Grant Thornton
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Governance Observer

The changing face of corporate boardrooms

Contents

Special feature :

"Does good governance pay?"
by Dr. Jagdish N. Sheth
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Emory University

Page | 9

About this publication

Governance Observer, a publication from Grant Thornton India LLP is the first in a series that will focus on matters relating to corporate governance.

In the inaugural edition of “Governance Observer”, we take a close look at the corporate boards of India's top 150 companies by market capitalisation. The study provides an interesting insight on board management in India, and can serve as a benchmark for corporations to compare how their boards are structured in relation to other companies.

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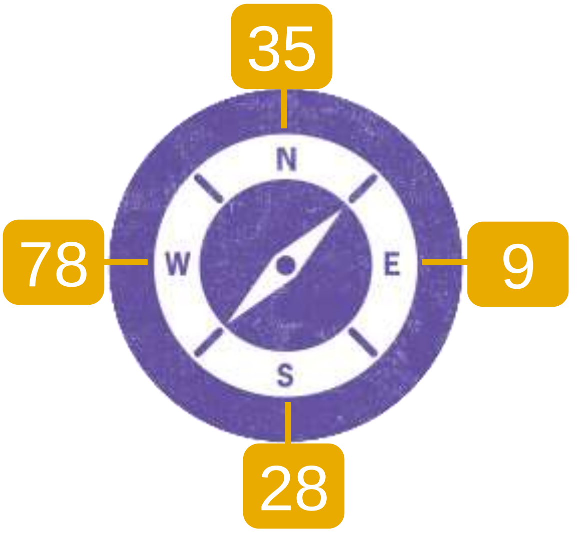
About the study

- this study is based on the information available in the public domain on India's top 150 companies by market capitalisation
- the annual reports and public filings of FY 2011-12 were referred to for gathering valuable information. The study covered a total of 1,612 active directors(existing or newly appointed directors on board as per the annual reports of FY 2011-12)
- there were 247 director appointments and 240 director resignations during the year.
- the information on age and educational qualifications were obtained from various public sources
- the companies were classified into six industry sectors, as given in the following table:

Sector	Number of companies
Banking, Financial Services and Insurance (BFSI)	30
Consumer Goods	17
Healthcare & Pharmaceuticals	16
Manufacturing	52
Services (including Information Technology / IT-enabled Services)	18
Real Estate & Infrastructure (RE & Infra)	17
Total	**150**

- a classification by region, of the number of companies is as follows:



Foreword

Surround yourself with the best people you can find, delegate authority, and don't interfere as long as the policy that you have decided upon is being carried out.

- Ronald W. Reagan
Former US President

This is a relevant statement of purpose for a board of directors in a corporate entity. A board is a key component of corporate governance and is entrusted with significant responsibilities. It is an indispensable check and balance on the operations of the company and its key role is to establish policies and control frameworks within which the management operates.

The board of directors is responsible for safeguarding and advancing the interests of the shareholders, acting as their representative in establishing corporate policies and reviewing management's execution of those policies. Accordingly, the directors have a fiduciary responsibility to the shareholders. They have an obligation to keep themselves informed about the company's affairs and to act diligently and proficiently in fulfilling their responsibilities. (Source: American Institute of Certified Public Accountants)

The five key board functions (according to Corporate Governance in America) are:

- appraisal of management performance and provision for management and board succession
- determination of significant policies and actions with respect to present and future profitability and strategic direction of the enterprise
- determination of policies and actions with a potential for significant financial, economic and social impact
- establishment of policies and procedures designed to obtain compliance with the law
- responsibility for monitoring the totality of corporate performance

Global corporate scandals of the recent years have had a profound impact on business environment. The unfortunate events not only sent shockwaves across corporate boardrooms but also pushed the government into action.

The Sarbanes Oxley Act, introduced after the Enron and Worldcom debacles, was an attempt to establish stringent principles and bring in accountability in the operations of companies in the US. Even companies outside the US began focusing on revising their corporate governance framework.

Corporate governance is regarded as an important aspect of a responsible business in every economy. It is no surprise, therefore, to see evolutionary changes to corporate governance guidelines and recommendations that have been taking place in leading international financial markets in recent years.

The sudden fall of a few large corporations during the economic meltdown exposed the weaknesses that prevailed within their boards and management structures, while calling into question the role of independent directors. In recent years, there has been an increased focus on the roles and responsibilities of the board. A number of regulations have been imposed on boards, defining the responsibilities and liabilities of directors.

The Indian government and its agencies have also introduced a number of provisions in the Companies Act, 2013, stock market regulations and other areas to clearly outline the duties and responsibilities of directors.

We believe that the way a board is composed and operates has a significant impact on the operations of the company, its reputation with the public and its valuation in the stock market. One of the factors driving valuations is the governance premium.

Obtaining the governance premium

Good governance has a premium. Promoters who have demonstrated adherence to corporate governance in spirit, more than letter, have reaped the benefits. The best way to look at this is to adhere to Mahatma Gandhi's principle of being a trustee of the company rather than its owner and endeavour for the common good.

Good governance in itself, unfortunately, does not yield the governance premium, just like making a great product does not mean the customer will buy it. One needs to also display good governance through actions.

Some suggestions to demonstrate governance actions:

- a strong board, which is visibly independent of the promoters is a prerequisite. The board should not only be independent but also be interested in the welfare of the shareholders
- transparent financial reporting and disclosure and adoption standards of accounting that are conservative and vetted by a reputed firm of auditors is necessary. In case of disagreement on a particular matter, instead of recording as a notes to accounts which we see commonly in India, it is better to give effect to the transaction and have a clean notes to accounts like in the US. The management opinion, if different from that of the auditor, can be disclosed separately
- a whistle-blower policy, which is led by the independent directors, to whom not only employees but also customers, suppliers, shareholders and others could report aberrations, and disclosure of the nature of the complaints received so that the directors don't deem frivolous and action taken is evident.
- it is important to have this widely publicised so that instances of fraud or malpractices by the company's staff at all levels get reported
- establishing a strong enterprise-wide Risk Management Framework and conducting internal and management audits based on the framework and having this reviewed by the independent directors and getting internal systems regularly checked on their potential for fraud
- demonstration of commitment of top management and board through reasonable and transparent compensation practices for both
- rotation of the auditors at a reasonable frequency
- background verification of employees and a more detailed checks for senior management and board

Ultimately, obtaining the governance premium requires the promoters and management to practice governance in the right spirit and make it visible for the external world as demonstrated by several companies which have enjoyed this premium.

The report

There has been no definitive study done in India on the composition and conduct of corporate boards. Grant Thornton has therefore undertaken this task of compiling the data of 150 companies based on the information available in public to identify trends and practices in board governance in India, comparing them with extant laws, rules or guidelines. We intend on making this an annual feature so that comparisons and directions can be identified. It will also serve as a benchmark for corporations to compare how their boards look like in relation to other companies and can be utilised while constituting or reconstituting boards.

We hope this study will throw further light on board management in India and help move the needle even more in favour of good governance. We welcome your feedback and inputs on the report.

Harish H V
Partner, India Leadership team
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Does good governance pay?

Does good governance pay? We don't know for sure. However, we do know that poor governance leads to disaster, and disaster does not recognize country or culture boundaries as we witnessed in the case of Enron in the U.S. and Satyam in India. Therefore, the real role of Board of Governance is risk reduction and risk management more than anything else. Corporate governance, however, is as good as its Board of Directors. Both the character and the composition of the Board, consisting of both executive and non-executive Board members are key differentiators between exceptional vs. average corporate governance. Average governance arises from regulatory compliances of the letter of law. Poor governance happens when the Board and the company ignore the laws. Exceptional governance arises when both the Board and the management go beyond the letter of the law.

Unfortunately, what is obvious is equally difficult to implement for several reasons. First, if a listed company is managed by its promoters, it is usually very difficult for outside Board members to make a difference.

The professional managers, including the CEOs of various businesses somehow believe they are only accountable to the promoter and not to the Board of Directors as representatives of all shareholders and, especially the minority shareholders. To counter balance, you need a Lead Director or a non-executive Chairman of the Board to enhance professional management's consciousness that they are accountable to the Board and not the promoter.

In the case of most foreign multinationals, this situation is rare at least among listed companies. It is inconceivable at companies, such as Unilever, IBM or Caterpillar where the CEO feels he or she is not accountable to the Board of Directors.

A second key issue in Board Governance is clear demarcation of roles and responsibilities of the Board vis-à-vis the management. Unfortunately, in many companies where independent Board members are current or retired CEOs of other companies, it is very tempting for the outside Board members to micromanage the company's affairs. In the process, the company's professional managers feel sidelined and are unable to perform their leadership role.

While it is desirable to tap into the wisdom of the Board members, it often leads to abdication of responsibility by the management. This is especially true if the independent Board members come from the same industry, and therefore, expect their senority of experience to prevail even if it is obsolete or outdated.

The best way to manage this dilemma is the skill and political acumen of the Chairman of the Board, who must act as a buffer between Board members and professional managers.

A third issue in Board governance is the company's expectations that its Board members should act primarily as rainmakers, consultants and provide connections to policy makers.

In the process, good governance tends to suffer. The real role of the Board is to make the company's management accountable for their actions and to ensure that management conduct is professional as opposed to personal, and that management is driven by the company's other stakeholders (employees, customers, suppliers and community), and not just the shareholders. While governance can be imposed through compliance, good governance only arises from the inner consciousness of the Board and management of the company.

In our book, Firms of Endearment, we found that companies driven by purpose and passion deliver four times greater shareholder value (42% annual total returns) as compared to the stock market index (under 10%) over a period of fifteen years. We also found that they deliver twice the level of shareholder value as compared to companies driven solely by financial performance.

So, to conclude, does good governance pay? The answer is yes. It pays to have good governance both to protect the company from the downside risk, as well as to benefit from the upside potential.

Dr. Jagdish N. Sheth
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Board composition

Board composition

Board size

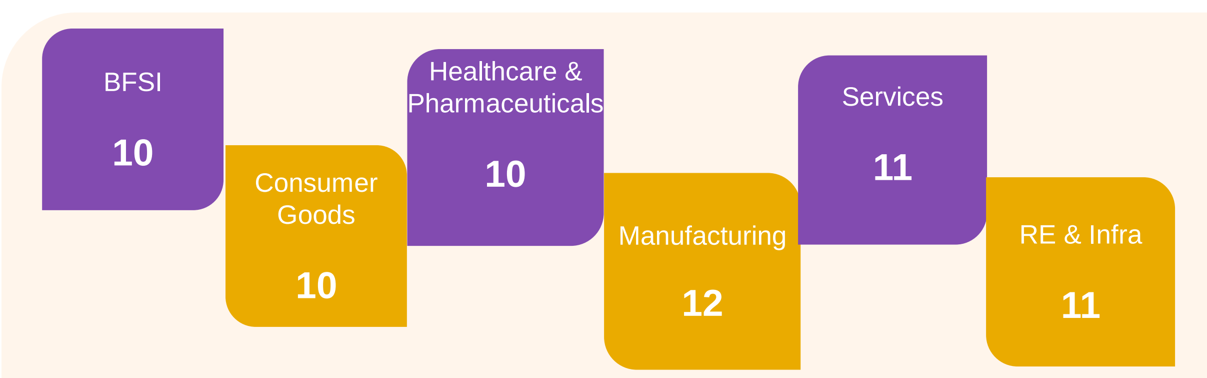
The Companies Act, 2013 prescribes a minimum of 3 and maximum of 15 directors on the board of a company.

The Companies Act, 2013 permits companies to appoint more than 15 directors after passing a special resolution

Governance practices continue to evolve with market, regulatory and political pressure bringing new challenges. For instance, in the UK, since early 1990s, there has been a significant improvement in governance. It is easy to forget that what is accepted as good practice now was not always commonplace. Before the Cadbury Report, companies routinely had no audit committees, had more executive directors than non-executive directors, and the same person acting as both CEO and chairman.

It is no coincidence that such strides have been achieved within a voluntary framework. The aspirational targets of UK governance codes encourage greater achievement, whereas regulation alone leads to the bare attainment of minimum standards.

