

Report On Corporate Board Evaluation Practice, 2020

A Study Of Nifty 50 Companies



Action Plan



Improvement Areas



Favourable Outcome



Process Followed



Criteria Considered

NIFTY 50 Companies

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

About CimpfyFive

CimpfyFive 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. CimpfyBest our newly launched SaaS product is custom built to meet the Board Evaluation requirements of India corporates by fusing the legal requirements with global best practices. More details about CimpfyFive and its product BLISS can be obtained from our website www.cimpfyfive.com.

CimpfyFive also provides a free to use website www.ca2013.com 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.

Contents

Editorial	2
Evolution of Corporate Board Evaluation Practices-Significant Milestones	3
Benefits of Corporate Board Evaluation	4
Regulatory Provisions on Board Evaluation	6
Process flow of Board Evaluation as Envisaged in the Companies Act, 2013	7
Findings of Board Evaluation Practice in 2020	8
Progress in Corporate Board Evaluation Practices between 2015 and 2020	10
Extracts of Exemplary Disclosures on Corporate Board Evaluation Practices	13
Top 5 Learnings from the Corporate Board Evaluation Practices 2020 Study	18
Model Disclosures for Indian Corporates on Corporate Board Evaluation	19
Five Key Elements for Effective Board Evaluation	22

Editorial

Dear Readers,

The words of the American author Idow Koyenikan, ‘You must have a level of discontent to feel the urge to want to grow’ is an apt motive for fruitful Board Evaluation. In the absence of this discontent and desire to improve, mandated Board Evaluation can become a ritualistic annual exercise, shorn of substance, calculated to merely avoid penalties imposed by the regulators for non-compliance.

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 their Board’s Report to Shareholders. Consequently, Board Reports in 2015 were the first ones to disclose board evaluation practice in India. In May 2016, CimplifyFive in association with InGovern Research Services published the first report in India that studied the Board Evaluation practices of the Nifty50 companies.

In our Board Evaluation Report, we developed a proprietary Five Star Rating System for assessing the quality of Board Evaluations practices as disclosed by these companies in their Annual Report. Using the unique rating system, we have evaluated the disclosures made by them in the year 2020. Having been implemented over five years, it serves as an appropriate measure of the nature and direction of change in this period. A useful fallout of this comparison is identification of best in class practices for other to emulate.

On September 27, 2019, the composition of Nifty50 changed with Nestle India Limited replacing India Bulls Housing Finance Limited. To ensure comparability we recast the results of our 2015 analysis by replacing India Bulls Housing Finance with Nestle India. To this extent, the 2015 results used in this report differs from results published in our earlier report.

As the findings of this report shows, Indian corporates have made tremendous progress in embracing the true intent of board evaluation, thus proving the adage, ‘if you are any good, you know you can do better.’

This study is undertaken by CimplifyFive Corporate Secretarial Services Private Limited, a company with the vision to ‘leverage research and technology to eliminate procedural non-compliance by entities regulated by the Companies Act, 2013’. We look forward to receiving your feedback to enrich this study at contact@cimplifyfive.com.

Shankar Jaganathan
Founder & Chief Executive
CimplifyFive Corporate Secretarial Services Private Limited
September 17, 2020

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.

To go beyond the letter of law and ritualistic mode of compliance, investors need to recognize and reward companies with good practices that identify and report improvement areas and define an action plan for implementing it. At the very least, investors punishing companies that have a perfunctory practice will be the most effective way to ensure wide-spread adoption of good corporate governance practices and prevent the periodic spurts of corporate scandals.

Benefits of Corporate Board Evaluation

Benefits of Corporate Board Evaluation are uncontested among regulators and academics, while the same conviction is not as widespread among the corporates. Following are the top three amongst the many benefits of Corporate Board Evaluation.

