



2021



2022

CIMPLYFIVE'S

Report on Board Evaluation Practices 2022

September 2022



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Disclaimer and Limitations of the Study

- **General Information:** CimplifyFive has prepared the Report on Corporate Board Evaluation Practices, 2022 to identify the practices of Nifty 50 Companies, with the intent of formulating a model disclosure for use by Listed Companies. This report is not intended to act as a recommendation or condemnation of any practice, company or firm covered in this report.
- **Risk Warning:** CimplifyFive shall not be responsible for any loss or damage arising for anyone using any information contained in this report.
- **Source of Information:** CimplifyFive has used the information contained in the websites/Annual Reports of the Company.
- **Limitations:** Competent professionals with adequate experience have undertaken this study. Further, they have also followed a due process of checks and verifications to ensure accuracy of this report. This should have eliminated almost all errors from this report. If any points in the nature of errors are brought to our notice and we agree with the same, CimplifyFive will rectify the report at the earliest and have the revised report available on its website. CimplifyFive does not accept any loss or damage caused to any individual or institution by use of this report.

NIFTY 50 Companies

1. Adani Ports and Special Economic Zone Ltd	11. Cipla Ltd	21. Hindalco Industries Ltd	31. Mahindra & Mahindra Ltd	41. Sun Pharmaceuticals Industries Ltd
2. Apollo Hospitals Enterprise Ltd	12. Coal India Ltd	22. Hindustan Unilever Ltd	32. Maruti Suzuki India Ltd	42. Tata Consultancy Services Ltd
3. Asian Paints Ltd	13. Divi's Laboratories Ltd	23. Housing Development Finance Corporation Limited	33. Nestle India Ltd	43. Tata Consumer Products Ltd
4. Axis Bank Ltd	14. Dr. Reddy's Laboratories Ltd	24. ICICI Bank Ltd	34. NTPC Ltd	44. Tata Motors Ltd
5. Bajaj Auto Ltd	15. Eicher Motors Ltd	25. ITC Limited	35. Oil & Natural Gas Corp Ltd	45. Tata Steel Ltd
6. Bajaj Finance Ltd	16. Grasim Industries Ltd	26. IndusInd Bank Ltd	36. Power Grid Corp of India Ltd	46. Tech Mahindra Ltd
7. Bajaj Finserv Ltd	17. HCL Technologies Ltd	27. Infosys Ltd	37. Reliance Industries Ltd	47. Titan Company Ltd
8. Bharat Petroleum Corp Ltd	18. HDFC Bank Ltd	28. JSW Steel Ltd	38. SBI Life Insurance Company Ltd	48. UPL Ltd
9. Bharti Airtel Ltd	19. HDFC Life Insurance Company Limited	29. Kotak Mahindra Bank Ltd	39. Shree Cement Ltd	49. Ultra Tech Cement Limited
10. Britannia Industries Ltd	20. Hero MotoCorp Ltd	30. Larsen & Turbo Ltd	40. State bank of India	50. Wipro Ltd

About CimplifyFive

CimplifyFive Corporate Secretarial Services Private Limited is a pioneer in offering research and technology-based solutions for compliance with the Companies Act, 2013 and LODR, 2015. Our SaaS based product portfolio, Board Leaders Integrated Software Solution (BLISS) and its variants, is designed to eliminate the procedural non-compliance risk for entities regulated under the Indian Companies Act, 2013 and LODR, 2015. More details about CimplifyFive and its product BLISS can be obtained from our website www.cimplifyfive.com.

CimplifyFive also provides a free to use website www.ca2013.com and an Android App CAIRR+ that provides Company Law at your fingertips. This site uses hypertext to integrate rules, notifications, orders and circulars with the Act and provides real-time, online access to the Companies Act, 2013, LODR, 2015 and IB Code, 2016 as it stands on that day.

CimplyBest

Tailored for Indian Corporate Board Evaluation

Optimise Board's Time & Effort

Prepopulated, customisable Survey Questionnaires for the Board, Sub-committees, Chairperson, Independent Directors & Executive Directors.

- Prepopulated questions for each survey with multiple answering options provided -Multiple choice-single selection, Multiple choice- multiple selection, Single line answers, Descriptive answers.



Confidentiality Assured for Frank Feedback

- Response delinked from respondents
- Auto generate Reports with graphs and tables to protect respondents' identity.



Automated Evidence for Secretarial Audits

- Information for Secretarial Audit available in one screen.
- Blank survey questionnaire sent to Directors available for the auditor.
- Start date, end date, number of respondents sent to and responded
- Emails sent to Directors available with proof of despatch.

Software with Advanced Features

- Role based user rights -Admin, Editor, Auditor, Director.
- Activity log to track usage and access by authorized users for additional security comfort
- Secure data -encryption at rest and in transit.

Testimonial

We conducted our Board evaluation using CimplyBest Software. As directors we found the software "simple" and very intuitive to use. The summary report generated by the software is ready for Board Meeting presentations and facilitates a meaningful discussion. Further, the software itself can be configured easily to meet company specific needs.

