholders	9	18	10
Disclosure & 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.

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

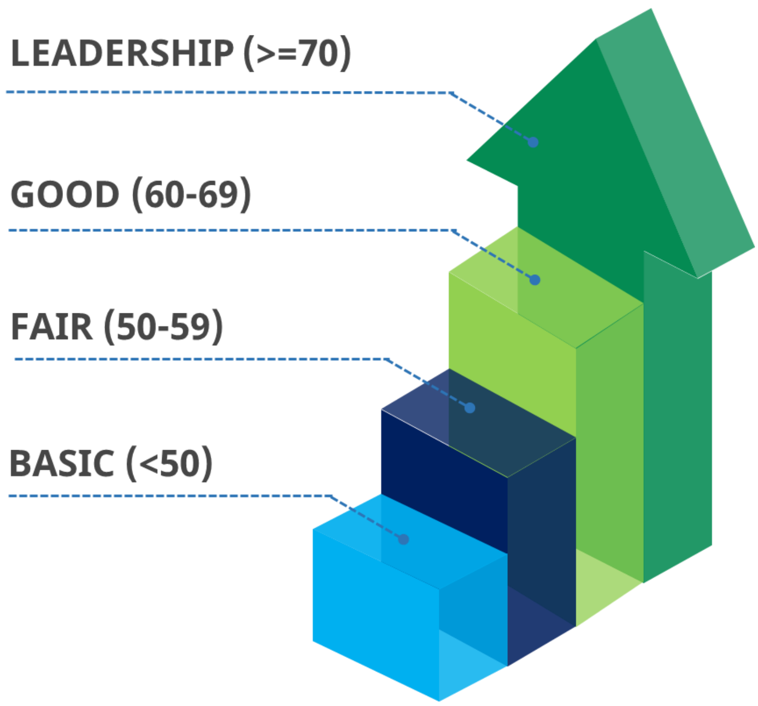
$$\textbf{Total Score} = \text{Category Score}_1 + \text{Category Score}_2 + \text{Category Score}_3 + \text{Category Score}_4$$

SCORING EXAMPLE

Category	Total score (A)	Maximum attainable score (B)	Category weight (%) (C)	Weighted score (A/B)*C
Rights & equitable treatment of shareholders	30	38	30	24
Role of stakeholders	12	18	10	7
Disclosure & 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 2018) companies[8] covered under the study is given below:

S. No	BSE Code	Company
1	500410	ACC Ltd.
2	532921	Adani Ports and Special Economic Zone Ltd.
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	532215	Axis Bank Ltd.[16]
9	532977	Bajaj Auto Ltd.
10	500034	Bajaj Finance Ltd.
11	532978	Bajaj Finserv Ltd.
12	500490	Bajaj Holdings & Investment Ltd.
13	532134	Bank Of Baroda
14	500049	Bharat Electronics Ltd.
15	500493	Bharat Forge Ltd.
16	500103	Bharat Heavy Electricals Ltd.
17	500547	Bharat Petroleum Corporation 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 Ltd.
28	539876	Crompton Greaves Consumer Electricals Ltd.
29	500480	Cummins India Ltd.
30	500096	Dabur India Ltd.
31	532488	Divi's Laboratories Ltd.
32	532868	DLF Ltd.
33	500124	Dr. Reddy's Laboratories Ltd.
34	505200	Eicher Motors Ltd.
35	500086	Exide Industries Ltd.
36	532155	GAIL (India) Ltd.
37	532296	Glenmark Pharmaceuticals Ltd.

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

S. No	BSE Code	Company
38	532424	Godrej Consumer Products Ltd.
39	500300	Grasim Industries Ltd.
40	517354	Havells India Ltd.
41	532281	HCL Technologies Ltd.
42	500180	HDFC Bank Ltd.
43	540777	HDFC Standard Life Insurance Co Ltd.[17]
44	500182	Hero MotoCorp Ltd.
45	500440	Hindalco Industries Ltd.
46	500104	Hindustan Petroleum Corporation Ltd.
47	500696	Hindustan Unilever Ltd.
48	500010	Housing Development Finance Corporation Ltd. [5]
49	532174	ICICI Bank Ltd.
50	535789	Indiabulls Housing Finance Ltd.
51	530965	Indian Oil Corporation Ltd.
52	532187	IndusInd Bank Ltd.
53	500209	Infosys Ltd.
54	500875	ITC Ltd.[18]
55	500228	JSW Steel Ltd.
56	500247	Kotak Mahindra Bank Ltd.[19]
57	500510	Larsen & Toubro Ltd.
58	500253	LIC Housing Finance Ltd.
59	500257	Lupin Ltd.
60	532720	Mahindra & Mahindra Financial Services Ltd.
61	500520	Mahindra & Mahindra Ltd.
62	531642	Marico Ltd.
63	532500	Maruti Suzuki India Ltd.
64	517334	Motherson Sumi Systems Ltd.
65	500290	MRF Ltd.
66	500790	Nestle India Ltd.
67	526371	NMDC Ltd.
68	532555	NTPC Ltd.
69	500312	Oil & Natural Gas Corporation Ltd.
70	532827	Page Industries Ltd.
71	532522	Petronet LNG Ltd.
72	500331	Pidilite Industries Ltd.
73	500302	Piramal Enterprises Ltd.
74	532810	Power Finance Corporation Ltd.
75	532898	Power Grid Corporation of India Ltd.
76	532461	Punjab National Bank
77	500325	Reliance Industries Ltd.
78	532955	Rural Electrification Corporation Ltd.