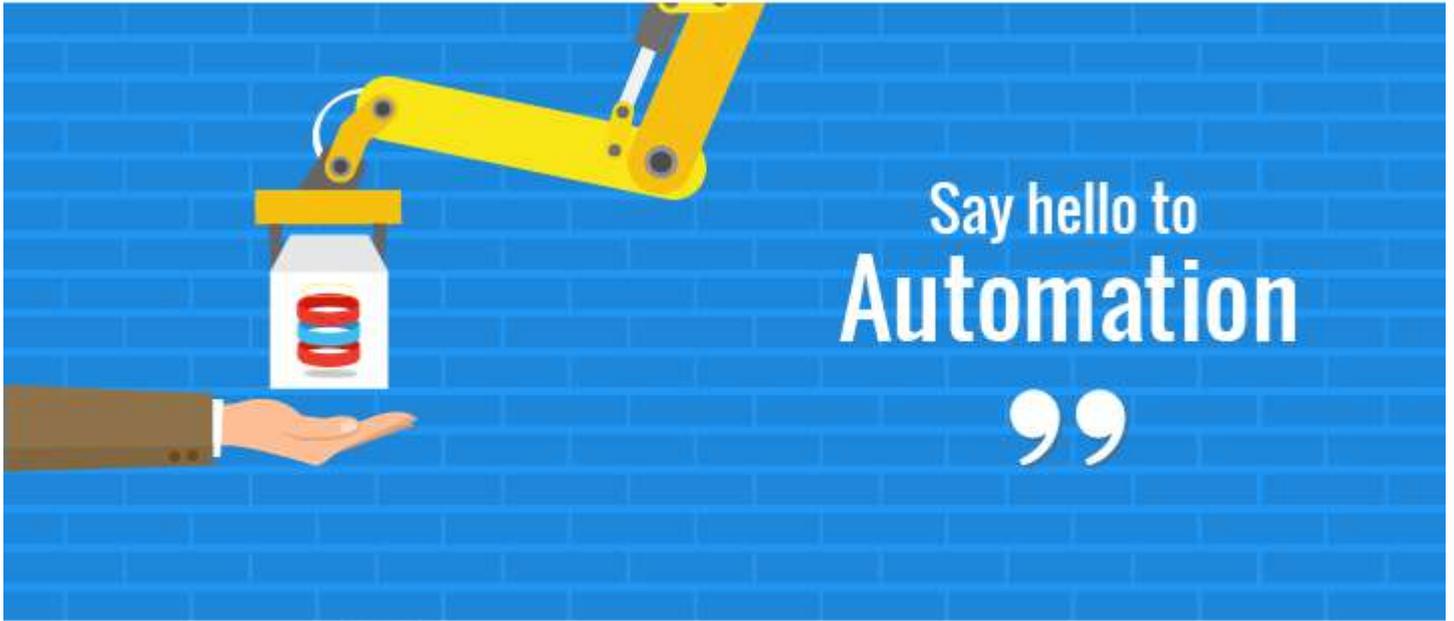
1. **Seeding the Corporate Culture of Excellence:** Demonstrating the corporate culture of excellence by starting from the top with periodic evaluation of the Board Effectiveness and Efficiency is a good way to seed it. The annual stock taking by the board can be the trigger for a similar exercise for all corporate practices with the goal to excel in each one of them.
2. **Setting the Tone at the Top:** The visible act of the apex decision making body in collective introspection for improvement through a formal process of Corporate Board Evaluation sets aspirational target for the leadership teams to emulate. Leading by example could set the standards for all stakeholders of the company.
3. **Establishing Transparency Benchmarks:** Transparent communication is a hallmark of good governance. In most of corporate communications, the management team plays a lead role in deciding the content communicated. The board can set an example for balanced and transparent communication by providing the content for disclosures of Corporate Board Evaluation undertaken by them by including what the board has done well, where it can improve, an action plan for improvement and after the first board evaluation, a report on implementation status of its previous action plans.

A corporate entity cannot be separated from its leadership team. The benefits that accrue to the organization by evaluation of its Board and sub-committees also accrue to the chairperson and individual members, though the parameters for evaluation would be different.



CimplyFive[®]

YOUR COMPLIANCE SIMPLIFIED



Automation of Corporate
Secretarial Work



E-Repository for
All Secretarial Records



Risk Management
Dashboard & Email Alerts

Loaded with clerical work? Request for a free demo now!



080-23324212



www.cimplyfive.com



contact@cimplyfive.com

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.

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 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.

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.

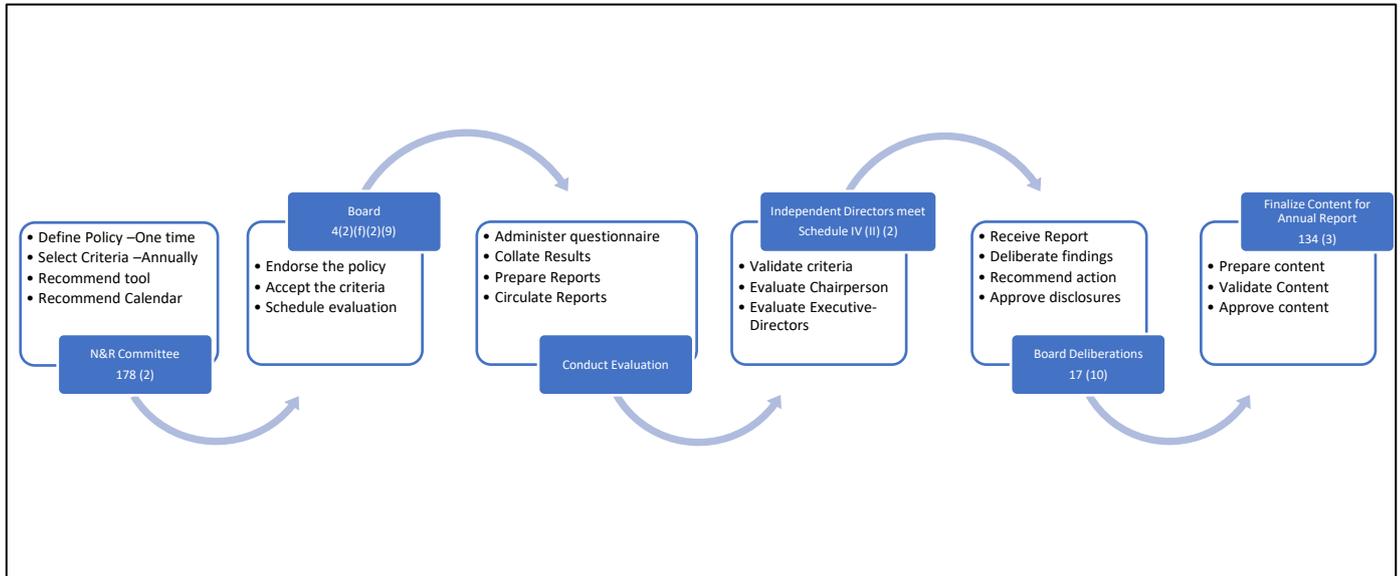


Figure 1: Corporate Board Evaluation Process- Flow Chart

1. Nomination & Remuneration Committee of the Board to define, 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.

Findings of Board Evaluation Practice in 2020

We analysed the disclosures made by the Nifty50 companies using our Five Star rating system. This system considers disclosures made of the five elements of Corporate Board Evaluation

- Criteria considered,
- Process followed,
- Favourable outcome,
- Improvement areas, and
- Action Plan for addressing deficiencies.