Mythily Ramesh, Chairperson, Nomination and Remuneration Committee, WeP Solutions Limited

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CimplyFive's Board Evaluation Report 2022

Continuing Progress in Indian Corporate Board Evaluation Practices

Editorial

Dear Readers,

‘No matter how good you get, you can always get better, and that's the exciting part.’ **Tiger Woods**

The words of Tiger Woods are as apt for the Indian corporate world as they are for every other sphere of human endeavour. In the seventh year of mandated corporate board evaluations, the progress in disclosures made by the Nifty 50 companies continue, though the pace of progress is not as rapid as it was in the first six years. Progress is seen not just in the quantum of disclosures, but also the quality of disclosures with more companies sharing improvement areas identified in their Board Evaluation exercise and reporting on the action plan they have prepared for remedying the deficiencies.

The Companies Act, 2013 for the first time in India, required all listed companies, and public companies with paid-up capital of Rs.25 crores or more to annually evaluate their board performance and disclose it in Boards Report to their Shareholders. Consequently, Board's Reports from 2015 have disclosed board evaluation practices in India. In May 2016, we published our first report on this topic based on disclosures made in Annual Reports published in 2015. In our maiden report, we developed a proprietary Five-Star Rating System for assessing the quality of Board Evaluations practices disclosed. The same assessment framework was followed for assessing the disclosures in the Annual Reports published in the years 2020 and 2021. This is the fourth report in this series based on disclosures made in Annual Reports published in 2022. The continuing use of our proprietary rating system for assessing the Board Evaluation disclosures in 2015, 2020, 2021 and 2022, across the four reports provides us with the historical data to track and report nature and extent of change.

The constituents of Nifty 50 Index changed between our 2021 and 2022 report, with the exit of Indian Oil Corporation that was replaced by Apollo Hospitals Enterprise. To this extent, comparison between the results of the previous year and the current year disclosures reported is vitiated.

This study is undertaken by CimplyFive Corporate Secretarial Services Private Limited, a company with the vision to ‘leverage research and technology to eliminate procedural noncompliance by entities regulated by the Companies Act, 2013’, with the objective of promoting better governance and disclosures through data based research. We look forward to receiving your feedback to enrich this study at contact@cimplyfive.com.

Shankar Jaganathan
Founder & Chief Executive
CimplyFive Corporate Secretarial Services Private Limited
September 27, 2022

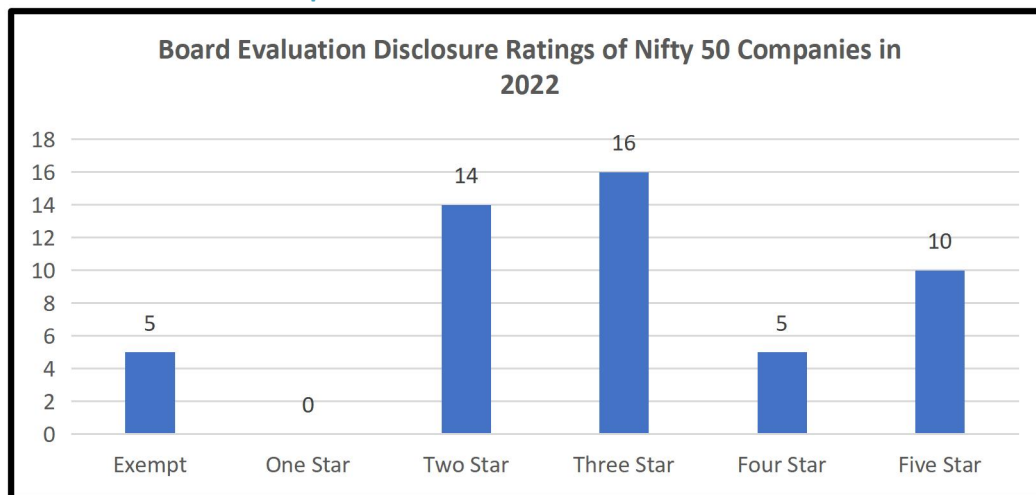
1. Findings of Board Evaluation Practice in 2022

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

We assign one star for each of the parameter disclosed by the company and a company that has disclosed all the five parameters is assigned the Five-star rating.

1.1 All the 45 private sector companies have disclosed their Corporate Board Evaluation practices in their Annual Report. The remaining 5 companies in the Index are exempt from disclosing their Board Evaluation practices due to their status as a public sector company.

Graph 1.1-Board Evaluation Disclosures in 2022



Based on our Five-Star Rating system, 10 companies have made the highest level of disclosure to get the Five-Star rating. In addition to the parameters disclosed, the quality of disclosures by some of these companies are exemplary and comparable to the global best-in-class disclosures as highlighted in chapter 3 of this report.

1.2 The length of disclosures also indicates the importance accorded by the corporate leaders to Board Evaluation. Evaluated on this front, the average length of board evaluation practice disclosures made by the Nifty 50 companies was 319 words, with the longest disclosure of 1031 words and the shortest disclosure of 47 words.

1.3 While quality cannot be presumed with quantity, the ten companies with Five-Star ratings had a disclosure length of 496 words with the longest being 1031 words and the shortest of 228. In contrast, companies with Two-Star rating (the lowest rating assigned to companies in this study, as there was no company with a single star rating) had an average disclosure length of 316 words with the highest being 826 words and the shortest being 115 words.

1.4 The five public Sector companies that are exempt from disclosing their board evaluation system and results, had an average disclosure length of 112 words, with the longest being 297 words and the shortest at 47 words.