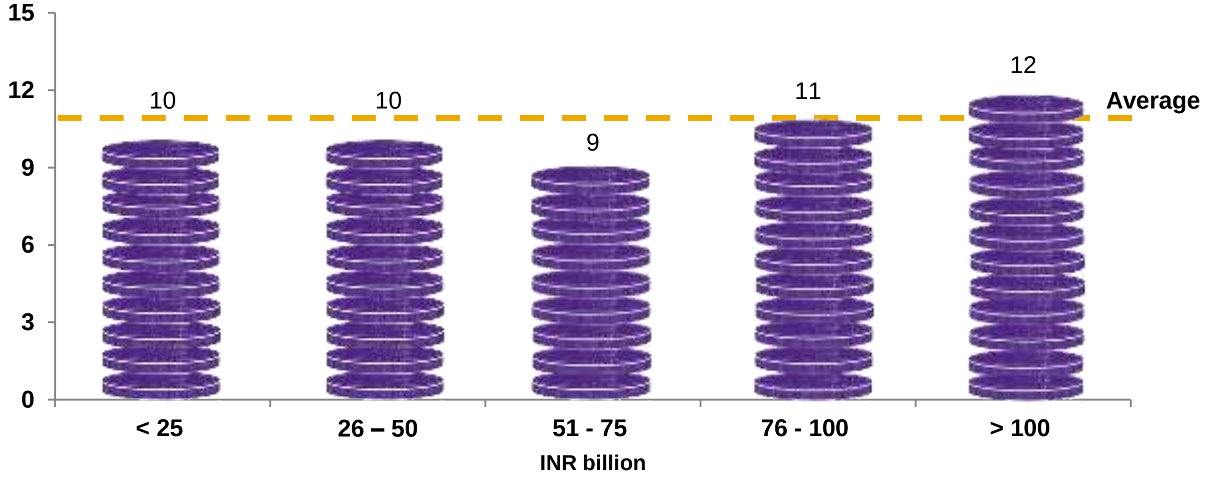
As per our study, the number of directors on the boards varies between 4 and 20. **The average number of directors on the board of top 150 listed companies stands at 11.** An analysis of board sizes in companies based on sector, region and turnover of the company is presented below:



Average number of directors on boards - by sector

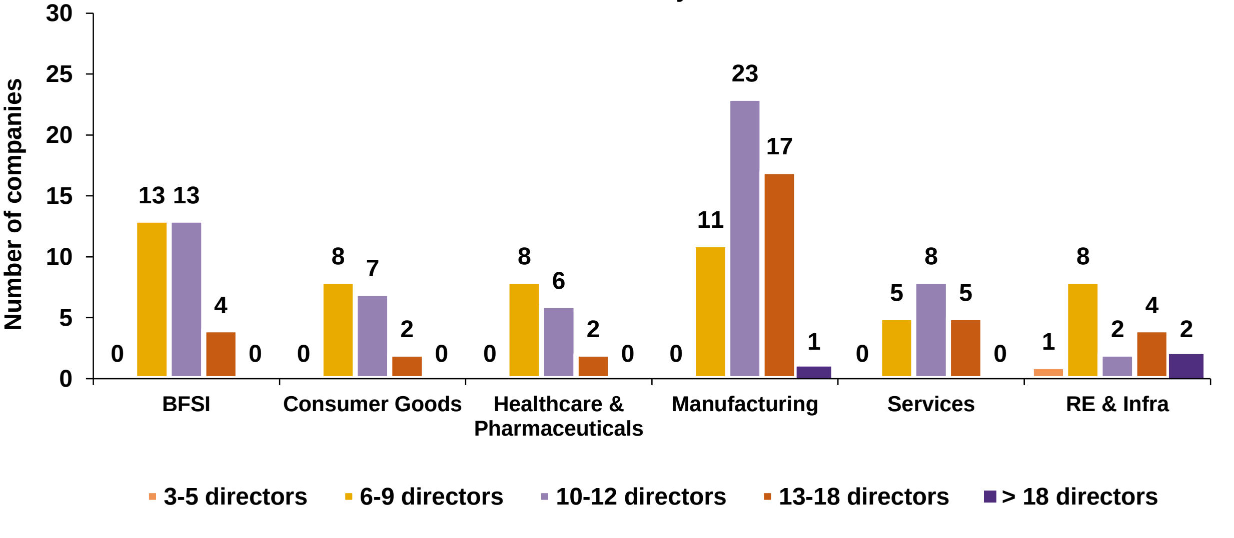
Average number of directors on boards- by region

Average number of directors on boards- by turnover

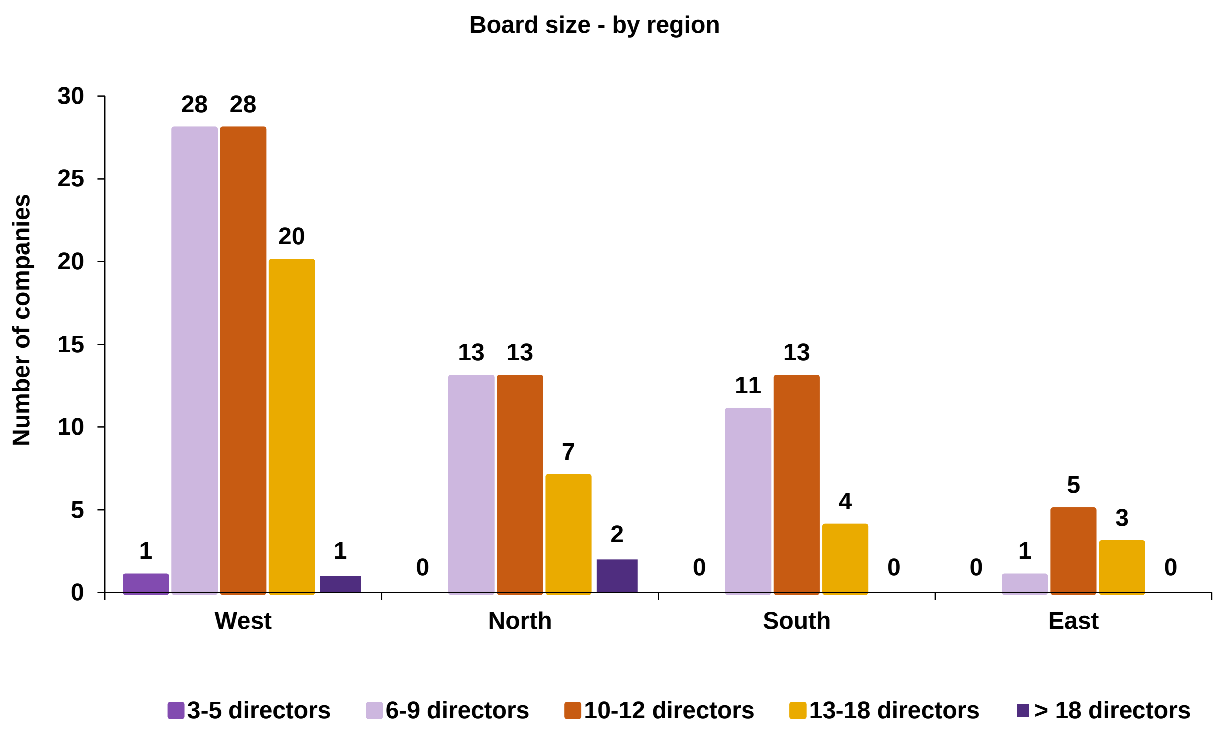


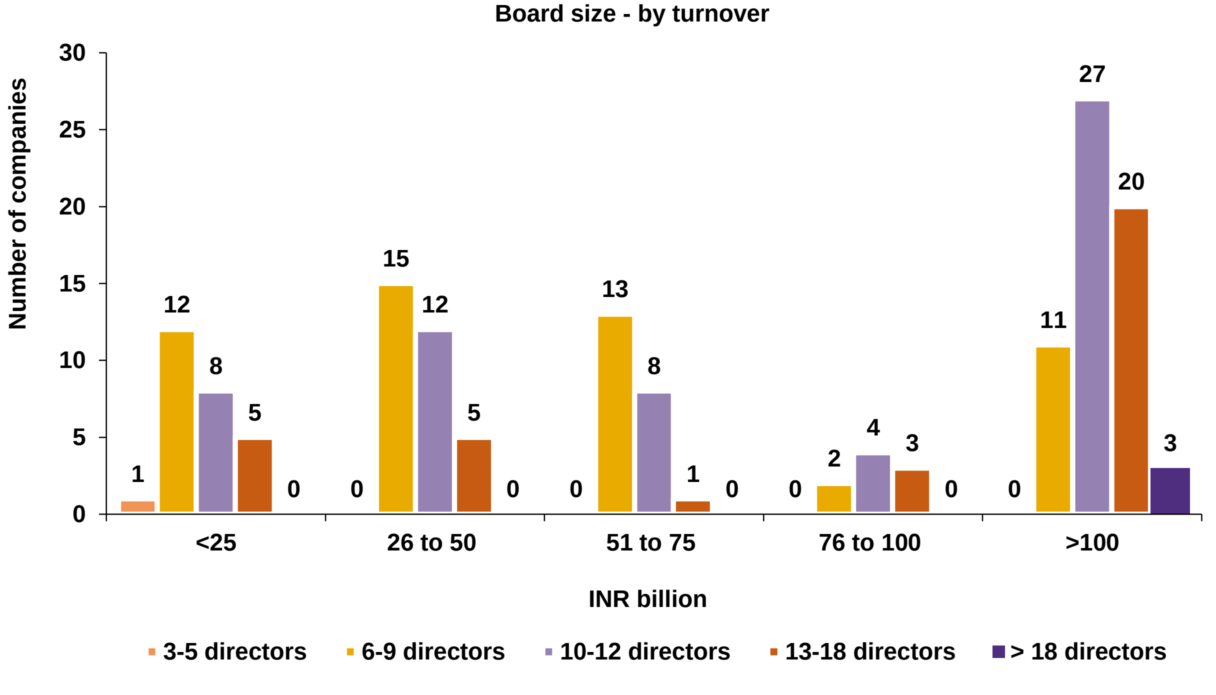
Manufacturing sector took the lead in having the maximum number of directors on the board. A total of 23 companies in this sector had 10-12 directors on their boards while 17 companies had 13-18 directors.

Board size - by sector



Companies with turnover higher than INR 100 billion preferred a bigger board size with 27 of them having 10-12 directors and 20 companies having 13-18 directors on their boards.

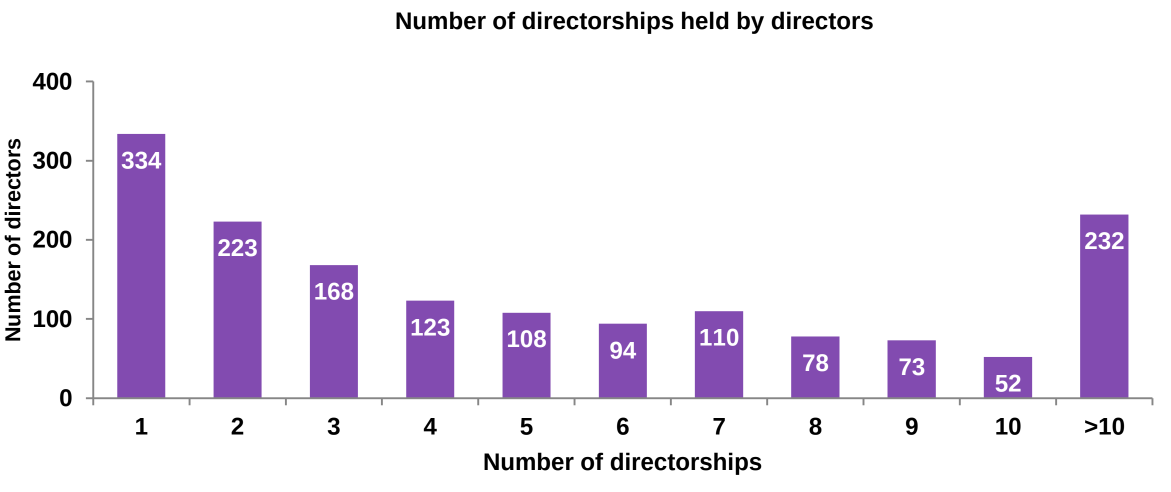


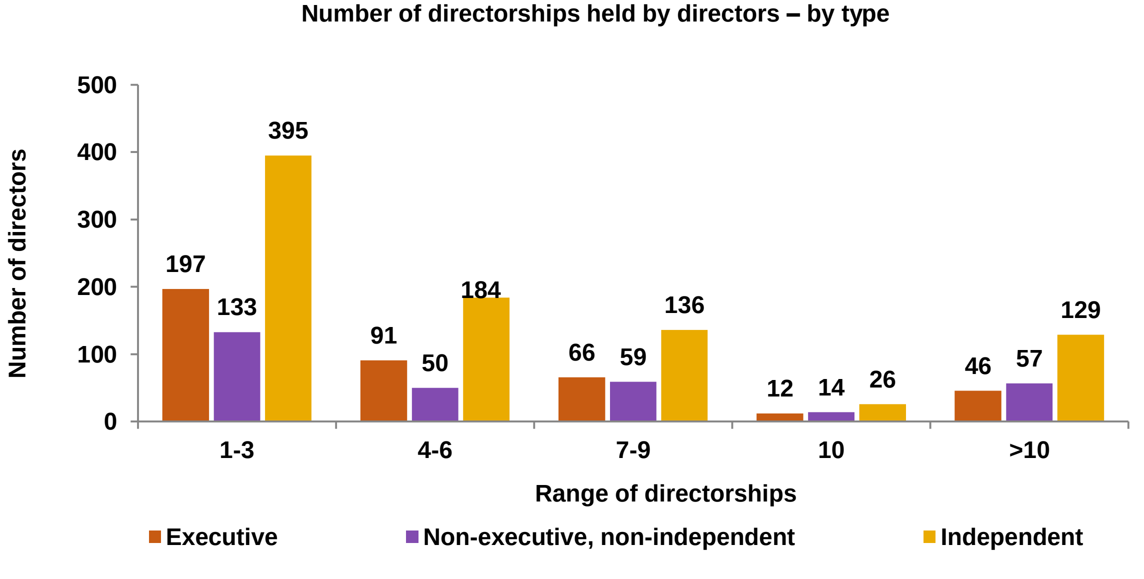


Number of directorships

The Companies Act, 2013 mandates that no person shall hold office at the same time as director in more than 20 companies. Maximum number of public companies in which a person can be appointed director is 10.

The study reveals that the average directorships held by directors is 5.