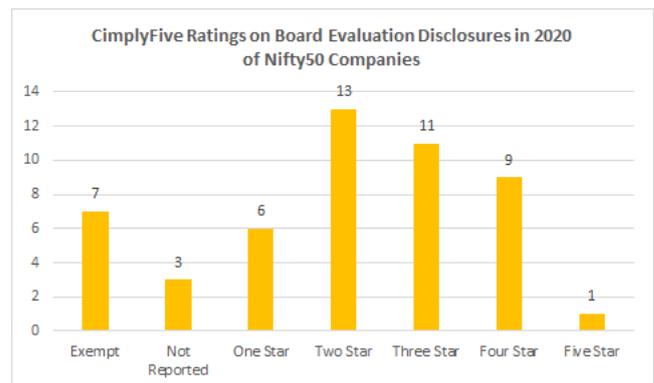
We assign one star for each of the parameter disclosed by the company and a company which has disclosed all the five parameters is assigned Five stars.

Analysing the disclosures made by Nifty50 companies in their 2020 Annual Report, we found that 40 companies had disclosed their Corporate Board Evaluation practices. Of the remaining 10 companies, 7 companies were public sector companies exempt from conducting Corporate Board Evaluation and the balance 3 companies had not published their annual report on the cut-off date for our analysis (August 31, 2020).

Table 5.1: Board Evaluation Ratings in 2020

Rating	Companies	%
One Star	6	12%
Two Star	13	26%
Three Star	11	22%
Four Star	9	18%
Five Star	1	2%
Companies Reporting	40	80%
Not Reported	3	6%
Exempt	7	14%
Total	50	100%

Graph 5.1: Ratings in 2020



Only one Company (Cipla) had made comprehensive disclosure of their board evaluation practice by reporting on all the five elements of Corporate Board Evaluation which covered the following salient points:

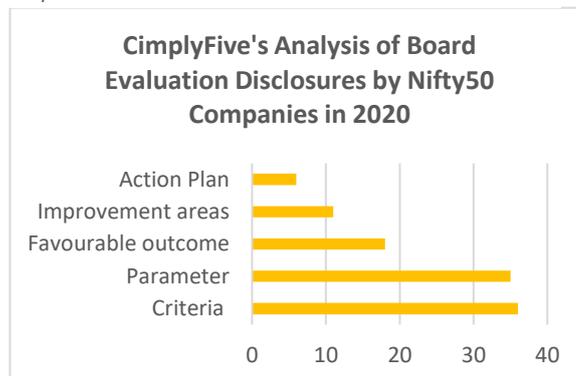
- Criteria considered: For evaluation of -Board, Committee, Individual directors, Chairperson, Independent directors, Executive Vice-Chairperson and MD & GCEO
- Process followed: Use of an online tool and an external agency
- Favourable outcome: Satisfaction expressed by directors on governance standards, transparency, meeting practices and board effectiveness.
- Improvement areas: Two action items identified were interaction with external pharma analysts and visits to key markets.
- Action Plan for addressing deficiencies: Confirmed implementation of actions identified in the earlier year and action plan for addressing the deficiencies identified in the current year.

40 companies had disclosed 106 parameters in their Corporate Board Evaluation practices as detailed in Table 5.2.

Table 5.2: Board Evaluation Parameters Disclosed in 2020

Parameter	Companies	% Reporting companies
Criteria considered	36	90%
Process followed	35	87%
Favourable outcome	18	45%
Improvement areas	11	27%
Action Plan	6	15%
Total Parameters	106	

Graph 5.2: Board Evaluation Parameters Disclosed in 2020



As tabulated, Criteria considered for evaluation was the most common disclosure made, with Process followed coming in right behind. Further, 18 companies reported favourable outcomes from the board evaluation, while only 11 companies reported improvement areas. Though cursory in nature, 6 companies made a mention of the action plan for implementing the improvement areas, as illustrated here:

- I. The Board's suggestions have been noted and taken up for implementation.
- II. Most of the suggestions from the Board Evaluation exercise of FY 2019-20 have been suitably implemented such as considering qualitative criteria for performance evaluation exercise.
- III. The respective Committees and the Board also discussed the report of performance evaluation and agreed to take requisite steps to implement the suggestions.
- IV. Proposed actions based on current year observations: The Bank has accepted all the observations made by the Board emanating from the Board performance evaluation or the financial year 2019-20 and the same has been conveyed to the concerned stakeholders for appropriate action. The status of compliance with the said observations will be reviewed by the NRC and reported to the Board.
- V. Recommendations arising from this entire process were deliberated upon by the Board to be used constructively to further enhance its effectiveness.
- VI. The actions emerging from the Board evaluation process were collated and presented before the Nomination and Remuneration Committee as well as the Board. Suggestions/feedback concerning strategic, governance and operational matters were actioned upon by the team.