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

[18] *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.*

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

S. No	BSE Code	Company
79	500387	Shree Cement Ltd.
80	511218	Shriram Transport Finance Company Ltd.
81	500550	Siemens Ltd.
82	500112	State Bank of India
83	524715	Sun Pharmaceutical Industries Ltd.
84	500770	Tata Chemicals Ltd.[6]
85	532540	Tata Consultancy Services Ltd. [6]
86	500800	Tata Global Beverages Ltd. [6]
87	500570	Tata Motors Ltd. [6]
88	500400	Tata Power Company Ltd. [6]
89	500470	Tata Steel Ltd. [6]
90	532755	Tech Mahindra Ltd.
91	500469	The Federal Bank Ltd.
92	500114	Titan Company Ltd. [6]
93	532343	TVS Motor Company Ltd.
94	532538	Ultratech Cement Ltd.
95	512070	UPL Ltd.
96	500295	Vedanta Ltd.
97	532822	Vodafone Idea Ltd.
98	507685	Wipro Ltd.
99	532648	Yes Bank Ltd.[20]
100	505537	Zee Entertainment Enterprises Ltd.

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

The list of IPO companies[8] 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	540376	Avenue Supermarts Ltd.
5	539799	Bharat Wire Ropes Ltd.
6	540403	CL Educate Ltd.
7	539436	Coffee Day Enterprises Ltd.
8	540047	Dilip Buildcon Ltd.
9	539524	Dr. Lal PathLabs Ltd.
10	540153	Endurance Technologies Ltd.
11	539844	Equitas Holdings Ltd.
12	540124	GNA Axles Ltd.
13	539787	Healthcare Global Enterprises Ltd.
14	540136	HPL Electric & Power Ltd.
15	540133	ICICI Prudential Life Insurance Company Ltd.[9]
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	539333	Pennar Engineered Building Systems Ltd.
30	540173	PNB Housing Finance Ltd.
31	539150	PNC Infratech Ltd.
32	539302	Power Mech Projects Ltd.
33	539351	Prabhat Dairy Ltd.
34	539636	Precision Camshafts Ltd.
35	539978	Quess Corp Ltd.
36	539678	Quick Heal Technologies Ltd.
37	540065	RBL Bank Ltd.
38	539346	Sadbhav Infrastructure Project Ltd.
39	539450	SH Kelkar and Co Ltd.
40	540425	Shankara Building Products Ltd.
41	540203	Sheela Foam Ltd.
42	539334	Shree Pushkar Chemicals & Fertilisers Ltd.
43	540048	SP Apparels Ltd.
44	539268	Syngene International Ltd.

S. No	BSE Code	Company
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 been listed out in the minutes or the AGM proceedings are available through the webcast.	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 engagement/queries were provided

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
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. A look back period of one year will be considered for this question.	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
5	Was shareholder participation facilitated for all shareholders at the	The assessors must first check if the meeting notice lists out the process for shareholders to submit their questions in advance to the company.	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

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
	previous AGM in the past one year?	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.			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. 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.	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
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 controlling shareholders in the past one year?	The assessors need to check for board meeting outcomes, stock exchange filings and resolutions proposed in shareholder meetings to assess if preferential warrants were 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.	Yes, preferential warrants were issued	Yes, but preferential warrants were issued pursuant to a debt restructuring scheme	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
		A look back period of one year will be considered for this question.			
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
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)

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
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. 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.	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
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: $G_{Roy/Profits} = \dfrac{\text{(FY16 value - FY14 value)}}{\text{FY14 value}}$ 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
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

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
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
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 In addition, to score maximum points, the company must report the number of employee accidents and sexual	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
		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 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	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
		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. 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.	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 average profits for the last three years	The company's CSR spend is at least 2% of 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	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	The company has a CSR committee, the areas of CSR spending have been disclosed, and the company has 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
		• 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.		disclosed details on CSR impact assessment	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 assessor must also consider the percentage of unresolved investor complaints at the end of each quarter before scoring on this question.	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
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	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

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
		• 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.			