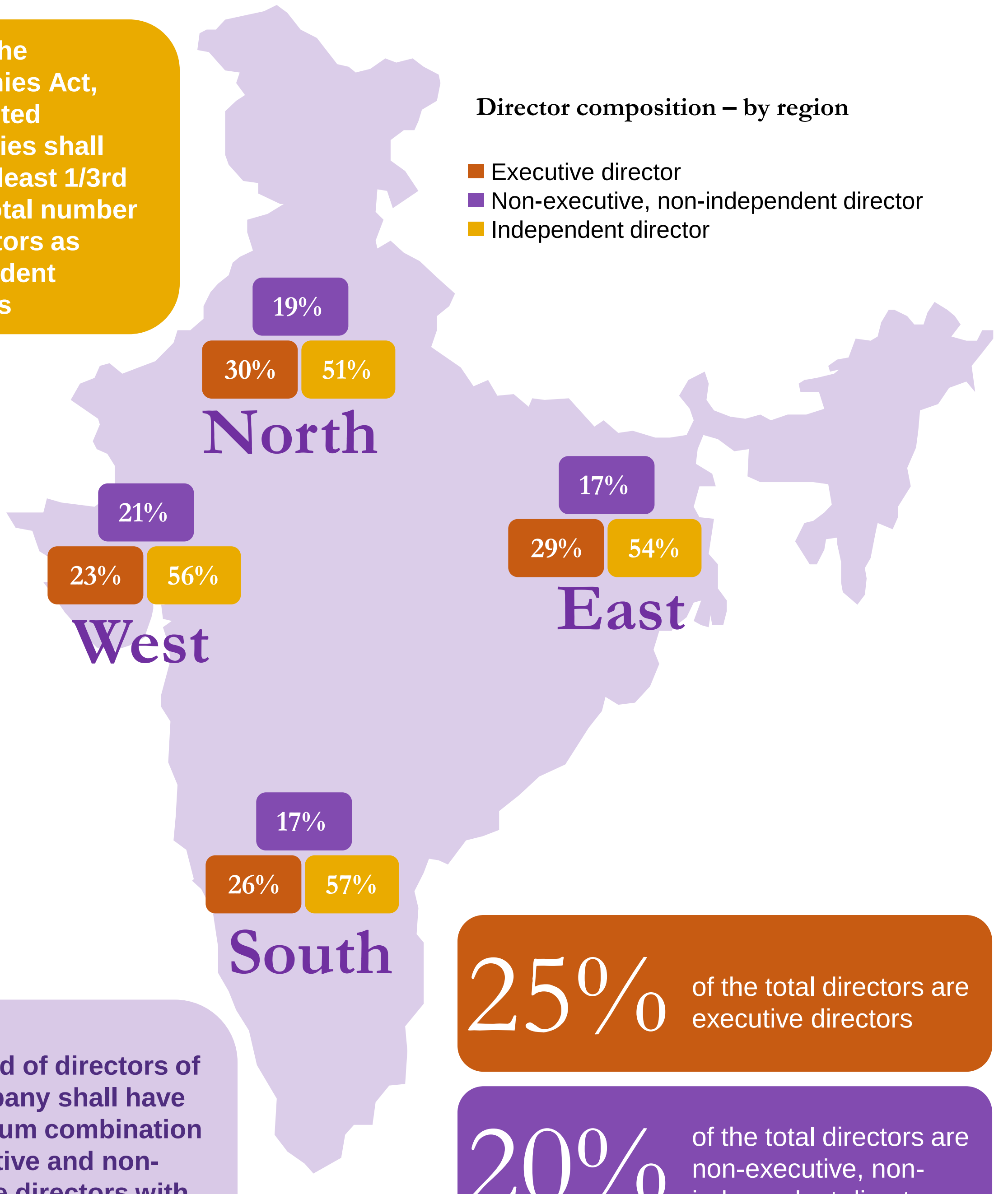




Executive and non-executive directors

Composition of directors across region, sector and size of company is provided below:

As per the Companies Act, 2013, listed companies shall have at least 1/3rd of the total number of directors as independent directors



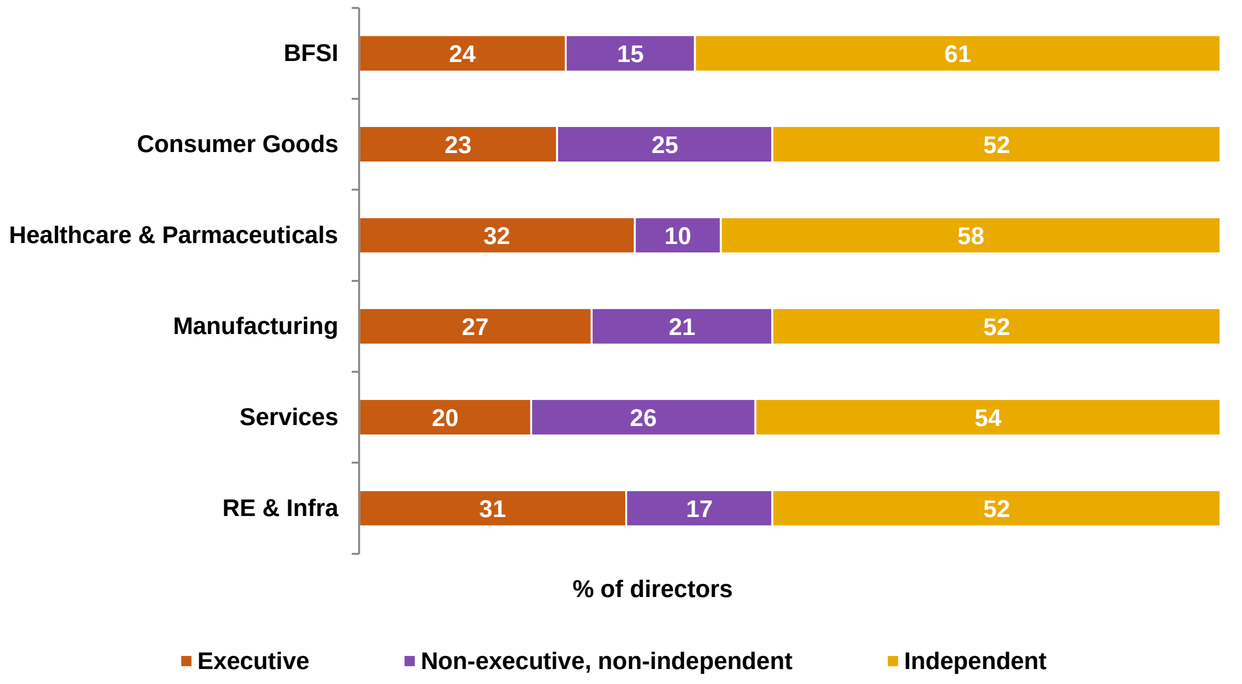
25% of the total directors are executive directors

20% of the total directors are non-executive, non-independent directors

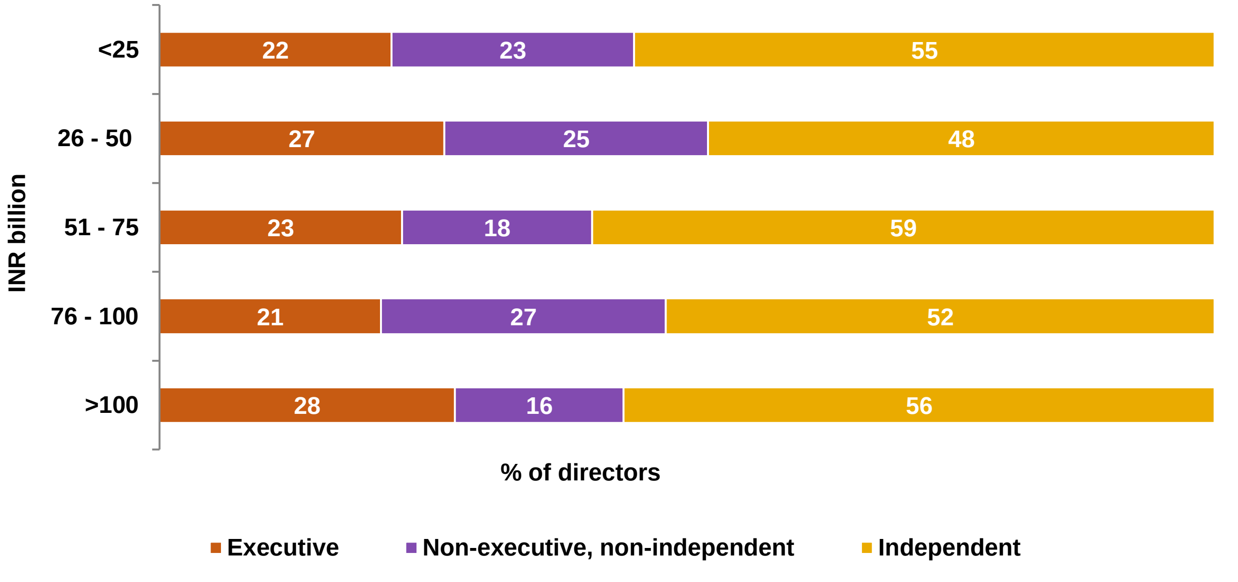
55% of the total directors are independent directors

The board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than 50% of the board of directors comprising of non-executive directors, as per the SEBI listing agreement.

Director composition – by sector



Director composition – by turnover



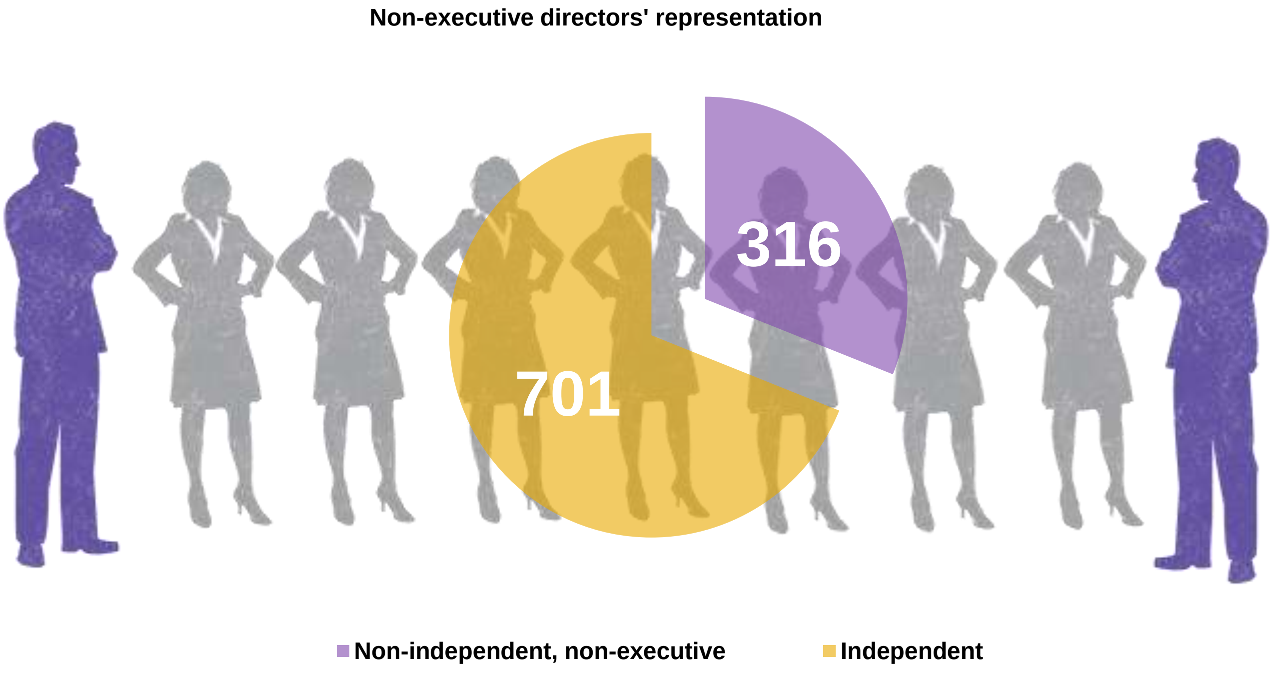
Non-executive, non-independent directorships

Executive directors participate in day-to-day management of the company.

The non-executive directors, on the other hand, are appointed to bring in industry perspective, broader outlook and strategic vision and independent directors provide an independent oversight on the company's decisions.

The study found that 124 out of the top 150 listed companies have appointed non-executive, non-independent directors on their boards. They account for 20% of the total directors in these companies. One should consider the role of such directors while evaluating the strength of corporate governance in a company.