Though not mandated by law, 11 companies, more than a quarter of the population, have disclosed using an external consultant for facilitating the Corporate Board Evaluation process and 6 companies, 15% of the population have disclosed using a digital Online Survey Tool to ensure anonymity of response resulting in a free and fair evaluation process.

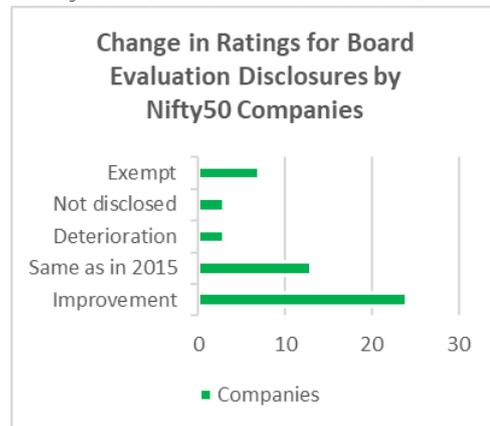
Progress in Corporate Board Evaluation Practices between 2015 and 2020

Comparing the Corporate Board Evaluation practices disclosed of the five-year period, we find that 48% of the companies had improved levels of disclosures, 26% had the same level of disclosure and only in 6% of companies, it was lower than in 2015.

Table 6.1: Change in Board Evaluation Practice between 2015 and 2020

Nature of Change	Companies	%
Improvement	24	48%
Same as in 2015	13	26%
Deterioration	3	6%
Not disclosed	3	6%
Exempt	7	14%
Total	50	100%

Graph 6.1: Change in Board Evaluation Practice between 2015 and 2020

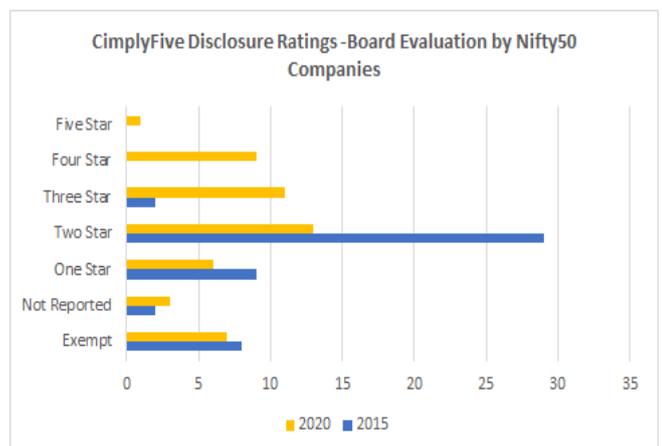


The improvement is primarily seen in companies with single-star and two-star ratings improving to three, four, and five-star ratings as tabulated in Table 6.2.

Table 6.2: Change in Ratings for Corporate Board Evaluation Practice between 2015 and 2020

Ratings	2015	2020	Inc/Dec	%
Exempt	8	7	-1	-2%
Not Reported	2	3	1	2%
One Star	9	6	-3	-6%
Two Star	29	13	-16	-32%
Three Star	2	11	9	18%
Four Star	0	9	9	18%
Five Star	0	1	1	2%
Total	50	50	0	0%

Graph 6.2 Change in Ratings for Corporate Board Evaluation Practice between 2015 and 2020



CimplifyBest

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.

LAUNCHED NOW! Request for a Demo



080-23324212



www.cimplifyfive.com



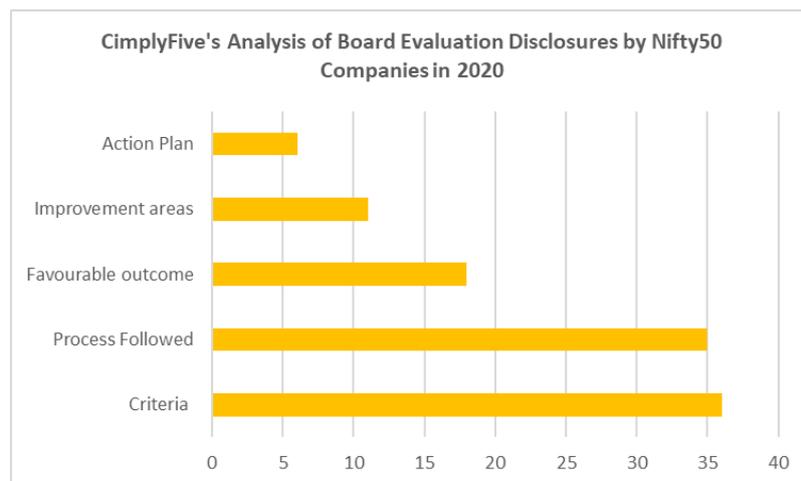
contact@cimplifyfive.com

Rating parameters tabulated in Table 6.3, indicate significant improvement in disclosures that form the core of Corporate Board Evaluation like Identification of Improvement areas and Action Plan for implementing the same. We also see the use of external consultants and an increase in use of digital tools, thereby reflecting the intent of the boards for serious introspection to improve the effectiveness of the Board.

Table 6.3: Change in Parameters Disclosed in Corporate Board Evaluation Practice

Parameter	2015	2020	Change
Criteria	37	36	-1
Process followed	33	35	2
Favourable outcome	3	18	15
Improvement areas	0	11	11
Action Plan	0	6	6
Total	73	106	33
External Consultants used	8	11	3
Use of digital survey tools	0	6	6

Graph 6.3: Change in Parameters Disclosed in Corporate Board Evaluation



Extracts of Exemplary Disclosures on Corporate Board Evaluation Practices

A. Objective of Corporate Board Evaluation

Going beyond the statutory requirement of compliance

'We measure our effectiveness

An effective Board is one that delivers for stakeholders. We assess the effectiveness of our Board, its committees and Board members each year, as required by the Code.