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 companies where the scrutinizer’s report specifically mentions that there were no invalid votes for the resolutions.	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
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
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

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
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. 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).	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
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 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).	Neither for board members, nor for senior executives	Only for board members, but not for senior executives	For both board members and senior executives
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

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
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: $A_{3YR} = \dfrac{\text{No. of meetings attended in FY14+FY15+FY16}}{\text{Total no. of meetings held in FY14+FY15+FY16}}$ 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 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.	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
		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 needs to appoint professional women directors on the board who have not had affiliations with the promoter family.	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
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 • No independent director in the audit committee and NRC has a tenure of more than 10 years on the board	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
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 document or it may be embedded in the annual report of the company.	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
61	Were all resolutions proposed by the board to	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.	Some resolutions were defeated	No resolutions were defeated, but for some resolutions, majority of	All resolutions in the last one year were accepted

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
	shareholders in the past one year accepted?	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		minority shareholders voted against	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
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.	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

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 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.			
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: $V_{Rev/Pr/Rem} = \frac{(\text{FY16 value - FY14 value}) * 100}{\text{FY14 value}}$ A company will score maximum points only if: $V_{Rem} < V_{Rev}$ 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.	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
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: $R1 = \frac{(\text{FY16 short-term pay} + \text{FY16 long-term pay}) * 100}{\text{FY16 total pay}}$ $R2 = \frac{\text{FY16 total pay} * 100}{\text{FY16 profits}}$ 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.	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
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
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

ANNEXURE E.
REGULATORY CHANGES.

SEBI's Kotak Committee on Corporate Governance published its final report in October 2017. Based on the committee's recommendations, SEBI amended the SEBI (LODR), 2015 to incorporate the new norms. The following table summarizes some of the key regulatory changes and how these norms are captured through the scorecard:

#	Kotak Committee Recommendations	CG Scorecard	Guiding Principle in the CG Scorecard	SEBI approval / Status
1	**The top 100 listed companies must hold their AGM within five months from the closing of financial year**	**Q9**	For timely communication and interaction with shareholders, companies must institute systems and processes to ensure that its AGMs are held shortly after the fiscal year end.	Approved. Effective from 1 April 2019
2	**Board interlocks and cross-linkages must be considered for examining director independence**	**Q13**	The robustness of internal controls is dependent on an objective review of potential conflicts of interests for board members. This will ensure that corporate actions are taken with complete transparency and in the best interests of the company.	Approved. Effective 1 October 2018
3	**Royalty pay-outs of more than 2% of consolidated turnover will require shareholder approval**	**Q15**	While royalty payments are a legitimate pay-out, they must be proportionate to the benefits derived by the company. The increase in royalty must be in line with the improvement in the performance of the company.	Approved. Effective from 1 April 2019
4	**Companies must improve disclosures in valuation reports**	**Q17**	To ensure that M&As, slump sales and corporate restructurings are independently validated, shareholders must have sufficient information to take an informed view on the decision.	Approved, referred to be incorporated under Companies Act 2013
5	**The Stakeholder Relationship Committee must start actively engaging with stakeholders**	**Q20**	Companies must recognize that the contribution of stakeholders is crucial towards ensuring competitiveness and sustainability and therefore, facilitate such engagement	Approved. Effective from 1 April 2019
6	**Materiality policy for related party transactions must specify clear thresholds and the board must periodically review such policies**	**Q29**	Information on material events is important for stakeholders to make an informed decision while exercising their rights. A granular framework must therefore be adopted for determining and disclosing material information in a timely manner.	Approved and in force
7	**Companies must provide consolidated results on quarterly basis**	**Q31**	The companies must be transparent in disclosing their financials, both at a standalone and consolidated level, for each of the past four quarters.	Approved. Effective from 1 April 2019
8	**The top 100 listed companies must arrange for webcasts of shareholder meetings**	**Q37**	Meeting webcasts help shareholders participate and understand the deliberations and decisions taken at general meetings, without having to be physically present.	Approved. Effective from 1 April 2019