Composition of independent directors and non-executive, non-independent directors within the non-executive director group is provided below:

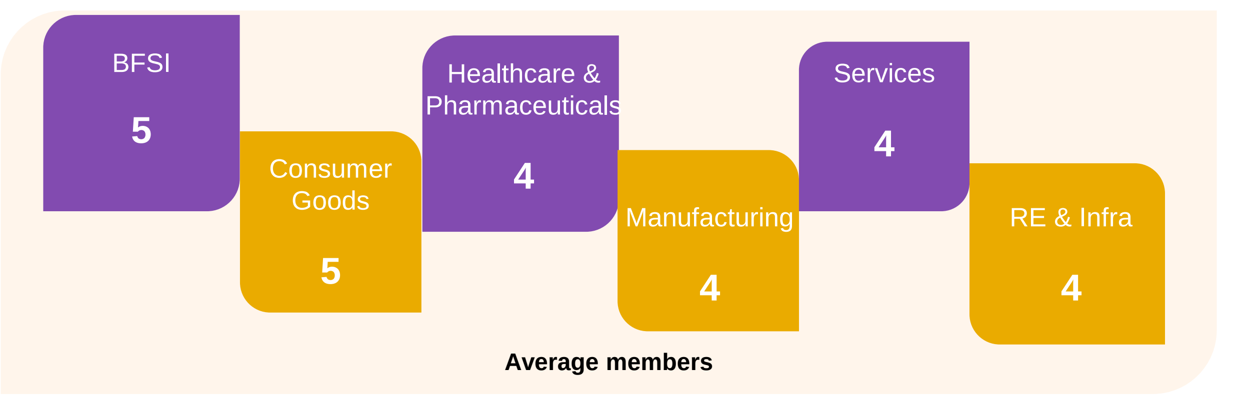


Composition of the audit committee

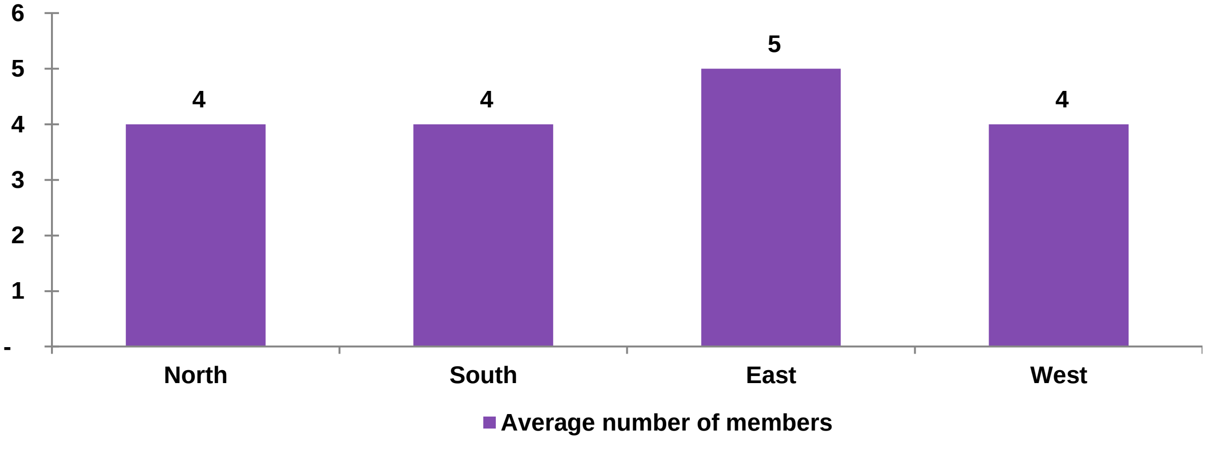
The SEBI listing agreement mandates the audit committee shall have minimum three directors as members. Two-thirds of the members of the audit committee shall be independent directors. All members of the audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise

The need to have a minimum number of independent directors on the audit committee emanates from the principles of checks and balances within the company. 522 out of 636 (82%) directors on the audit committees of the top 150 listed companies are independent directors. Analysis by sector, region and turnover of the company is provided below:

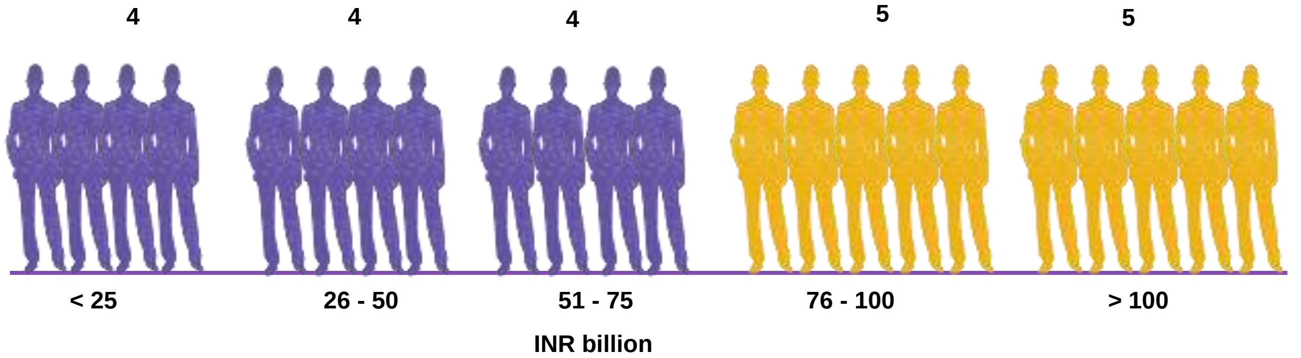
Audit committee composition – by sector



Audit committee composition – by region



Audit committee composition – by turnover



Average members

Further, 69 out of top 150 listed companies have only independent directors on the audit committees.

Chairperson of audit committee

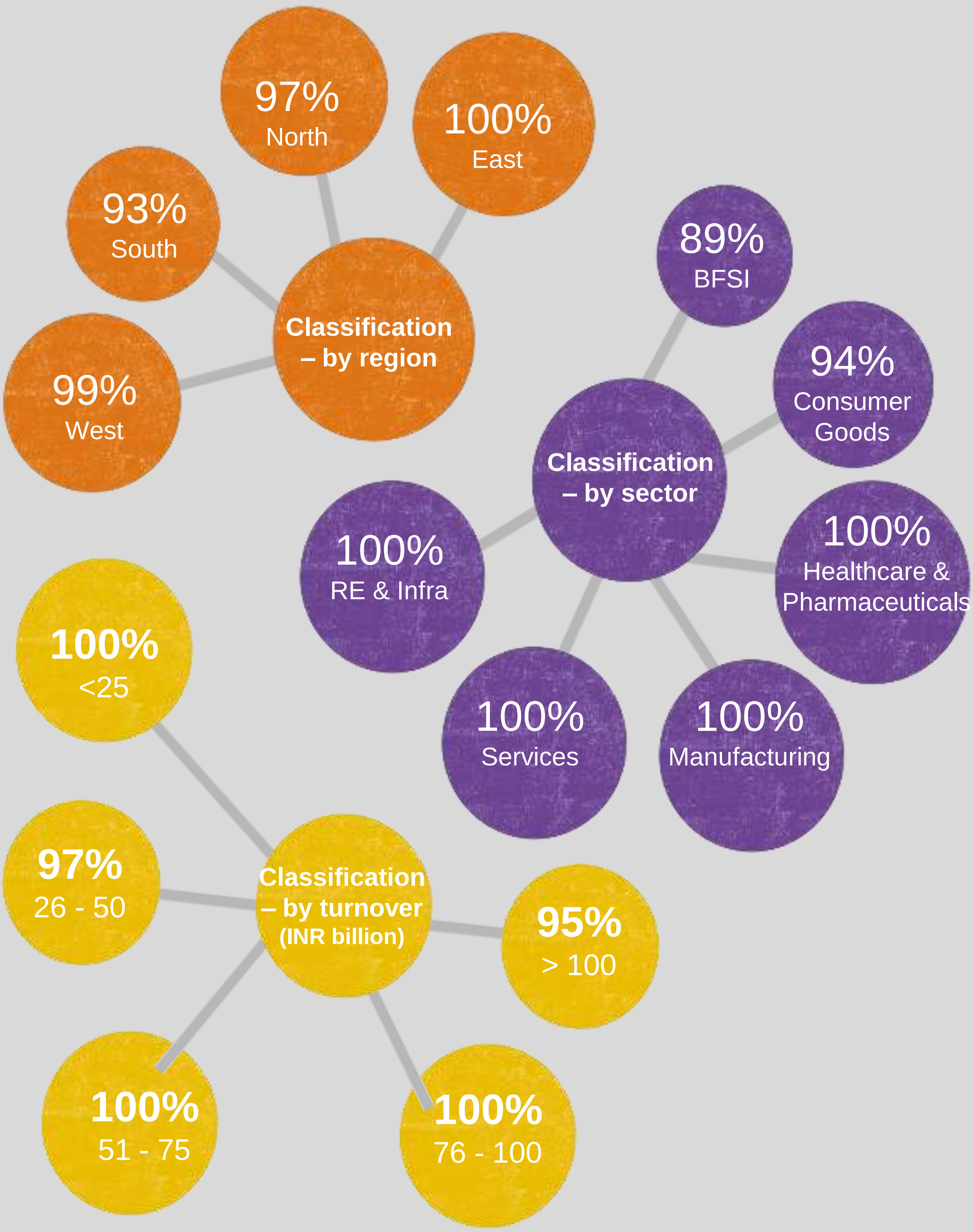
Voluntary guidelines issued by the Ministry of Corporate Affairs, state: An independent director should hold chairmanship of the audit committee to improve the corporate governance framework within the company.

93% of top 150 listed companies have appointed independent directors as chairpersons of the audit committees

3 companies have appointed women as chairpersons of the audit committees

69 out of top 150 listed companies have only independent directors on the audit committees.

Companies with independent director as audit committee chairperson



Women directors

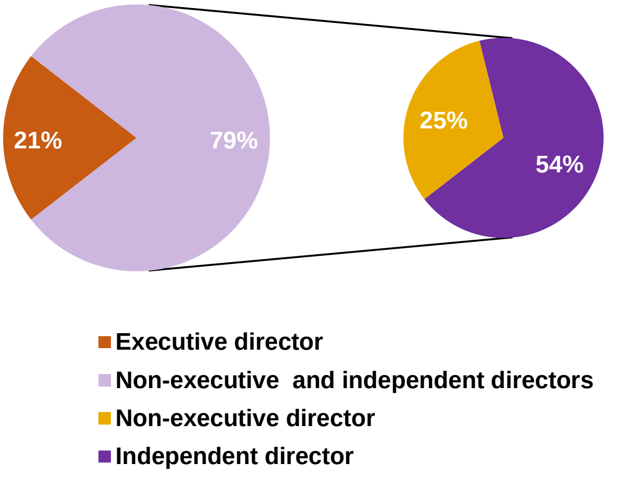
Women directors

The growing role of women in the corporate sector has raised the pitch for boardroom diversity. The current regulatory framework does not prescribe the minimum number of women that must be on the board of a company.

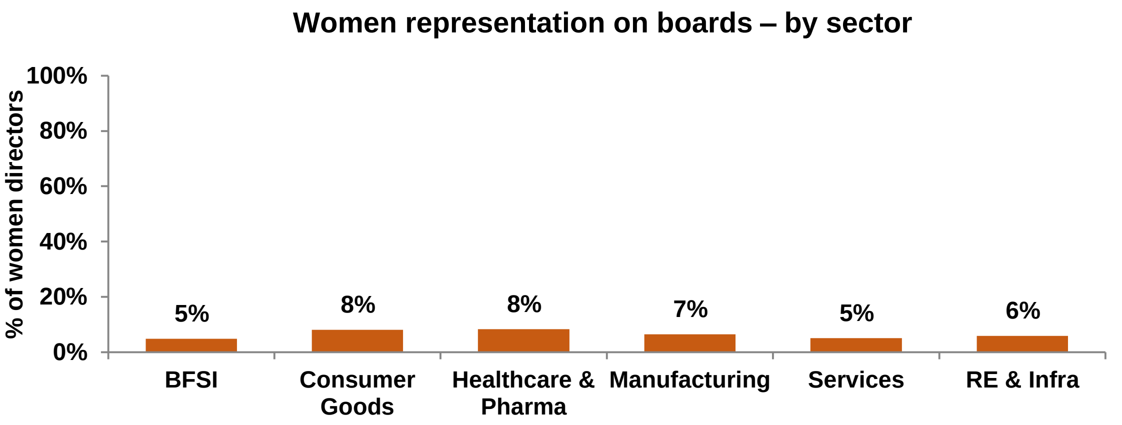
The study found that only 1 out of every 17 directorships (102 out of 1612 directors) is held by a woman. Only 81 women are holding the post of non-executive and independent directors while 21 women are executive directors. 55 (54%) women are independent directors.

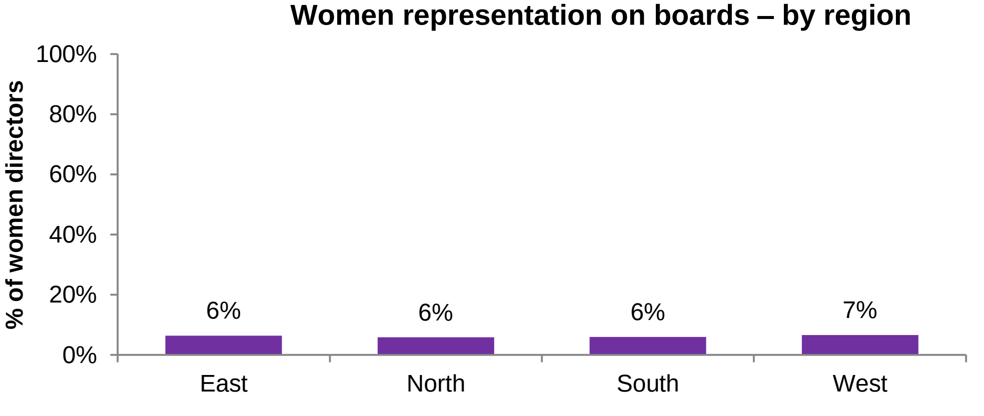
The Companies Act, 2013 suggests classes of companies who may be mandated to have at least one woman director. UK Corporate Code 2012 recommends companies to disclose a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy and progress on achieving the objectives.