Although the Code only requires an externally facilitated evaluation every three years, for each of the past four years we have used the services of an external agency to facilitate the assessment of the effectiveness of the Board.

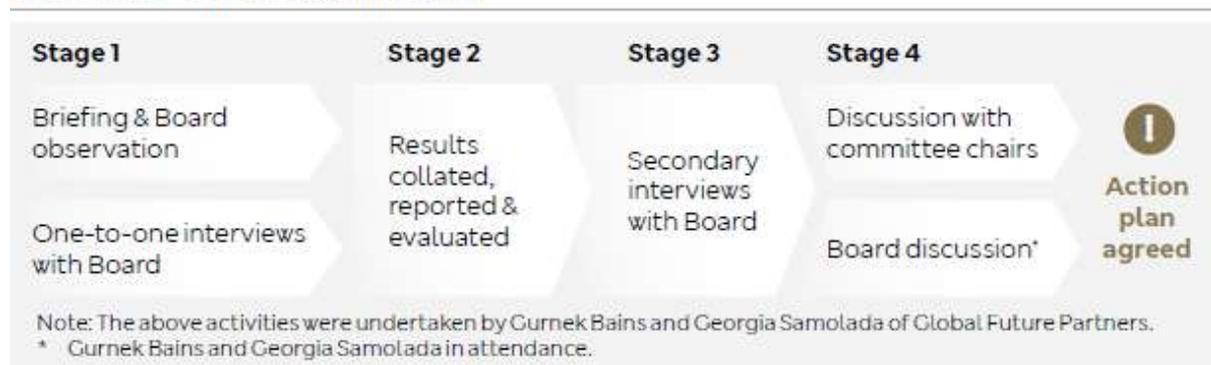
This year, the Nominations Committee decided to ask our Senior Independent Director (SID), with the support of the Company Secretary, to conduct the assessment. They are well placed to do this, having been closely involved in the transition to a new Chairman and the evolving composition of the Board and the way it operates.'

Barclays Plc, Annual Report 2019

B. Process Followed:

Pictorial and detailed description of the process followed, with an emphasis on concluding the evaluation with an Agreed Action Plan for enhancing board effectiveness.

STAGES OF THE BOARD REVIEW



Marks & Spencer Annual Report, 2019

'The Board carries out an evaluation of its performance and that of its Committees every year. The evaluation is normally facilitated externally every third year. The last external evaluation was facilitated two years ago by Ffion Hague of Independent Board Evaluation.

For the reasons given in the Chairman's Governance statement on pages 76 to 77, the Board agreed it would be helpful to carry out an external evaluation that included a review of its governance and architecture.

No 4 was appointed by the Board to undertake the review. No 4 does not have any other connection with the company or individual Board Directors.

Preparation

No 4 met with the Chairman and CEO in advance to agree the objectives and the scope of the evaluation exercise and the timetable of activities. The Company Secretary provided No 4 with access to Board, Committee and other materials as part of No 4's preparatory work.

Interviews

During November and December 2019, No 4 conducted confidential and detailed in person interviews with each Board and CET member, as well as meeting with the Company Secretary, to seek their views on the Board's effectiveness. These meetings were based on an agreed Discussion Guideline, that included topics highlighted by the FRC in its 2018 Guidance on Board Effectiveness. It also reflected the relevant requirements of the FRC's 2018 Code. The Discussion Guideline was sent to each participant in advance. No 4 also had telephone meetings with the external remuneration adviser and the auditor.

Review

The output from the evaluation was presented and discussed with the Board collectively. A summary report including suggested next steps was then compiled by No 4. This was discussed with the Chairman and CEO, and subsequently with the SID. The summary report was then presented to the Board in January 2020 with a proposal for implementation of the suggested recommendations.'

GlaxoSmithKline, Annual Report, 2019

C. Disclosure of Favourable Findings of Board Evaluation

2019 evaluation: outcomes and actions

The Board considers that it, and its Committees, continue to function effectively and that the working relationships between the Board and its Committees continue to be sound.

Leadership and culture

Positive feedback was provided on management's degree of engagement with the Board, linked with an open dynamic with the new Chief Executive and Finance Director.

Leveraging the collective knowledge and experience of the Board to best effect was also discussed, with the openness of the new executive team's interaction with the Board and the inclusiveness of the Board's strategy sessions cited as positive factors.

British American Tobacco, Annual Report 2019

D. Improvement Areas Disclosures

Recommendations of 2019 Board Effectiveness Review

The breadth and complexity of some issues may necessitate a deeper discussion than is currently possible in Board meetings. Consideration will be given to the best way to achieve this without significantly increasing demands on the Board's time.

As Barclays, and the wider industry, becomes increasingly more digital, there may be benefit to adding greater technology expertise to the Board. This could be achieved either through greater external input, or by looking to expand or adjust Board membership.

There may also be opportunities to increase the input to the Board from outside Barclays on a wider range of issues, thereby further strengthening decision-making and ensuring that Board members have the fullest understanding of the context for their decisions.