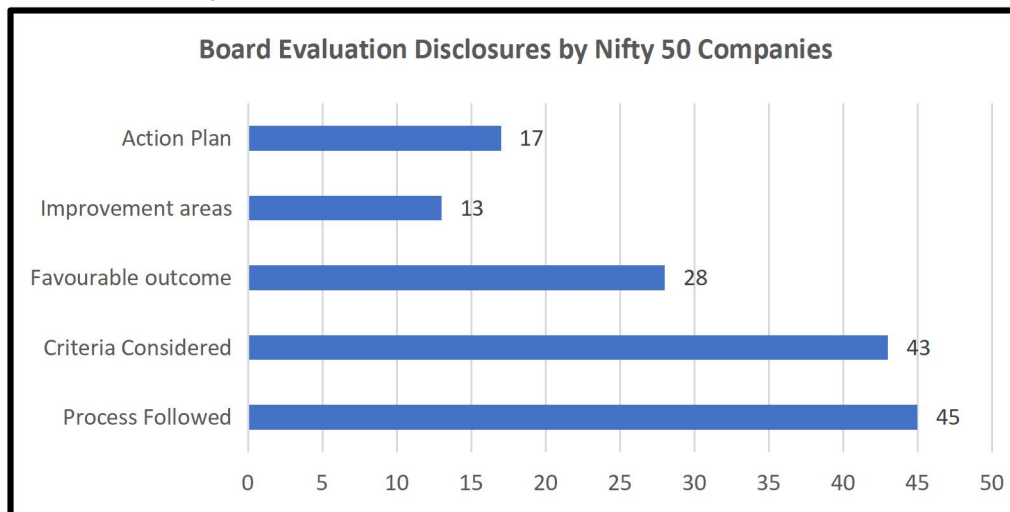
Table 1-Length of Board Evaluation Disclosures by Nifty 50 Companies

Class of Companies	Average Length	Longest	Shortest
All Nifty 50 companies	319	1031	47
Five-Star Companies	496	1031	228
Two-Star Companies*	316	826	115
Public Sector Companies	112	297	47

For the year 2021-22, there was no company that had got a single star rating.

1.5 45 companies in their Board evaluation practices disclosed information on 146 parameters as detailed in Graph 1.2.

Graph 1.2-Board Evaluation Parameters Disclosed in 2022



Process followed was the most common disclosure made, closely followed by the Criteria considered. Further, 28 companies reported favourable outcomes from the board evaluation, while only 13 companies reported improvement areas, with 17 companies disclosing their action plan for addressing the improvement areas. In a few cases, companies disclosed their intent to act on the findings of the Board Evaluation without disclosing the improvement areas identified.

1.6 8 companies (18% of the companies) that disclose their board evaluation practice had mentioned using a Digital Online Survey Tool to ensure anonymity of response for a free and fair evaluation process by eliciting constructive feedback.

The rationale for use of technology is clearly spelt out by some of the companies -

The evaluation process was facilitated online by a leading independent consulting firm through a digital platform to ensure confidentiality and a transparent process, independent of the involvement of the management of the company.

Annual Report 2022, Bharti Airtel Limited

1.7 Though not mandated by law in India, 11 companies (24% of the companies) disclosed engaging an external consultant for facilitating their Corporate Board Evaluation process.

The rationale for use of external consultants and scope of their work was spelt out by some of the companies -,

With an objective to continuously improve Board's governance, your Bank had engaged a reputed external consulting organization, which assisted in laying down parameters for performance evaluation of Directors, Chairman, Board Level Committees and Central Board as a whole and also assisted in facilitating the overall evaluation process.

Annual Report 2022, State Bank of India

Pursuant to the recommendation of the Compensation and Nomination & Remuneration Committee, the Board of Directors have engaged an external Independent Professional for conducting the Performance Evaluation exercise.

Annual Report 2022, IndusInd Bank Limited

1.8 The use of external consultants by 11 companies and digital tools by 8 companies, reflect the intent of the Boards for serious introspection and improvement in the effectiveness of the Board, results of which is visible in all around improvement to the quality of disclosures.

**BLISS
LISTED**

A CLOUD hosted software for Listed Companies.



Risk management and alert system



E-repository for Secretarial records



Automation of Secretarial Compliance



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Testimonial

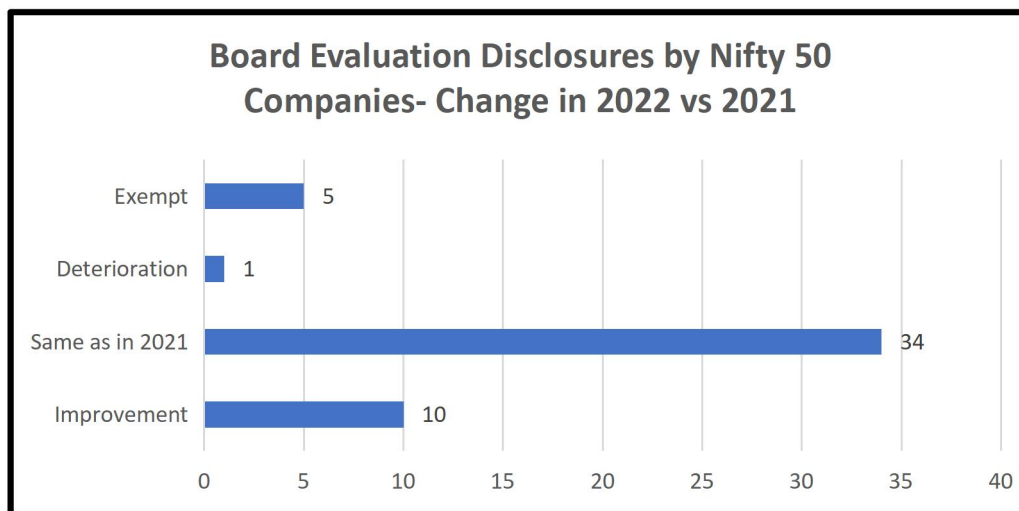
“The wide features available on the CimplyFive platform help to manage the stringent regulatory requirements, hassle-free management of all the applicable compliances in a timely manner in a single-window platform. It provides with multiple Compliance Management Tools that reduce the compliance burden of a Company Secretary. Working with CimplyFive has led to a smooth, formal, authentic way to ensure compliance requirements under all the applicable provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and such other applicable laws. The unwavering support and interaction with the CimplyFive Team helps us to manage our compliances without any challenges or difficulties.”