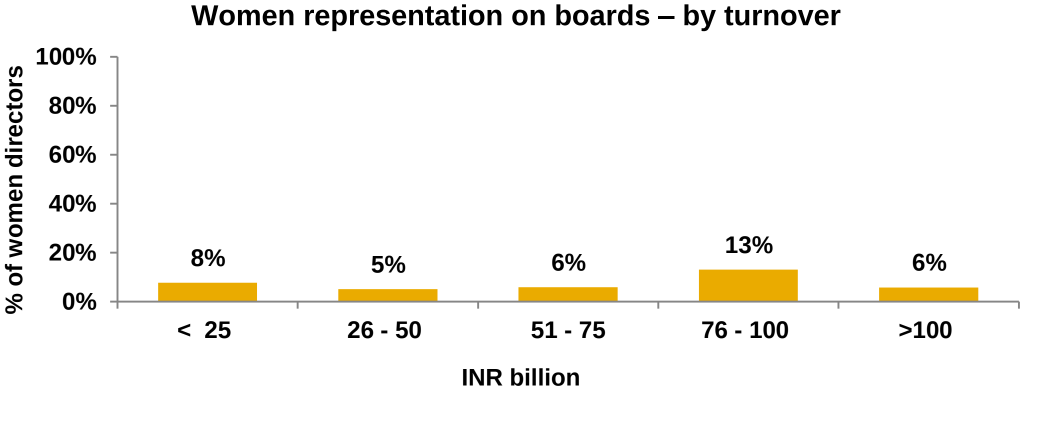
Women director composition – by type



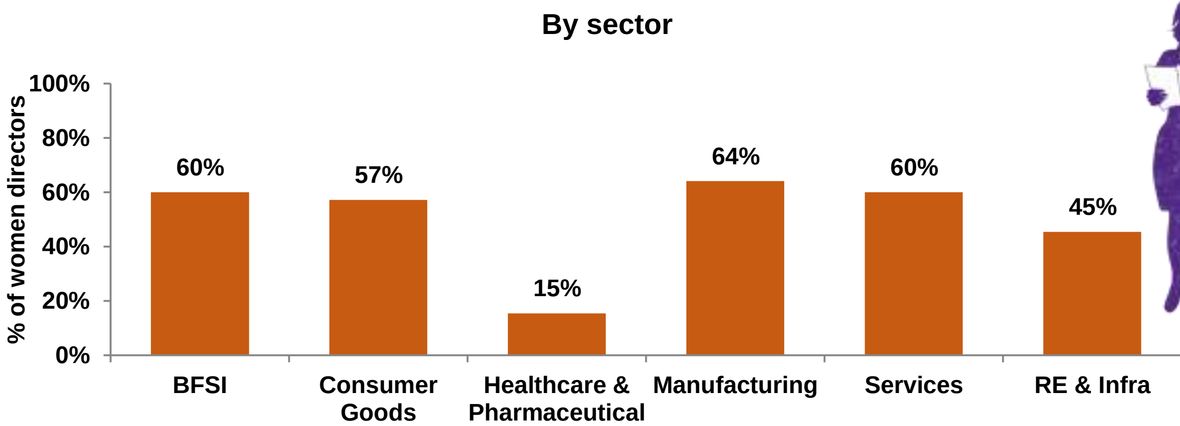
Classification by sector, region and turnover of the company is provided below:

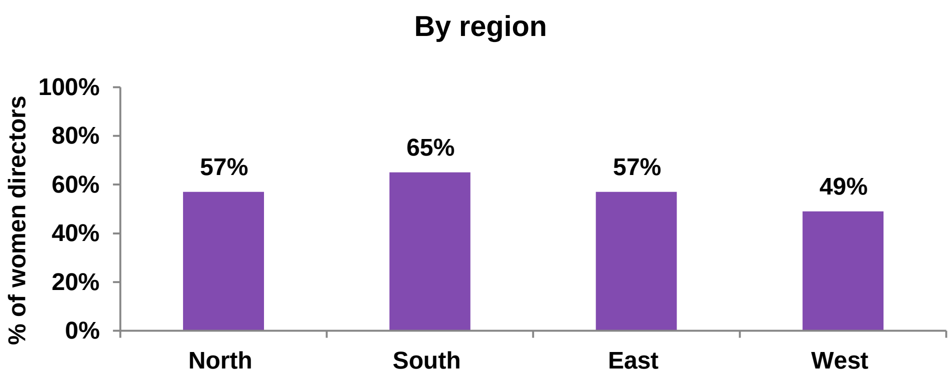


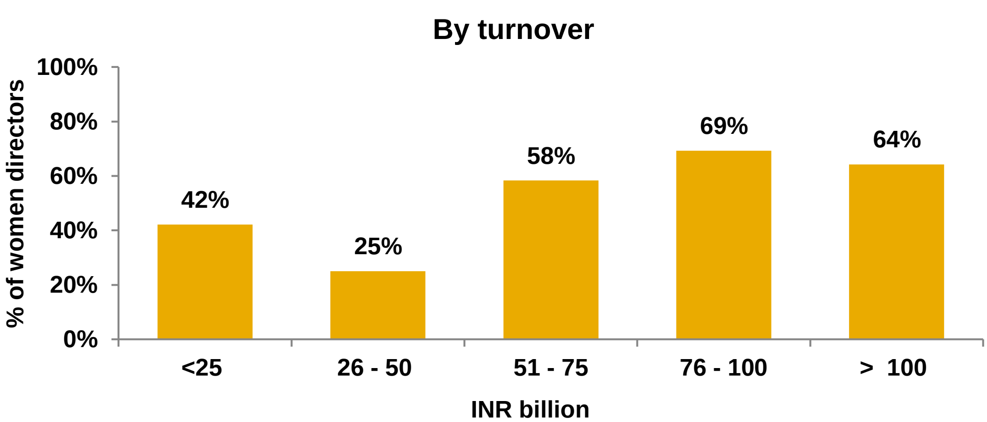




Percentage of independent women directors out of the total women directors







Female representation as chairperson is miniscule with only 3 out of top 150 listed companies opting for a woman as chairperson.

The Companies Act, 2013 - a new era in corporate governance

The Companies Act, 2013(the Act), which was passed by parliament recently, is refreshingly simple with 470 clauses in all (there are over 700 clauses in the Act of 1956). The legislation has been extensively rewritten and demonstrates a clear intent to improve matters of governance and shareholder protection. Indeed, the lawmakers had the benefit of hindsight, with several corporate failures to learn from, both in India and globally. The legislation is timely, coming as it is in uncertain and difficult market conditions; should governance improve as a result, this is likely to bolster shareholder sentiments.

In progressive strides, the Companies Act 2013 introduces several new terms like one-person company, small company, promoter, CEO, CFO and raises the cap on the number of members in a private company to 200. The Act also seeks to vastly improve corporate governance in listed companies through provisions relating to the appointment and conduct of the Board, Audit Committee, Nomination & Remuneration Committee, Stakeholders' Relationship Committee, key managerial personnel and auditors. It envisages the maintenance of a data bank of independent directors, election of one director by 'small shareholders' and aims at improving gender balance through the appointment of at least one woman director in specified classes of companies.

The Companies Act 2013 has several provisions covering related party transactions. It introduces the concept of 'vigil' mechanism, as well as the need for safeguards against victimisation, which is likely to pave the way for establishing a structured whistle-blower mechanism in companies.

The Act has also introduced the National Financial Reporting Authority and the Serious Fraud Investigation Office. It also sets out the concepts of Class Action applications and of Corporate Social Responsibility.

The Companies Act 2013 makes the role of directors and particularly independent directors, key managerial personnel and auditors onerous. The Act requires at least 1/3rd number of directors in public companies to be independent and defines pecuniary relationships or transactions that are to be avoided to qualify and act as an independent director. It stipulates that an independent director shall hold office for a term of up to 5 consecutive years, with no more than two such consecutive terms and a cooling-off period of 3 years from cessation. The Act sets out the number of independent directors on Audit Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee. The calling being weighty, a challenge would be to find the required number of qualified and experienced people who will perceive the benefits of being independent directors as outweighing the associated risks and liabilities. Clearly, establishing good governance practices and a culture of transparency will go a long way in de-risking independent directors and building the trust levels required to attract experienced and eminent people into corporate boardrooms.

The Act sets out mainly, three categories of key managerial personnel - managing director or CEO or Whole Time Director, Company Secretary and CFO, each of whom are assigned roles and responsibilities as well as associated penalties for non-compliance.

Their remuneration will be overseen by the Nomination & Remuneration Committee and managed within the provisions of the clauses relating to managerial remuneration. In addition to being responsible for accurate financial reporting through sign offs, the key managerial personnel are likely to be called upon to satisfy the board and independent directors that internal financial controls as well as the system of compliance monitoring that have been laid down, are adequate and are operating effectively. While many of these duties are already being discharged by managerial personnel, what is likely to change is the institutionalization of related mechanisms and the manner in which discharge of their responsibilities is proven to the board and shareholders through a structured process.

The Act points to the concepts of auditor as well as audit team rotation and sets out the maximum term for the auditor. As in the case of directors and managerial personnel, it lays down fairly stringent ground rules for the audit profession with associated penalties and potential liabilities. These provisions are also likely to put increasing demands on the design of an effective internal control system which is structured to provide evidence of their operation.

The legislative intent is clear and paves the way for an era of good governance. Results would follow from affirmative action by companies. Companies must build good governance within its organisational DNA than carry out changes from merely a compliance perspective. After all, 'Being good is good for business!'

Ajith Bhaskaran
Partner
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Director credentials

Director credentials

The board and its committees should have the appropriate mix of gender, skillsets, professional experience, independence and knowledge of the industry

A well-qualified and experienced director adds tremendous value to the board. How important is this to Indian listed companies?

Age of directors

While age is not the criteria for appointment of a director, it does contribute to his/her performance. Some companies have recognised this aspect by defining the age limit to be a director.

The age of the directors was compiled from the following sources:

Source	Number of directors
Public domain & annual reports	1453
Information not available	159
Total	**1612**

The average age of the directors is 61 years. Analysis by sector, region and turnover of the company is provided below:

Sector	Average age of directors
BFSI	59
Consumer Goods	60
Healthcare & Pharmaceuticals	61
Manufacturing	62
Services	60
RE & Infra	60
Average	**61**

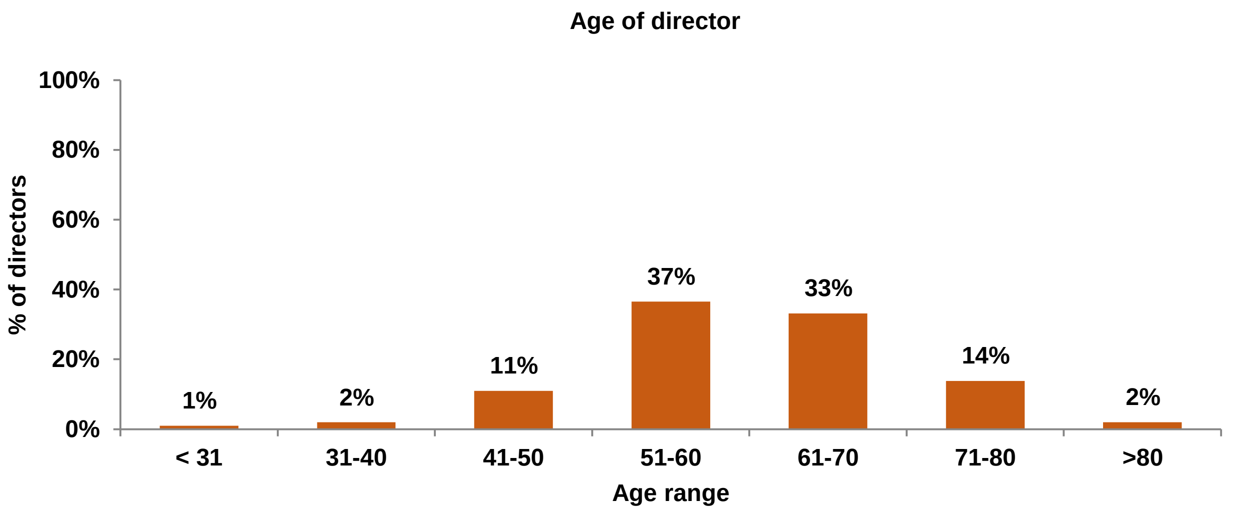
Region	Average age of directors
West	62
North	59
South	60
East	60
Average	**61**

Turnover (INR billion)	Average age of directors
< 25	61
26 – 50	60
51 – 75	62
76 - 100	63
> 100	61
Average	**61**