Barclays should ensure that its ongoing, structured approach to workforce engagement includes appropriate opportunities for Board members to engage directly with employees, to help the Board take the issues of interest to employees into account in decision-making.

Barclays Plc, Annual Report 2019

E. Disclosure of Action Plan for Addressing Deficiencies

Audit & Risk Committee evaluation

The Committee's annual evaluation was externally facilitated by No 4, who interviewed Committee members on my behalf. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's deliberations the following improvement points were agreed:

The Committee should continue to have a strong focus on financial reporting, as well as monitoring the dashboard of all GSK's enterprise risks and the process by which they are identified and prioritised. Following the review of the Board's governance and architecture, the Committee will conduct more detailed reviews of GSK's Financial controls and reporting, Anti bribery and corruption practices, Commercial practices, Privacy and Information security enterprise risks. Detailed review of GSK's other enterprise risks will be undertaken by the Board Committee focused on that aspect of the business most closely. In addition, the Committee will be responsible for oversight of the financial components as we work towards separation.

GlaxoSmithKline, Annual Report, 2019

F. Disclosure of Progress Against Earlier Years Action Plan

Progress against 2018 Board effectiveness review

The 2018 externally-facilitated effectiveness review outlined the following key recommendations:

Board size and composition: The 2018 review highlighted that the Board, at 15 members, was large relative to peers and suggested that a Board of 10 to 12 members is optimal, with 8 to 10 Non-Executive Directors, provided that diversity, succession planning and skills mix criteria continue to be met.

2019: The size of the Board was reduced to 11 (post AGM) and is currently 13. The Committee believes that the size of the Board is now more appropriate, with more work to do to reduce it further in size, and that its effectiveness, and the balance of skills, experience and diversity on the Board, have been enhanced during 2019.

Culture, purpose and values: The 2018 review recommended that the Board ensure that the Group's purpose and values are fully aligned with its culture and that all Directors lead by example and promote the desired culture.

2019: Deep dives have been held by the Board covering purpose, values and culture and considerable progress has been made in relation to these recommendations.

Director training and development: The 2018 review recommended that enhanced training be provided for Board members and senior executives on UK corporate governance, and that refresher training sessions and more opportunities for site visits be made available.

2019: Training on UK corporate governance has been delivered in 2019 to Non-Executive Directors and to key executives, and a new programme of training sessions for Directors has been implemented, with sessions held to date focusing on technical aspects of some of the more complex areas of the business, in particular within the CIB. Opportunities for site visits in the US and the UK have been made available to all Board members.

Board objectives: The 2018 review recommended that to enable the Board to spend more time on longer-term and strategic issues a short set of annual objectives would help to bring focus to key issues and would result in papers and meetings being more effective.

2019: Through the programme of deep dives, which covers a rolling 18-month period and reflects the Board's key priorities and objectives, and through the effort to address the deep dive topics effectively in the papers to the Board, the Committee believes that this recommendation has, in substance, been addressed. Time is now devoted to strategy and strategic issues at every meeting of the Board, rather than once a year.

Barclays Plc, Annual Report 2019



Temperature is measured using a thermometer.
Ever wondered how compliance is measured?



Color based
alerts



Status change
notifications



24/7 Access



Details on
mouse-over

Looking for a real-time dashboard? Request for a free demo now!



080-23324212



www.cimplifyfive.com



contact@cimplifyfive.com

Top 5 Learnings from the Corporate Board Evaluation Practices 2020 Study

i. Significant progress made in the last 5 years

Measured both quantitatively and qualitatively, Nifty50 companies have made significant progress from 2015, the first year of the mandate to 2020.

- Number of parameters reported by the companies increased from 73 to 106, i.e. 45%
- We have for the first time a five-star company that has disclosed all the five elements of corporate board evaluation practices.

ii. Enhanced focus on End-objective of Corporate Board Evaluation

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

- Eleven companies, or more than a quarter of the population have disclosed improvement areas identified through the Corporate Board Evaluation Process
- Six companies have disclosed their intent to implement action plan to redress the improvement areas identified.

iii. Increased Use of External Consultants for Corporate Board Evaluation

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

- Eleven companies, or more than a quarter of the population analysed used external consultants for corporate board evaluation.
- The sole 5-star company, four 4-star companies and three 3-star companies had external consultants facilitating the board evaluation reflecting their value-add.

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.

- 50% of the companies using technology tools for their board evaluation process identified improvement areas, in contrast to 27.5% of companies overall. To quote one company 'In order to ensure confidentiality, the Board's evaluation was undertaken by way of a questionnaire through an online tool by an independent agency.'

v. Spread out the Board Evaluation over two to three Board meetings

Indian corporate law requires companies to conduct 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 its potential for enhancing board effectiveness, spreading out calendar for corporate board evaluation, with the first quarterly board meeting for board and chairperson evaluation, the second for sub-committee evaluation and the third for independent directors' evaluation would enhance the board effectiveness.

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 timebound and actionable plans for implementing improvements identified.

Process

The process should contain the sequence of events that formed the 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 recommended 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
- Tools 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 based 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.

The Board of directors received the report of Corporate Board Evaluation and deliberate the findings in their meeting held on dd-mm-yyyy. Subsequent to the discussion, the Board approved finding 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 Chairpersons 1 2
D	For evaluation of Independent Directors 1 2
E	For evaluation of Executive Directors 1 2

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 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 timebound 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:

Sl no	Plan of Action	Timeline for Implementation
1		
2		

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 identified 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.