**Mr. Umakanta Barik, Company Secretary & Compliance Officer,
Heritage Foods Limited.**

2. Changes in Corporate Board Evaluation Practices between 2021 and 2022

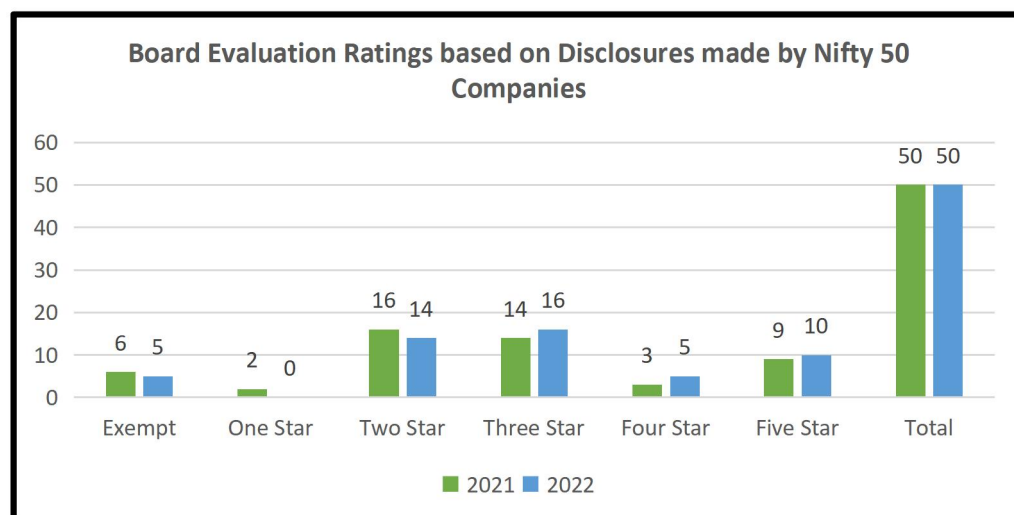
2.1 Comparing the Corporate Board Evaluation practices disclosed in the last two years, we find that 20%, i.e 10 companies had improved levels of disclosures, 68% i.e 34 companies had the same level of disclosure and only in 1 company, 2%, the level of disclosures had deteriorated with reference to their 2021 disclosure.

Table 2.1 -Change in Board Evaluation Practice between 2021 and 2022



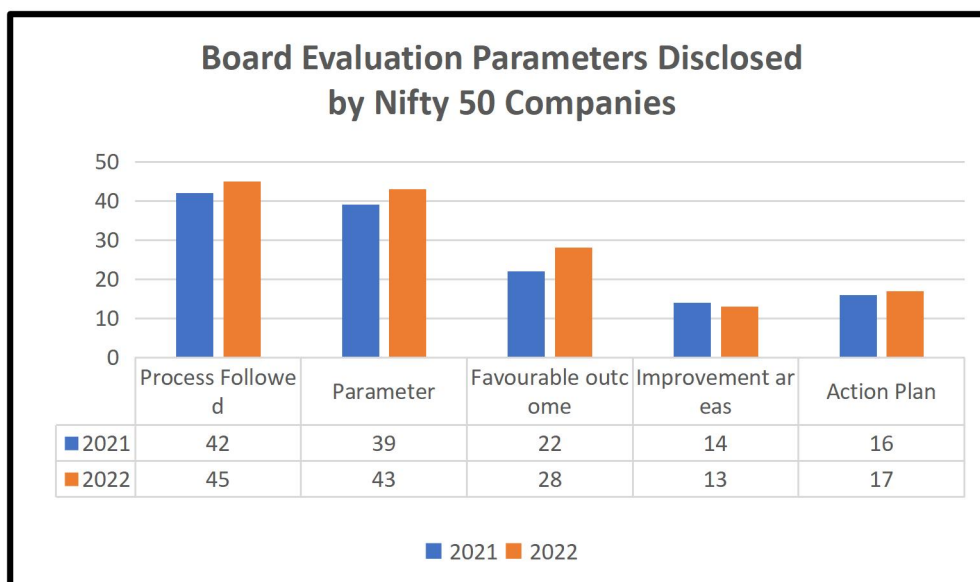
2.2 Improvement in 2022 disclosures, compared to 2021 is visible with increase in Three-Star Rated Companies from 14 to 16 and Four-Star Rated Companies from 3 to 5. Five-Star Rated Companies too saw an increase from 9 to 10.