#	Kotak Committee Recommendations	CG Scorecard	Guiding Principle in the CG Scorecard	SEBI approval / Status
9	**Companies must ensure accurate and complete disclosures on website**	**Q42**	The company's website is often the primary conduit of information dissemination to external stakeholders. Companies must therefore ensure that the communication through its website is clear, accessible and up-to-date.	Approved and in force
10	**Companies must provide audit quality indicators at the time of (re)appointment of the auditor**	**Q44**	Details on the independence, objectivity and expertise of the audit firm/partner helps stakeholders determine the quality of the audit process.	Referred to relevant regulatory authorities
11	**Boards must identify and disclose the skills/competence of its directors**	**Q48**	For stakeholders to understand the depth of the leadership, a clear articulation of the skills and experience of the board and the management is required.	Approved in phases with effect from FY ending 31 March 2019
12	**Ensure proper induction and training for independent directors**	**Q51**	Orientation programs help directors understand the intricacies of the business. Ongoing training modules ensure appropriate levels of professional competence.	In force
13	**All directors must attend at least 50% board meetings in a two-year period (or seek shareholder approval for continuation)**	**Q52**	To perform their duties with sufficient care and diligence, board members are expected to be engaged with the company. Their attendance at board meetings is being used a measure of engagement.	Approved, referred to be incorporated under Companies Act 2013
14	**Top 100 listed entities (promoter run) must have a non-executive Chairperson who is not related to the MD/CEO**	**Q54**	The ability of the board to maintain an objective oversight on the company's actions is critical to the success of any corporate governance structure. Therefore, separating the role of the Chairperson and the CEO is important. Having an independent director as Chairperson supports greater objectivity in the CEO oversight process.	Approved. Effective from 1 April 2020
15	**All boards must have at least one independent woman director**	**Q56**	Female representation brings in a different perspective, intuitiveness and a more collaborative style of leadership into corporate boardrooms. Appointing independent women directors reduces the risk of group-think.	Approved in phases from 1 April 2019
16	**Companies must periodically affirm director independence**	**Q57**	Independent directors are responsible for protecting the interests of minority shareholders. A balanced board with adequate independent representation helps strengthen the internal control mechanism by reigning in the powers of the controlling shareholder and ensures that critical decisions are reviewed from an unbiased and objective perspective.	Affirmation of independence effective 1 April 2019
17	**Board evaluation disclosures must include an action plan for improvement**	**Q69**	Board evaluation is the first step towards establishing a measure of performance and setting accountability. It can be used to review the collective expertise of the directors and identify skill-gaps based on changes in strategy or business functions.	Approved. Effective 10 May 2018

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International Finance Corporation (IFC) – a sister organization of the World Bank and member of the World Bank Group – is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In fiscal year 2018, we delivered more than $23 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity.

India is IFC's top country exposure, globally. IFC's committed portfolio in India is over $6.1 billion as of June 30, 2018. In FY18, IFC committed $2.6 billion in new investments. In addition to strengthening local capital markets in India, IFC is focused on boosting financing in infrastructure and logistics, promoting financial inclusion, helping create conditions to attract increased private capital, and helping structure public-private partnerships. For more information, visit www.ifc.org.

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Indian Clearing Corporation Limited, a wholly owned subsidiary of BSE, acts as the central counterparty to all trades executed on the BSE trading platform and provides full novation, guaranteeing the settlement of all bonafide trades executed. BSE Institute Ltd, another fully owned subsidiary of BSE runs one of the most respected capital market educational institutes in the country. Central Depository Services Ltd. (CDSL), associate company of BSE, is one of the two Depositories in India. For more information, visit www.bseindia.com

ABOUT IiAS.

Institutional Investor Advisory Services India Limited (IiAS) is an advisory firm, dedicated to providing participants in the Indian market with independent opinions, research and data on corporate governance issues as well as voting recommendations on shareholder resolutions for over 750 companies that account for about 95% of market capitalization. IiAS is a SEBI registered research entity (proxy advisor registration number: INH000000024).

IiAS has developed cloud-based applications to facilitate decision making. IiAS ComPAYre enables users to search and analyse remuneration data for more than 1300 executive directors across 500+ listed companies. IiAS ADRIAN captures data on almost 35,000 shareholder resolutions, outcomes and voting rationales and allows companies to track peer-group strategies and gain insights to support decision making on corporate actions and investor engagement.

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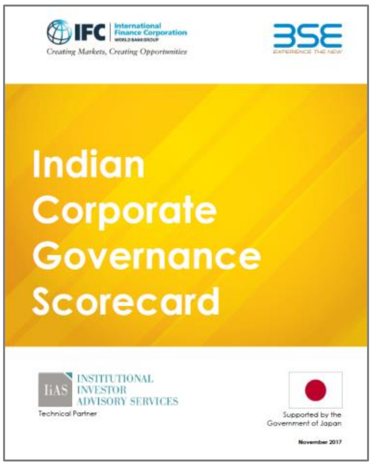

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