Five Key Elements 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 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 current practices can be discontinued, and
- What new global trends in Board processes that could be considered 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 feedbacks

Use of Online survey tools that provide anonymity of response is critical in receiving a free and fair response. To further 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.

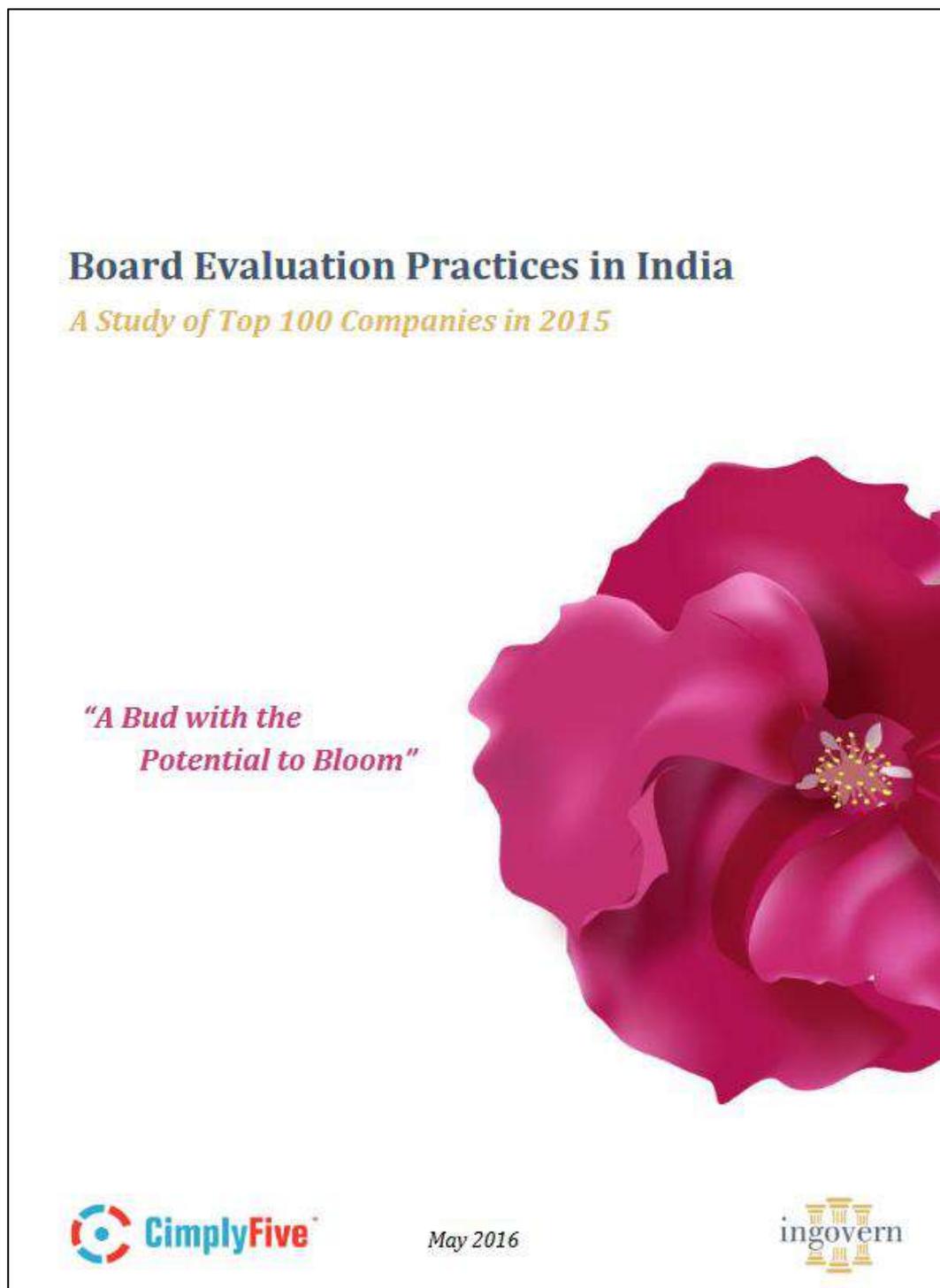
4. Engagement of specialists to facilitate Board Evaluation

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 deliberating on the findings and formulating action plan for enhancing Board efficiency, thereby optimizing 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.

From CimplifyFive's Archives



[Click here to Download the Report](#)

BLISS LISTED

A CLOUD hosted software for Listed Companies.