Table 2.2 -Change in Star Ratings of Nifty50 Companies in 2022 from 2021



2.3 Rating parameters displayed in Graph 2.3, indicate improvement in disclosures across all the five parameters, with the most significant one being disclosures on the favourable outcomes from the evaluation which increased from 22 to 28 companies.

Table 2.3 -Change in Parameters Disclosed in Corporate Board Evaluation Practice between 2021 and 2022



3. Extracts of Exemplary Disclosures on Corporate Board Evaluation Practices

a. Objective of Corporate Board Evaluation

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

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

Annual Report 2022, JSW Steel Limited

b. Process Followed:

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

The Nomination and Remuneration Policy of the Company empowers the Nomination and Remuneration Committee to formulate a process for effective evaluation of the performance of individual directors, Committees of the Board and the Board as a whole. The Chairperson(s) of the respective Committees based on feedback received from the Committee members on the outcome of performance evaluation of the Committee, share a report to the Board. The Independent Directors at their separate meeting review the performance of: Non-Independent Directors and the Board as a whole, Chairman of the Company after taking into account the views of Executive Director and Non-Executive Directors, the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. The Chairman of the Nomination and Remuneration Committee, leads the performance evaluation exercise. The outcome of the performance evaluation of Committees of the Board and the Board is presented to the Nomination and Remuneration Committee and the Board of Directors of the Company and key outcomes, actionable areas are discussed and acted upon. The details of the evaluation process and the outcomes are set out in the Corporate Governance Report which forms a part of this Annual Report. The outcome of evaluation of individual directors is shared on one-on-one basis with the Director being evaluated.

Annual Report 2022, Asian Paints Limited

c. Criteria used in Board Evaluation

Theme based parameters

Virtual meetings were organized with the Directors and discussions were held on three key themes i.e. strategic priorities, fit-for-purpose/ capability and focus on Environmental, Social and Governance (“ESG”).

Annual Report 2022, Adani Ports and Special Economic Zone Limited

Detailing the parameters

Evaluation Criteria

1. Board of Directors Evaluation by the Board on various criteria such as structure, composition, quality, diversity, experience, competencies, performance of specific duties and obligations, quality of decision making, Board practices and overall effectiveness of Board including its time devotion towards strategy, governance and compliance.

2. Board Committees Evaluation by the Board after seeking inputs from the committee members on the basis of criteria such as committee composition, effectiveness of committee in terms of well-defined charters & powers and information-flow with the Board in terms of reporting and due consideration of Committees' decisions, findings, and recommendations at the Board level.

3. Individual Directors Evaluation by the Board on criteria such as meeting attendance, time devotion and contribution, engagement with colleagues on the Board, preparedness for meetings, quality of discussion, entrepreneurial leadership, ability to express disagreement & divergent views and independent judgement, knowledge, skills, competence etc. All the directors were subject to peer-evaluation.

4. Chairman and Managing Director & CEO

Evaluation of Chairman on certain additional criteria such as leadership development, Board management, impartiality, Corporate Governance, recognition & awards and company's international positioning etc; and Managing Director & CEO on the achievement of strategic goals, clarity on vision, openness to constructive suggestions, delivery of business performance, talent and leadership management etc.

5. Independent Directors The role of Independent Directors can be divided into three broad categories:

a) Vision and Strategic Guidance

b) Governance

c) Control

Based on the above, the Independent Directors were evaluated by the Board on certain additional criteria including:

› Devotion of sufficient time and attention towards professional obligations for independent decision making and for acting in the best interests of the Company.

› Providing strategic guidance to the Company and help determine important policies with a view to ensure long-term viability and strength.

› Bringing external expertise and independent judgement that contributes objectivity in the Board's deliberations, particularly on issues of strategy, performance and conflict management. The recommendations arising out of the evaluation process were discussed with the Board and Board-Committees and individual feedback was provided.

Annual Report 2022, Bharti Airtel Limited

d. Disclosure of Favourable Findings of Board Evaluation

It was observed that the Board, as a whole, is performing as a highly effective and cohesive body. It was also observed that the Board's Committees are functioning effectively in accordance with their defined charters/ terms of reference. The evaluation process also confirmed the high governance standards being set by the Board and the constructive relationship between the Board and the Management. The Board took notice of the outstanding leadership and the work done by the employees during the COVID-19 pandemic. The Board was also appreciative of management's efforts in gaining market share in the Centres of Excellence through various initiatives despite a very challenging environment.

Annual Report 2022, Apollo Hospitals Enterprise Limited

The evaluation process endorsed the Board Members' confidence in the ethical standards of the Company, the resilience of the Board and the Management in navigating the Company during challenging times, cohesiveness amongst the Board Members, constructive relationship between the Board and the Management and the openness of the Management in sharing strategic information to enable Board Members to discharge their responsibilities and fiduciary duties.

Annual Report 2022, Tata Steel Limited

e. Improvement Areas Disclosures

Observations of Board evaluation carried out for the year: Seven observations emanated from the Board performance evaluation for fiscal 2022, detailed as under:

- (i) Balancing of Board and Committee agenda for effective utilization of time to focus on key issues.
- (ii) Planning for on-boarding of successors of Board members.
- (iii) Reviewing skill set and adequacy of size of Board
- (iv) Interaction with Directors of Subsidiary Companies
- (v) More oversight on actionables relating to attrition and customer complaints
- (vi) Improvising preparatory information for Board / Committee meetings
- (vii) Focus on new key themes by IT Strategy Committee.