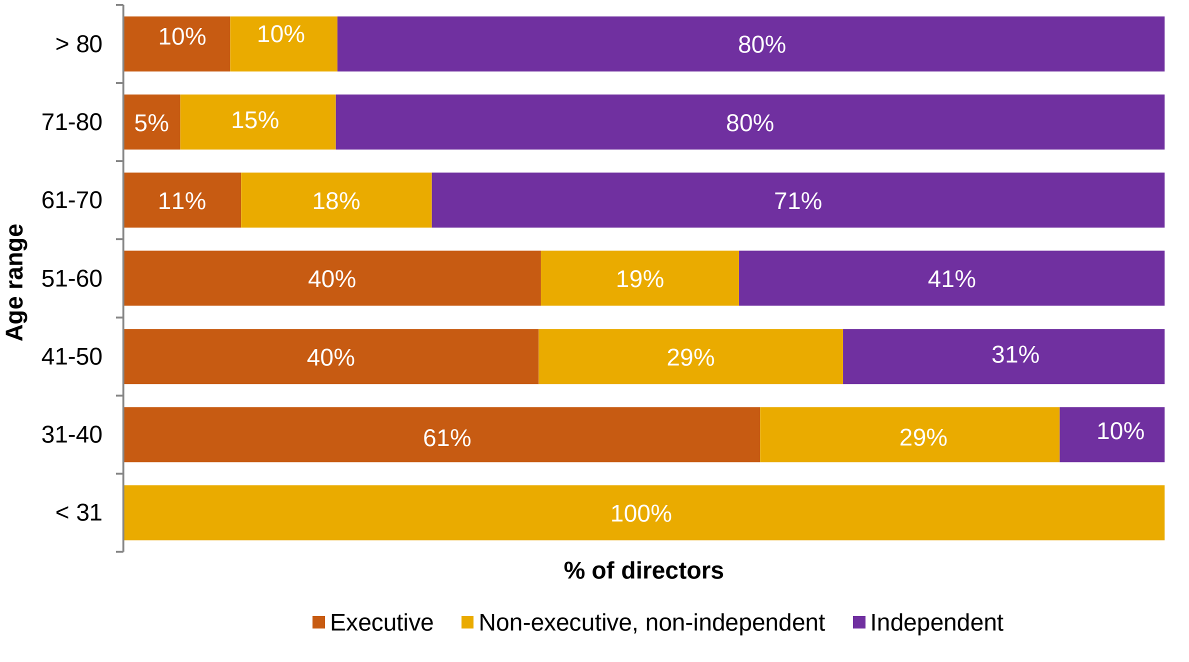
2% directors are more than 80 years of age

49% out of 1453 directors are more than 60 years of age

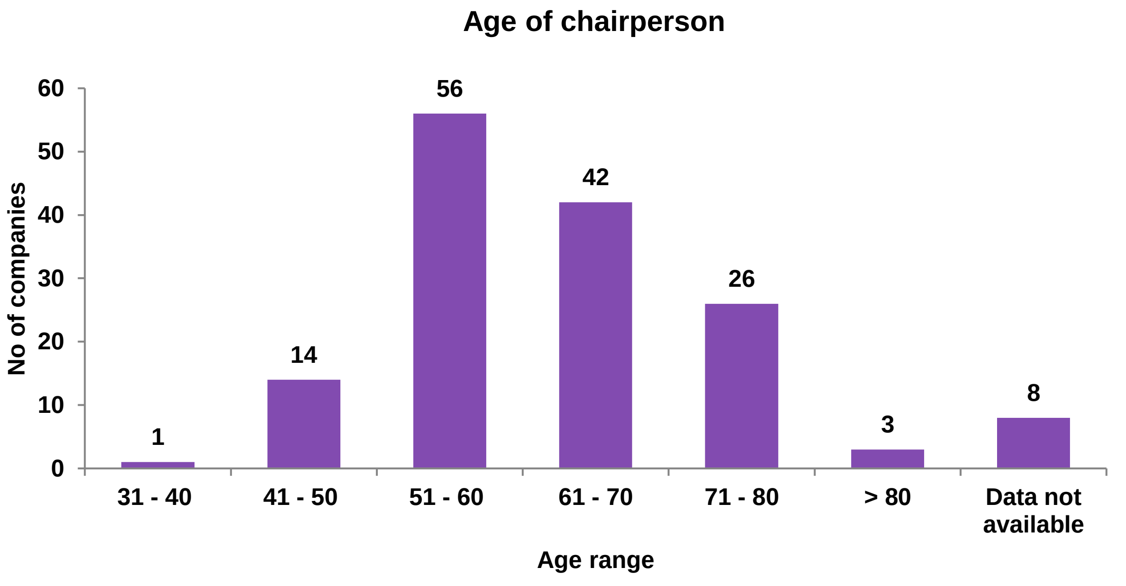
The Companies Act 2013 suggests that age of the Managing/Whole Time Director should be in the range of 21 to 70 years.



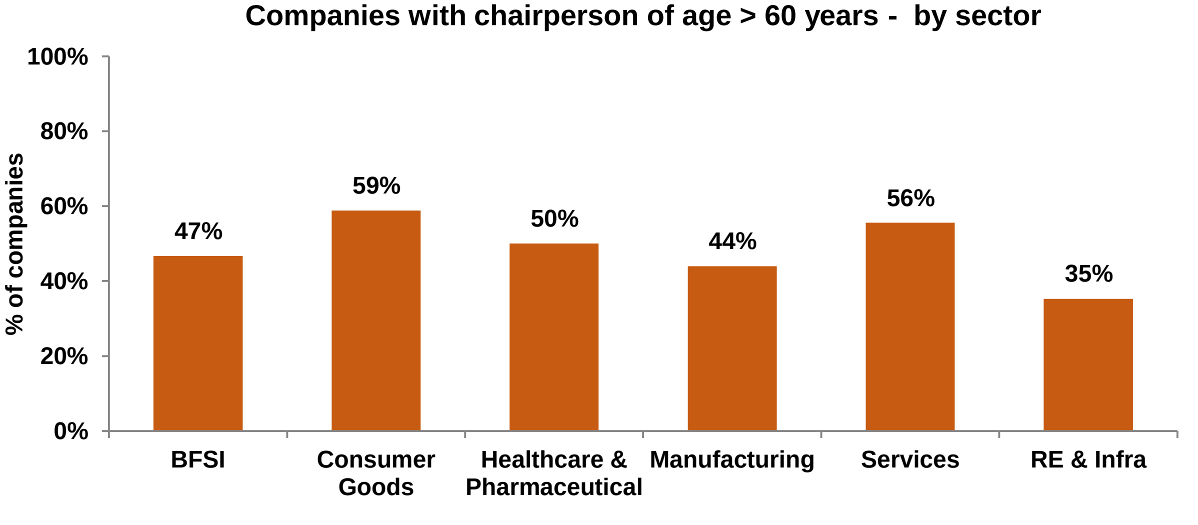
65% of independent directors are more than 60 years of age



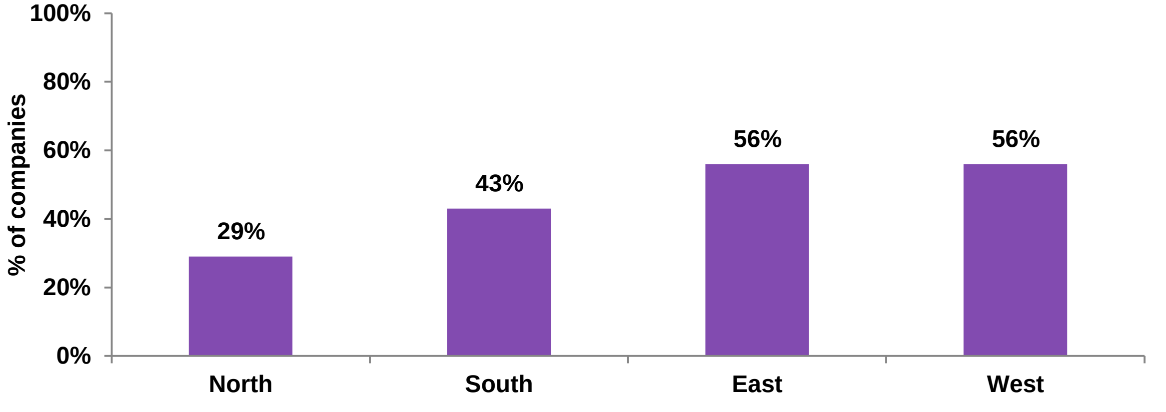
Age of chairperson



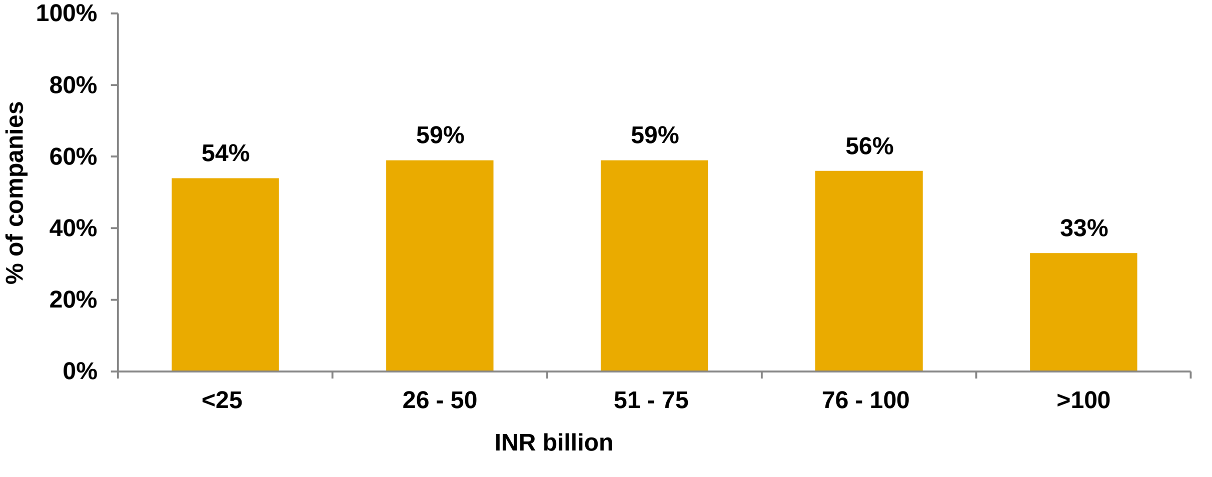
Analysis by sector, region and turnover is provided below:



Companies with chairperson of age > 60 years - by region



Companies with chairperson of age > 60 years – by turnover



Educational qualifications of directors

Companies publish educational qualifications of directors in its annual reports only in case of fresh appointment or re-appointment of directors. Otherwise, education qualifications of all directors is not voluntarily disclosed.

99 Educational qualifications were not available out of 1612 directors on boards of top 150 listed companies on the public domain

424 out of 1513 directors have only a graduate degree or lower **28%**

68% 1030 directors have professional degrees

As per the Companies Act 2013, a majority of the members of the Audit Committee including its chairperson shall be persons with ability to read and understand financial statements.

How to attract professional independent directors for your family business?

It is desirable for a family business to establish a board or a council in which independent directors constitute a majority. However, owners and families may find it hard to cede control, until they have experienced the benefits of independent directors over a long period of time. In fact, the by-laws of a family enterprise may ensure family control even if there is a majority of independent directors on the board by providing for the removal of directors if the shareholders believe their interests are not being adequately served. Thus, a family enterprise can enjoy the benefit of having objective outsiders controlling the board without risking the unwanted loss of ownership control.

However, once you decide that you want independent directors on your company's board, you would find that it has become increasingly difficult to find and retain well-qualified independent directors. Businesses run by professional management teams, demonstrating adherence to regulatory compliance and respect for law will certainly attract a good pool of independent directors. Regulatory non-compliance is the biggest risk perceived by independent directors. A company which may foster regulatory change favouring independent directors or one that nurtures strong internal risk review mechanism and compliance will go a long way in attracting as well as retaining quality directors. Further, legislative changes on liability laws and the administration of such laws has proved instrumental in forming an effective independent board of directors.

An independent director must be provided unhindered timely information and an environment which is receptive to an independent opinion.

Additionally, an effective working of the whistle-blower policy coupled with transparent reporting to the audit committee is favoured in the eyes of independent directors. The Directors' & Officers' (D&O) liability insurance is another vital aspect that independent directors look for before joining a board.

D&O liability insurance offers individual directors and officers the protection they need from personal liability and financial loss arising out of alleged wrongful acts committed in their capacity as corporate officers and/ or directors.

Lav Goyal
Partner & Practice Leader
Business Risk Services
Grant Thornton India LLP

Chairperson of the Board

Chairperson of the Board

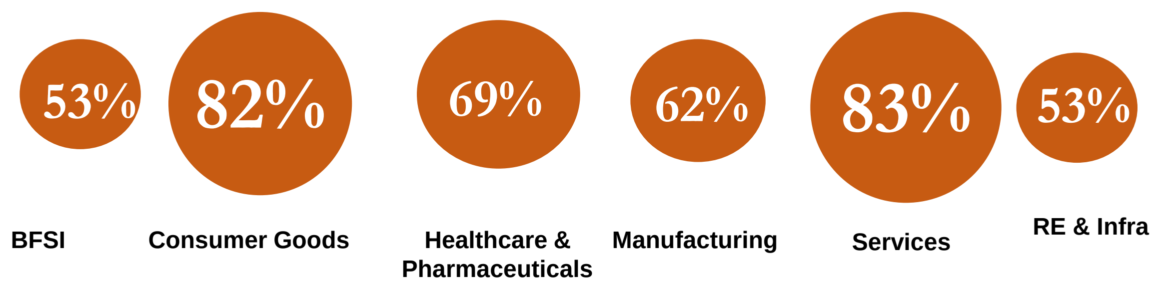
Segregation of chairperson and executive office
Voluntary guidelines issued by the Ministry of Corporate Affairs recommend: "To prevent unfettered decision-making power with a single individual, there should be a clear demarcation of the roles and responsibilities of the chairperson of the board and that of the Managing Director/Chief Executive Officer (CEO). The roles and offices of chairperson and CEO should be separated, as far as possible, to promote balance of power."