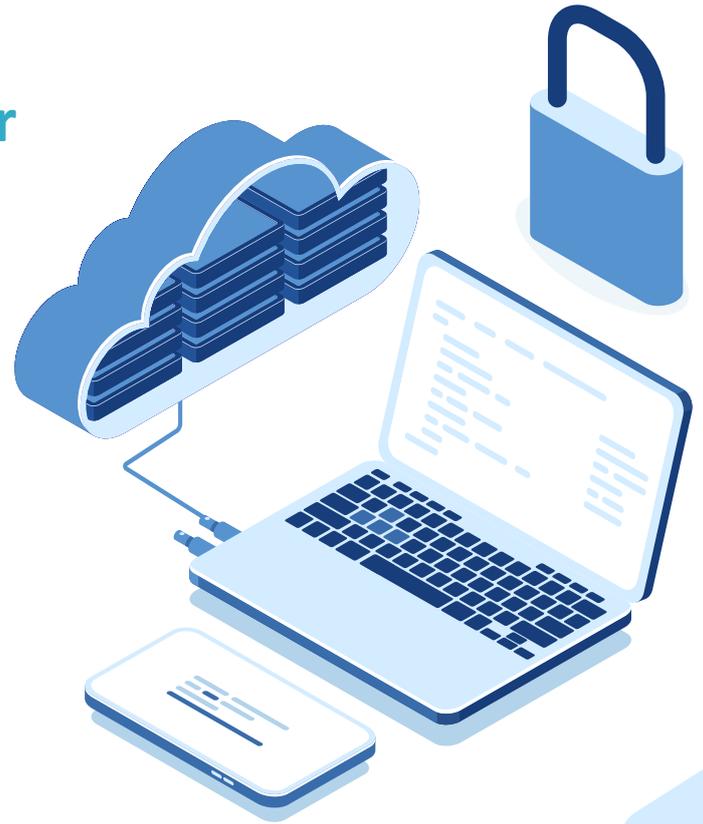
Risk management and alert system



E-repository for Secretarial records



Automation of Secretarial Compliance

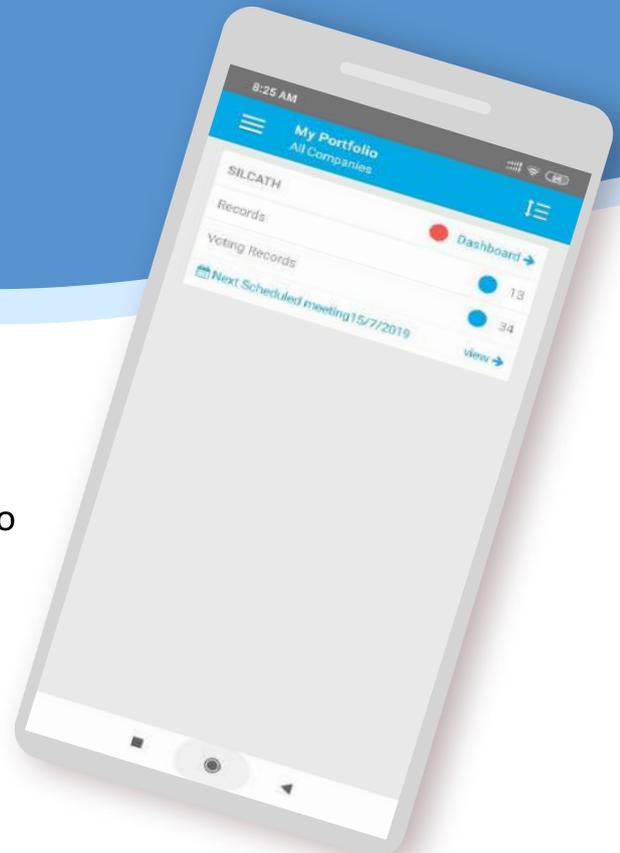


www.cimplifyfive.com

BLISSDOCS

A Board app for Directors

- Handcrafted User Interface compatible with both Mobiles and Tablets
- Document review and annotation features that also work offline
- Color coded calendar
- Voting for Circular Resolution



Google Play



App Store

Team



Eti Basaniwal



Hema Gopalsamy



Madhusudhana GK



Raghunath Sankar



Ritika Bassi



Ruthvik Kavale



Sarita Kakani



Shankar Jaganathan



Sowmya Ramaswamy



Srividhya Sampath



Swathi Nagaraj

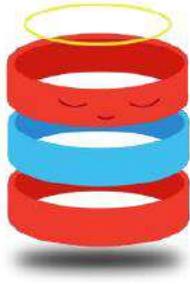


Swathi R

Disclaimer and Limitations of the Study

- **General Information:** CimplifyFive has prepared the Report on Corporate Board Evaluation Practices, 2020 to trace the changes over the five year period in Board Evaluation practices of Nifty 50 companies, with the intent of disseminating it to all Corporates in general and the directors and governance professionals in particular. 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 Annual Report of these Companies found in the pdf format in their website or the stock exchange's website.
- **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.

Board Leaders Integrated Software Solutions



BLISSPLUS

BLISS LISTED

BLISSGLOBAL

BLISSDOCS

CIMPLYBEST



BLISS is a Cloud hosted software that automates the routines, provides an e-repository, timely alerts and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it provides complete peace of mind to the Board of Directors and assurance to professionals by providing them with real-time compliance status with respect to the Companies Act,2013

An advanced variant of BLISS with multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size based compliance under the Companies Act,2013

An advanced variant of BLISSPLUS for Listed Companies with Companies Act,2013 and SEBI's LODR 2015 compliances integrated to provide a single point compliance automation, risk manager & e-repository for secretarial records including past secretarial records.

BLISSGLOBAL is a cloud hosted key document management solution with Action Tracker that provides master data capture of the entity, e-repository for document management, Automated Tracker for managing event based and calendar based activities.

An Android/IOS based Board app for Directors which provides secure access to Board documents on Tablets/mobile phones, enhancing Directors productivity and making the Board meetings efficient & effective

CimplyBest is a tailor-made software for Indian Corporates in conducting Corporate Board Evaluation which will optimize Board's Time & Effort with confidentiality assured.

CAIRR is a free to use website from CimplyFive that provides at your fingertips, an integrated view of the Companies Act, 2013, IB Code, 2016 and LODR, 2015. The site and app is updated daily at 10AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com