Annual Report 2022, Axis Bank Limited

f. Disclosure of Action Plan for Addressing Deficiencies

Based on the outcome of the evaluation, assessment and feedback of the Directors, the Board and the Management have agreed on various action points that would be implemented as per the agreed timelines.

Annual Report 2022, Titan Company Limited

Based on the inputs received, action plans are drawn up in consultation with the Directors to encourage greater participation and deliberations at the meetings and bringing to the table their experience and guidance in further improving the performance of your Company.

Annual Report 2022, Ultratech Cement Limited

g. Disclosure of Progress Against Earlier Years Action Plan

Five observations had emanated from the Board performance evaluation for fiscal 2021. These mainly related to training for Board members, Chairman's dialogue with individual Board members, frequency of Independent Directors meeting, themes for each Committee, action taken report and reporting of proceedings of Committees to the Board. The Bank has complied with the said observations, which was also reviewed by the NRC and the Board.

Annual Report 2022, Axis Bank Limited

In response to the suggestion of the Board in the previous board evaluation process: (i) Mr P R Ramesh, was appointed as an independent director w.e.f. 1st July, 2021 and was inducted as a member in the Audit Committee and Stakeholder Relationship Committee; (ii) special discussions on various businesses / functions were held, (iii) external experts were invited to present their perspective on India business and pharma sector, culture and M&A. Suggestions of the committees actioned during the year included:

- (i) detailed action plan on various black swan events
- (ii) continued focus on mitigation of cyber risk and periodic updates covering global and internal developments
- iii) continuous efforts to focus more on the projects with bigger impact.

Annual Report 2022, Cipla Limited

4. Top 5 Learnings from the Corporate Board Evaluation Practices 2022 Study

i. Continued progress in 2022 disclosures over 2021

Measured both quantitatively and qualitatively, Nifty 50 companies have made continued progress from 2021 to 2022.

- Number of parameters reported by the companies increased from 133 to 146, i.e., 9.77%
- Companies with Five-Star Disclosures increased to 10 as against 9 in the previous year, indicating consistency in the disclosures being made.
- We have 16 companies with Three-Star Disclosures and 5 companies with Four-Star Disclosures with a growth percentage of 14% and 67% respectively.

ii. Increasing focus on Actionable findings in Corporate Board Evaluation

The objective of Corporate Board Evaluation is to identify areas for improvement, and to prepare and implement an action plan for addressing it.

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

iii. Varying use of External Consultants enhance the Effectiveness of Corporate Board Evaluation

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

- 11 companies, or more 20% of the population analysed used external consultants for corporate board evaluation. This was lower than previous year where 14 Companies had engaged an external consultant, consistent with the UK FRC code recommending the use of external consultants atleast once every three years.
- For companies that used an external consultant, 3 had Five-Star disclosures, 2 had Four-Star disclosures, 5 had Three-Star disclosures and only 1 had a Two-Star disclosure.

iv. Technology used for Free and Fair Corporate Board Evaluation

Use of automated survey tools that provide anonymity to the respondents is a critical element in ensuring free and fair responses. The improvement areas so identified can significantly enhance board effectiveness and promote good governance. Technology can be leveraged to automate the entire process starting from circulation of the survey questionnaires to final reports that can be directly presented to the Board for its consideration, while maintaining anonymity of responses.

- 38% or 3 of the 8 companies using technology tools for their board evaluation process identified improvement areas, in contrast to 16% of Nifty50 companies. Companies that used technology to conduct Board Evaluation has marginally increased by 14%. To quote one company 'Online evaluation of Board, Board Committees, Chairman and individual Directors was carried out in line with the Guidance Note on Board Evaluation issued by SEBI.'

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

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alerts



Status change
notifications



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Details on
mouse-over

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Testimonial

"I am impressed with CimplyFive because it is developed keeping ease of use in mind which makes it quick to learn and fast to implement. This factor alleviates the apprehension of the Secretarial Team to use this product which helps the seamless adoption of technology in Secretarial Function."

CA R. Gowrisankar, Chief Financial Officer, Rainbow Children's Hospital



080-23324212



www.cimplyfive.com



contact@cimplyfive.com

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

Objective

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

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

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

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

Process

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

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

- Calendar for board evaluation
- Software to be used for evaluation, and
- the external consultant for facilitating the exercise.

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

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

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

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

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

Criteria

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

Criteria considered in Board Evaluation for the year

S no.	Key Criteria used for Board Evaluation
A	For evaluation of the Board of Directors 1 2
B	For evaluation of Sub-committees 1 2
C	For evaluation of Individual Directors and Chairpersons 1 2
D	For evaluation of Independent Directors 1 2
E	For evaluation of Executive Directors

Reassurance

Performance that was found to be optimal or that fulfilled the criteria laid down during Board Evaluation process could be listed under each of the distinct segment evaluated, the Board, Sub-committees, Chairperson and directors. Where the evaluation pertains to individuals, the details of evaluation need not be specific and could be generic without referring to the person concerned.