The Companies Act 2013 envisages segregation of the offices of Chairperson and Managing Director or CEO. Analysis by sector, region and turnover of the company is provided below:

Performance of the chairperson of the board in a company plays a pivotal role in its growth and sustenance

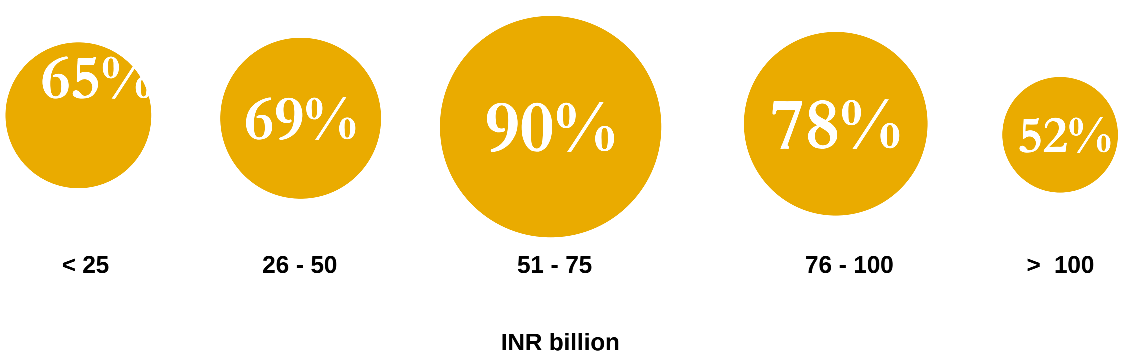
35% of the companies have not segregated the offices of the Chairperson and the Chief Executive

Segregation of roles and offices of chairperson and CEO - by sector



Segregation of roles and offices of chairperson and CEO - by region

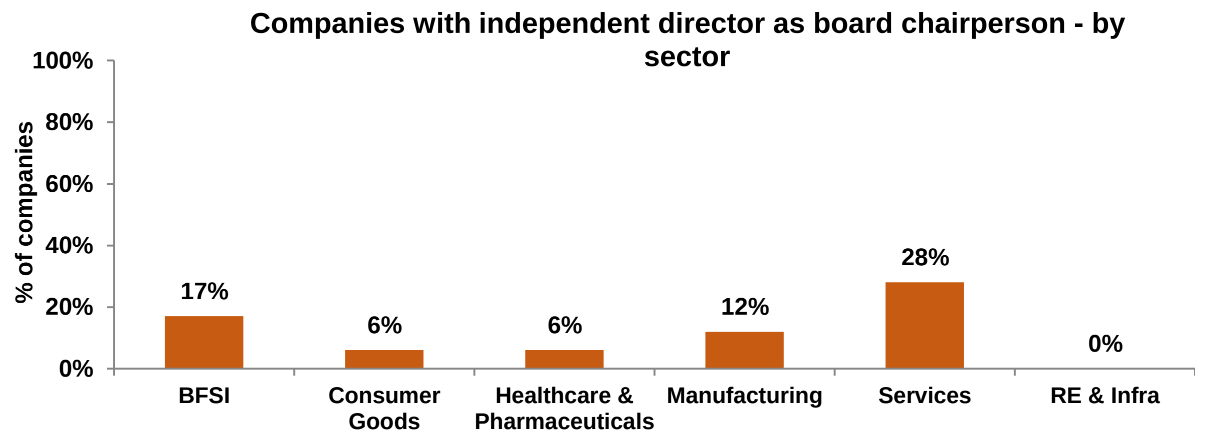
Segregation of roles and offices of chairperson and CEO - by turnover

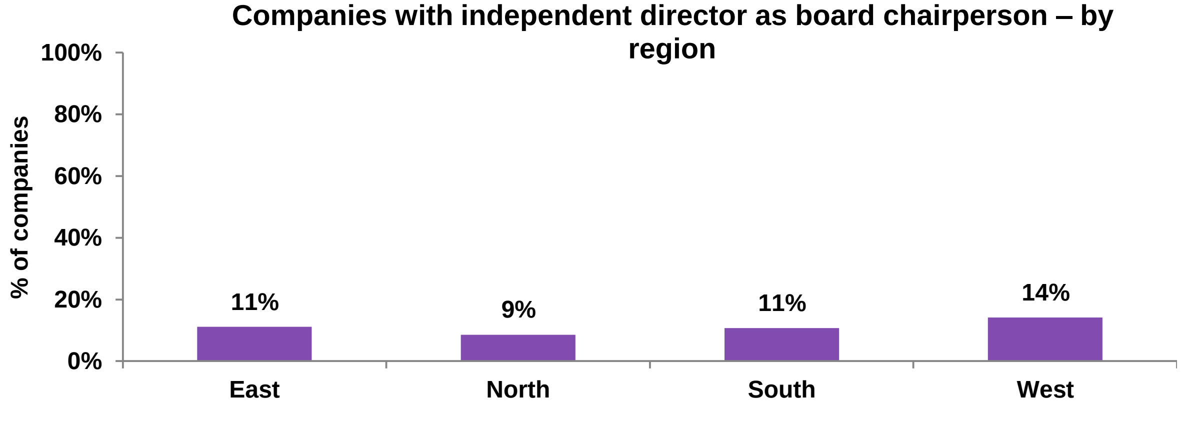


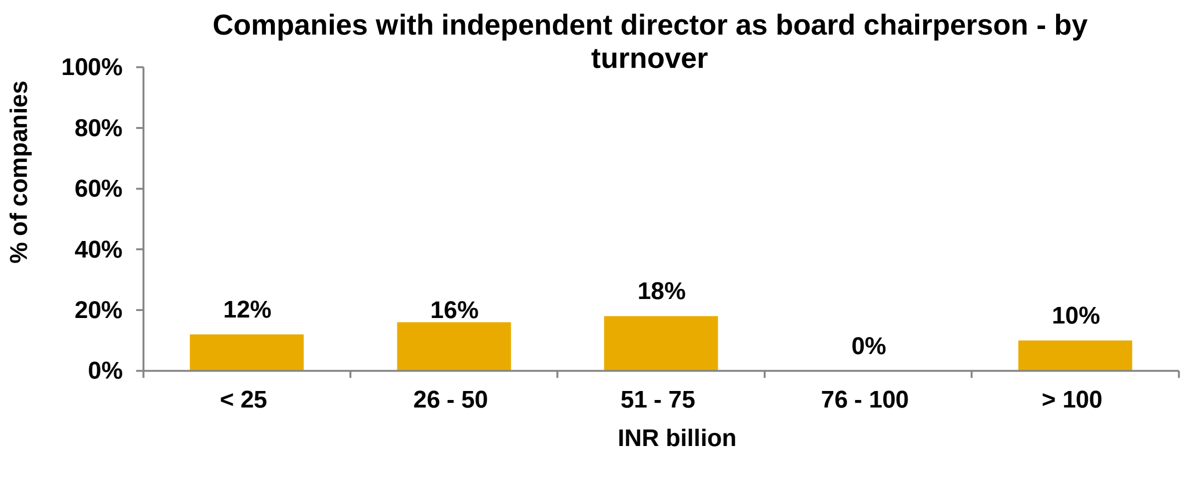
The UK corporate governance code states that the chairperson is responsible for the leadership of the board and for ensuring its effectiveness on all aspects of its role

Independent directors as chairperson of the board

19% of the companies, which have segregated office of Chairperson and CEO have appointed an independent director as Chairperson of the board. One company has a woman independent director as its chairperson. Analysis by sector, region and turnover is provided below:





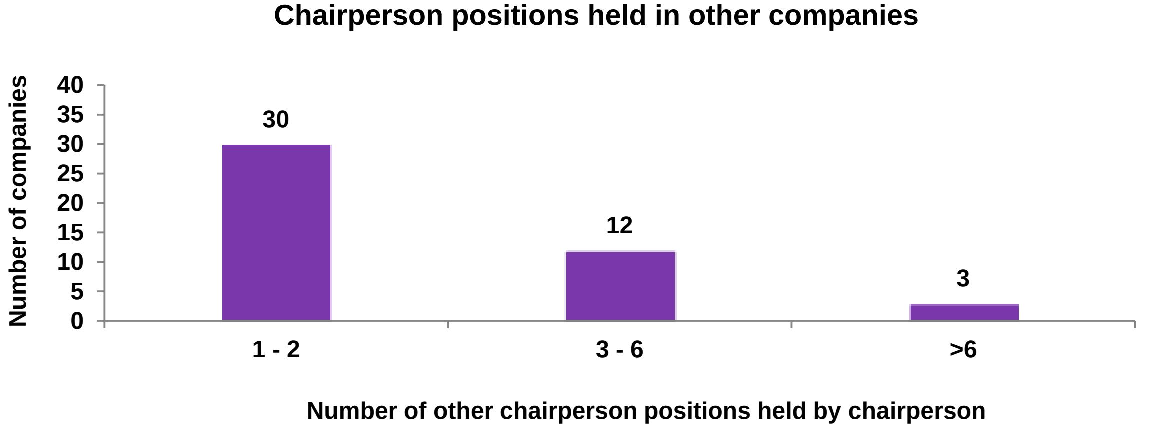


Chairperson in other companies

The principle job is to run the board effectively and to provide the right balance within the board room

While there is unanimity on the importance of the role of the chairperson in finding the right balance between value creation and bureaucracy of governance, opinions differ on the time that the chairperson should devote to exercise his duties. Neither the Indian statutes nor the SEBI guidelines require disclosure of chairperson positions in other companies.

45 chairpersons (out of top 150 listed companies) hold other chairperson positions. Analysis of chairperson positions held in other companies is provided below:



Board meetings

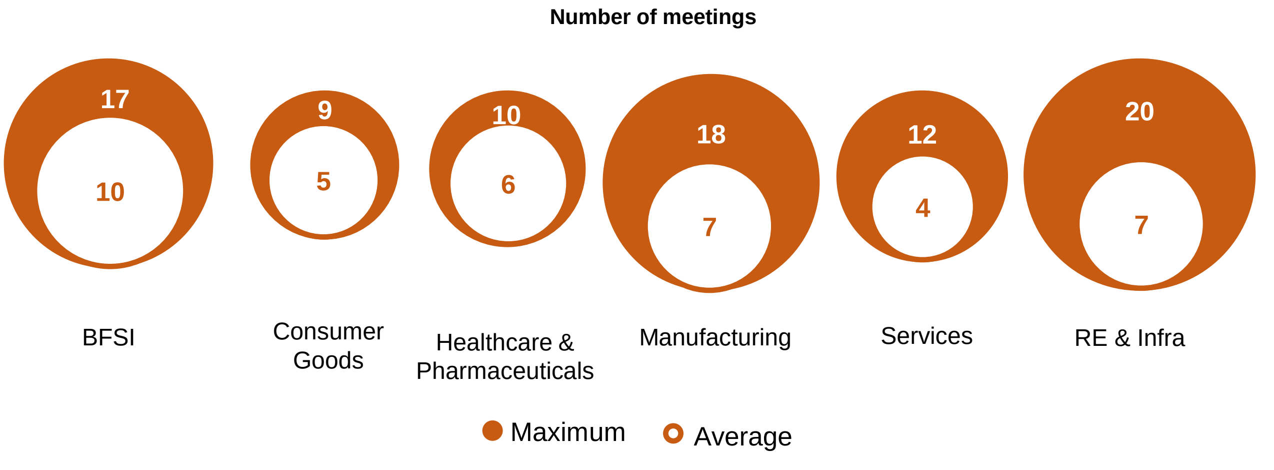
Board meetings

According to the Companies Act 2013 and SEBI listing agreement, the board shall meet at least four times a year. While SEBI listing agreement prescribes maximum time gap of three months between any two meetings, the Companies Act 2013 prescribes maximum period of 120 days between two meetings.

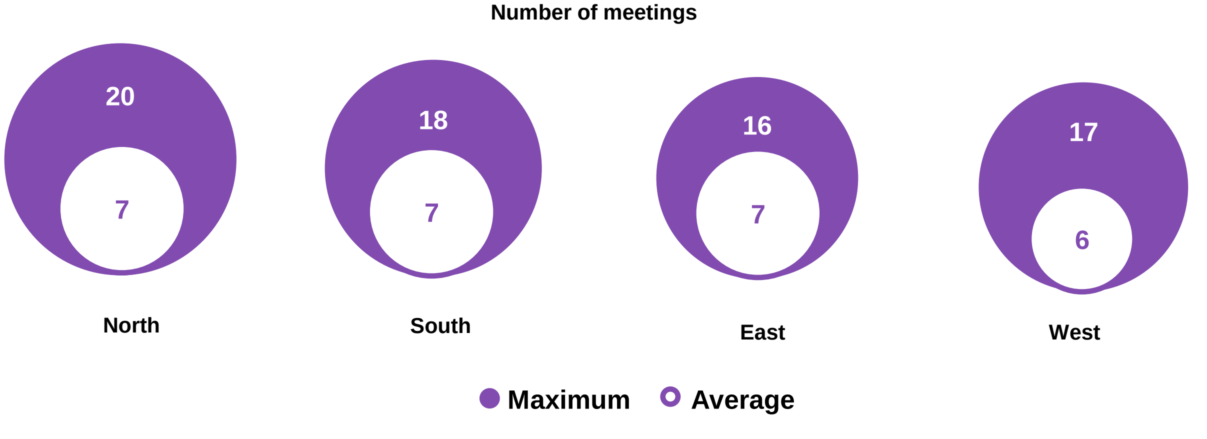
The average number of board meetings was 7, with a range of 4 to 20 meetings.