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

1. In Board process the directors were
2. In Sub-committees – (for each sub-committee separate)

Focus Areas Identified

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

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

Action Plan for Implementation

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

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

S no	Plan of Action	Timeline for Implementation
1		
2		
3		

Status Report on Previous Year's Action Plan

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

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

Or

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

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

1. Brief Board Evaluation Questionnaires

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

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

2. Quantifiable answers for summing up the responses

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

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

3. Assuring anonymity of responses for getting critical feedback

Use of Online survey tools that provide anonymity of response is critical in receiving a free and fair response. To ensure anonymity, automated report generation without any human intervention is the key, as often a set of responses may give away the identity of the respondent to the insider who has access to the responses.

4. Engagement of specialists to facilitate Board Evaluation

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

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

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



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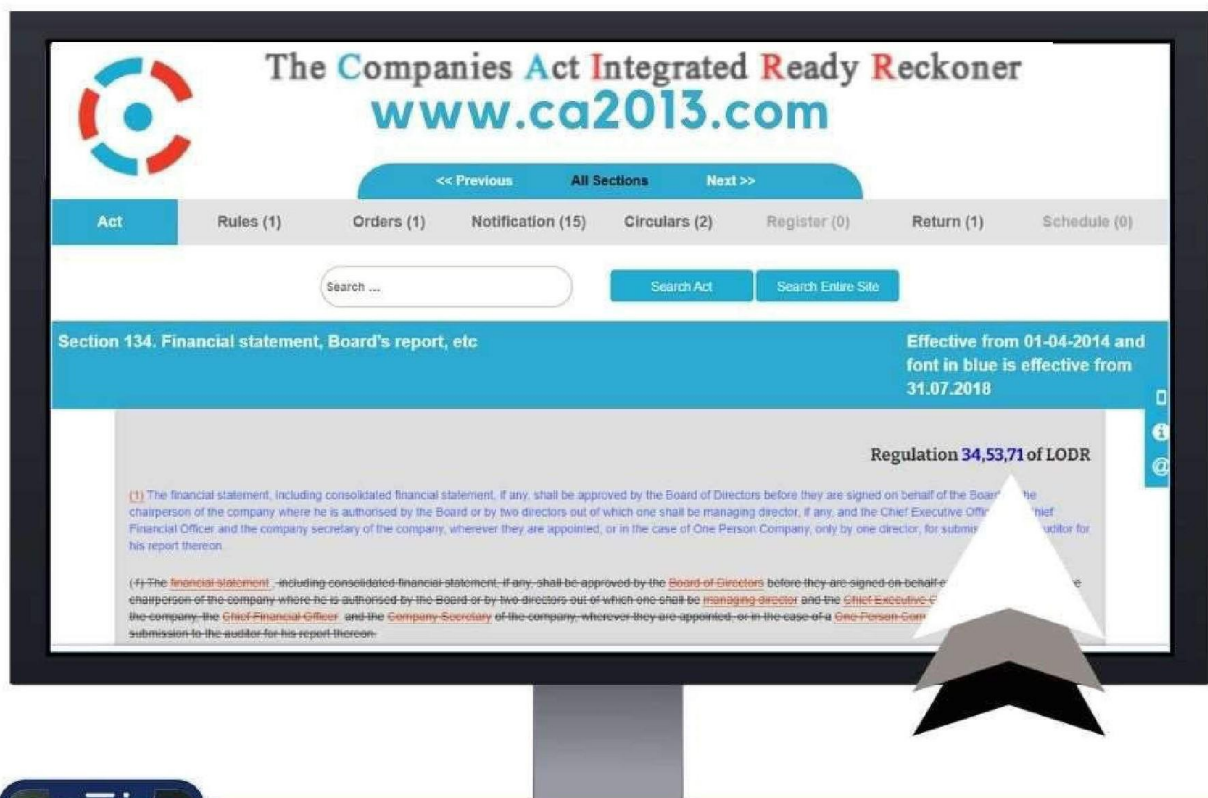
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Annexure-1: Evolution of Corporate Board Evaluation Practices-Significant Milestones

- **1992 -Voluntary practice by Campbell Soup Co.,**
 - In a bid to ward-off hostile takeover threats, Campbell Soup Co., voluntarily adopts the 'Code of Corporate Governance' which includes board evaluation. Based on Board Evaluation conducted, company reports areas for improvement (spend longer time for long-term strategic plans, some directors to speak up in meetings and upgrade in quality of Company Reports) along with an Action Plan to implement it. This practice was identified by the **Business Week** in their November 25, 1996 issue as an innovative practice in their article on 'The Best and Worst Boards'.
- **1995-Comply or explain provision by Toronto Stock Exchange, Canada**
 - Failure of Canadian Life Insurance companies in early 1990s led to the appointment of Dey Commission, which submitted a Report, titled 'Where were the Directors?' The report recommended a 14-point corporate governance practice to prevent such occurrences. The 5th practice recommended by the committee was 'Assessing the effectiveness of the Board, its committees and individual directors.'
- **1998-Acceptance in the UK, Hampel Report on Corporate Governance in the UK**
 - Hampel Report advocated the practice of Board Evaluation which was accepted in the Combined Code of Corporate Governance, 2003
- **2001-Acceptance in the USA, National Association of Corporate Directors (NACD)**
 - Report of the NACD Blue Ribbon Commission on Board Evaluation for improving Directors Effectiveness recommended Board Evaluation for listed entities in the USA
- **2003-Acceptance in India SEBI Report on Corporate Governance**
 - The committee recommended evaluation of non-executive directors as a non-mandatory reporting requirement.
- **2014-15 Mandate in India by The Companies Act, 2013 for Large companies and SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 for listed companies**
 - Annual Board Evaluation was made mandatory for all listed companies and public companies with paid-up share capital of Rs.25 crores or more.
 - In addition to conducting the evaluation, listed entities were to include identification of evaluation criteria in the charter of the Nomination and Remuneration Committee, placed on the website of the company.

Like most other governance and disclosure practices, Corporate Board Evaluation too has followed the path of voluntary adoption by a few companies who understood its benefits and were acclaimed, leading to regulators recommending it for adoption by larger group of companies. Initially the

regulators adopted the 'Comply or Explain' mode before finally mandating it for all entities under their regulatory ambit.



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Annexure 2: Regulatory Provisions on Board Evaluation

A. The relevant sections of the Companies Act, 2013 are:

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

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

SCHEDULE IV: CODE FOR INDEPENDENT DIRECTORS

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

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

VII. Separate meetings:

(1) The independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management;

(2) All the independent directors of the company shall strive to be present at such meeting;

(3) The meeting shall:

(a) review the performance of non-independent directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

VIII. Evaluation mechanism:

(1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

B. The relevant regulations of the LODR for Equity listed companies are:

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

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

- (a) performance of the directors; and
- (b) fulfilment of the independence criteria as specified in these regulations and their independence from the management:

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

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

Regulation 25(4): The independent directors in the meeting referred in sub-regulation (3) shall, interalia-

- (a) review the performance of non-independent directors and the board of directors as a whole;
- (b) review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors;
- (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

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

A 2. formulation of criteria for evaluation of performance of independent directors and the board of directors;

A 4. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.

A 5. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

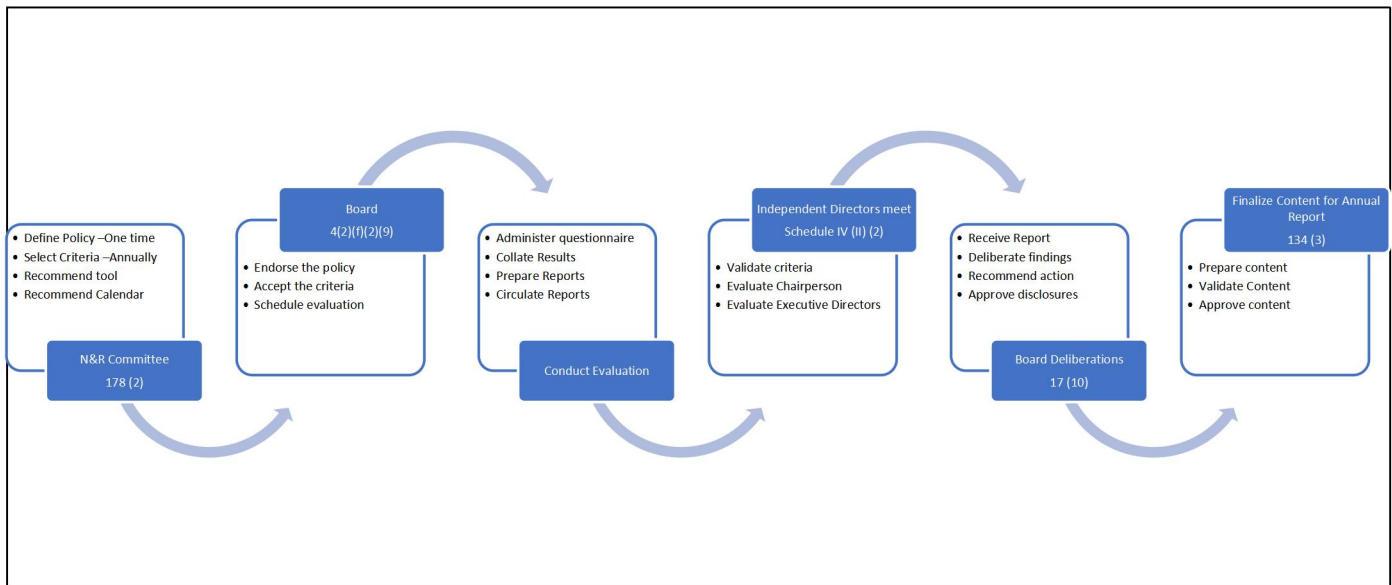
Regulation 34 Schedule V Part C Corporate Governance Report

4 d. performance evaluation criteria for independent directors.

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

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

Picture 1: Corporate Board Evaluation Process -Flow Chart



1. Nomination & Remuneration Committee of the Board to define and recommend the Corporate Board Evaluation Policy, criteria for evaluation along with the tools to be used for conducting it and propose an evaluation calendar.
2. The Board of Directors to approve the Corporate Board Evaluation Policy and the criteria with or without changes, recommended by the N&R Committee and initiate the evaluation process.
3. The identified directors, external evaluators, or the company executive to prepare accordingly for the approved board evaluation.
4. Independent Directors in their meeting to evaluate the performance of the Chairperson and Executive directors vis-à-vis the criteria.
5. The Board of directors to receive the Corporate Board Evaluation Report, deliberate upon its findings, decide on the Action Plan and approve the disclosures to be made in the Annual Report.

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Mr. Sathyamurthy, Chief Financial Officer, Gokaldas Exports Limited

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