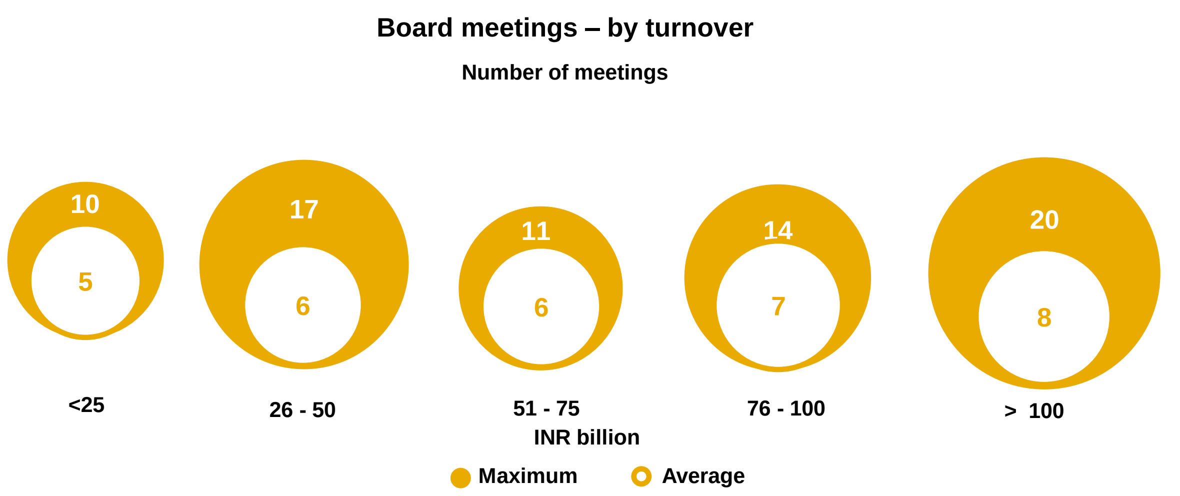
Analysis by sector, region and turnover of the company is provided below:

Board meetings – by sector



Board meetings – by region





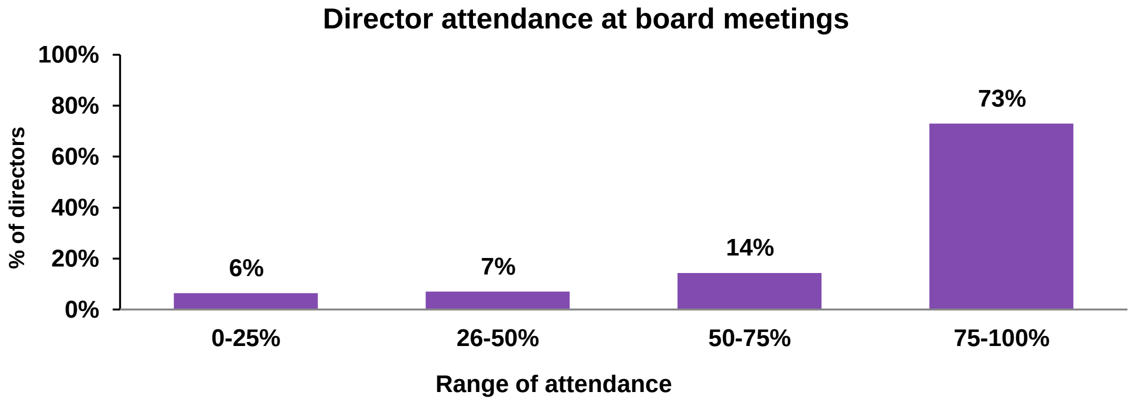
The Companies Act 2013 requires that a Directors' Responsibility Statement to be laid before the shareholders, shall state that, 'the company had laid down internal financial controls to be followed by the company and these internal financial controls are adequate and were operating effectively'. The Statement should further mention that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Many boards are now concentrating on those strategic and reputational risks that undermine the long-term viability of their company rather than the wider array of generic risks. Furthermore, the management of operational risks covering matters such as health and safety, liquidity and quality control is delegated to board or management sub-committees, although the board retains ultimate responsibility.

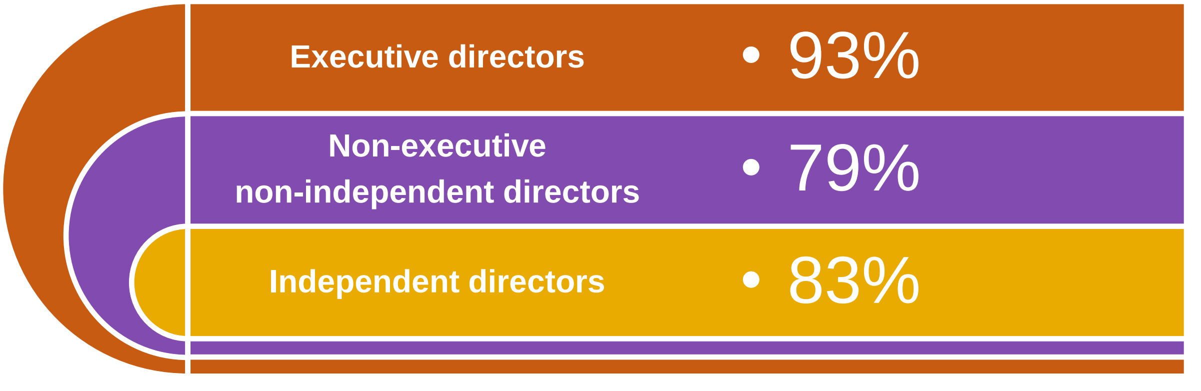
There continues to be a disjointed approach to reporting on risks and risk management in annual reports with disclosures split between the principal risk section of the business review and the internal control statement in the governance report. Notwithstanding this confusion, we detect a shift of focus away from risk capture toward seeking to embed risk management into the heart of the organisational culture.

Director attendance at board meetings

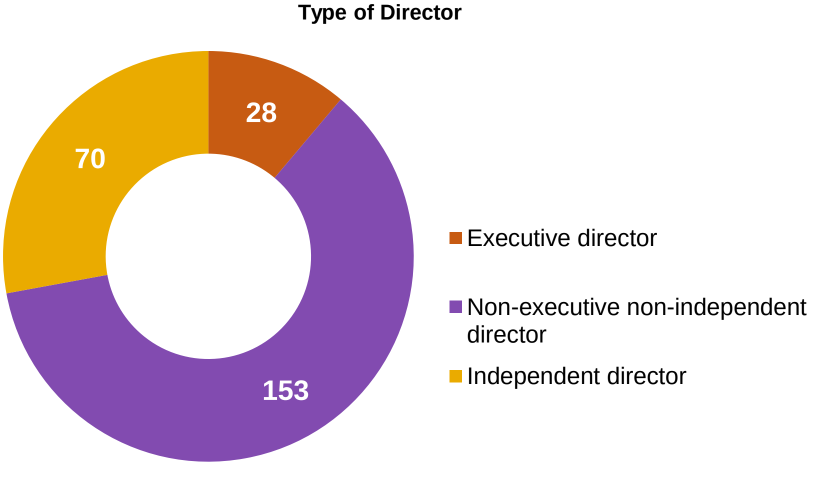
Scheduling and planning for attending the meetings would be a challenge as the number of directorships per director increases. Average attendance of directors in board meetings was found to be 85%



Attendance of executive directors, independent directors, non-executive, non independent directors is provided below:



251 directors (16% of total 1,612 directors) have attended less than four board meetings during the year. Break up is provided below:

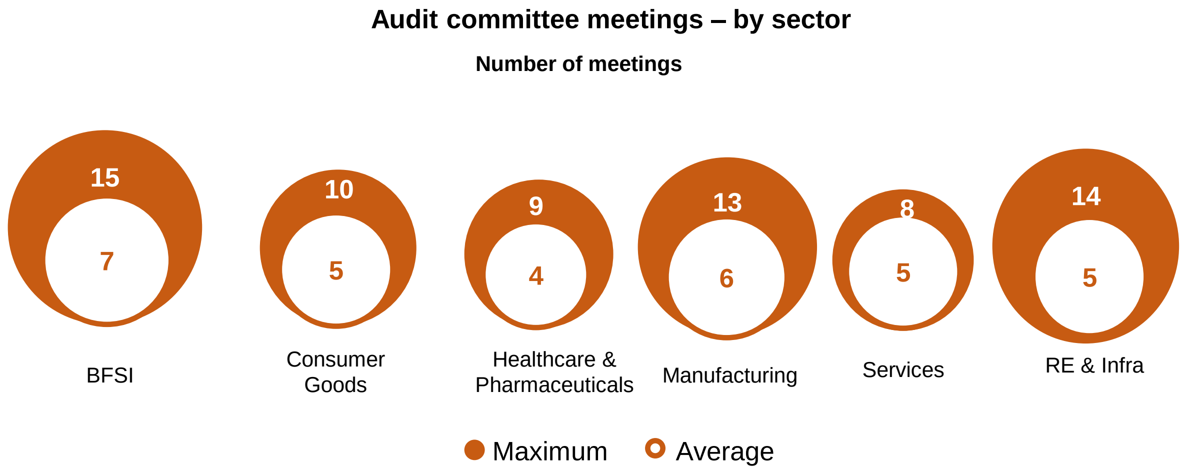


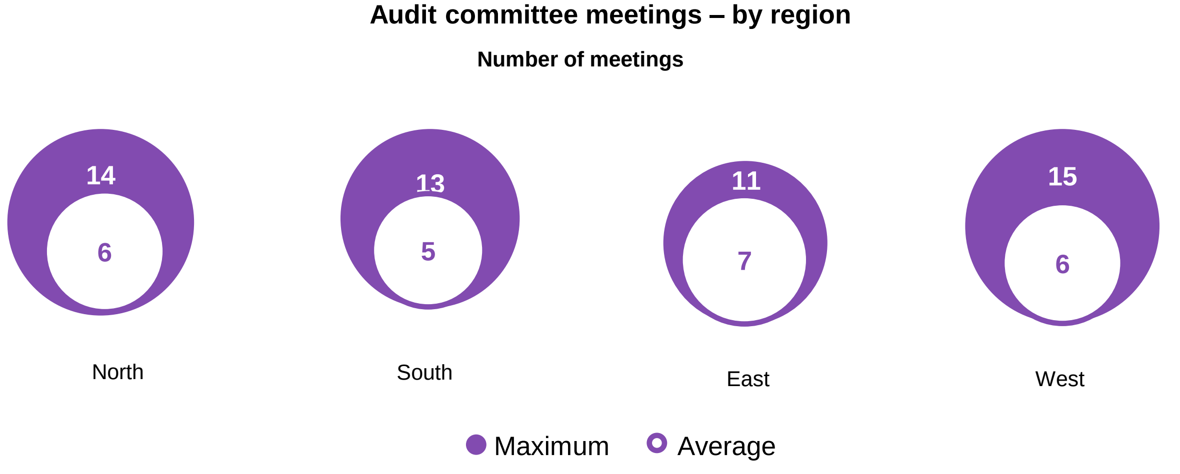
Audit committee meetings

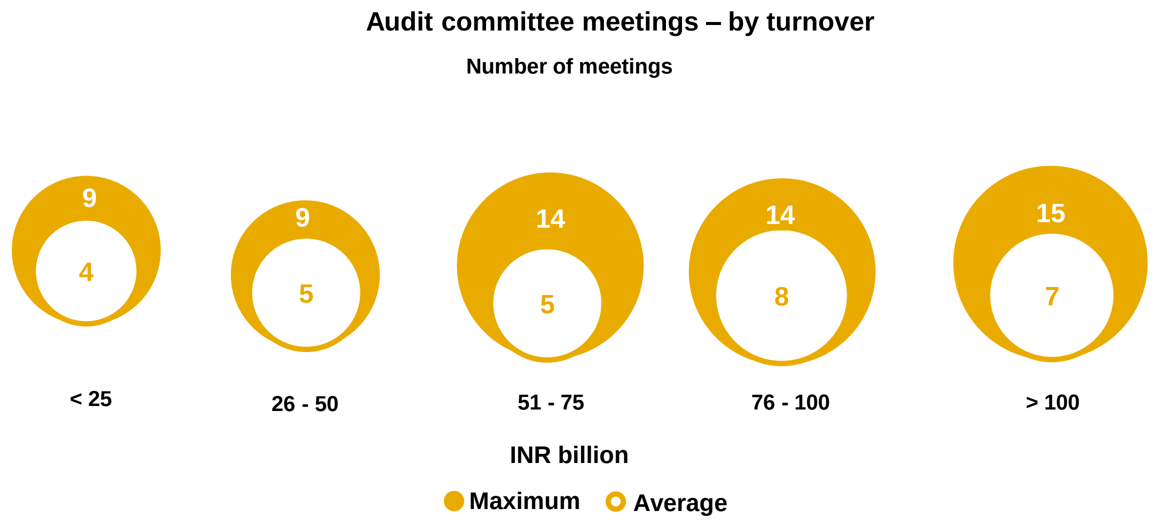
As per the SEBI listing agreement, the audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings.

97 companies have conducted more than the prescribed minimum of 4 meetings in a year. Number of audit committee meetings varied from 4 to 15 for financial year 2011-12. The average number of audit committee meetings was 6, with a range of 4 to 15 meetings.

Analysis by sector, region and turnover of the company is provided below:



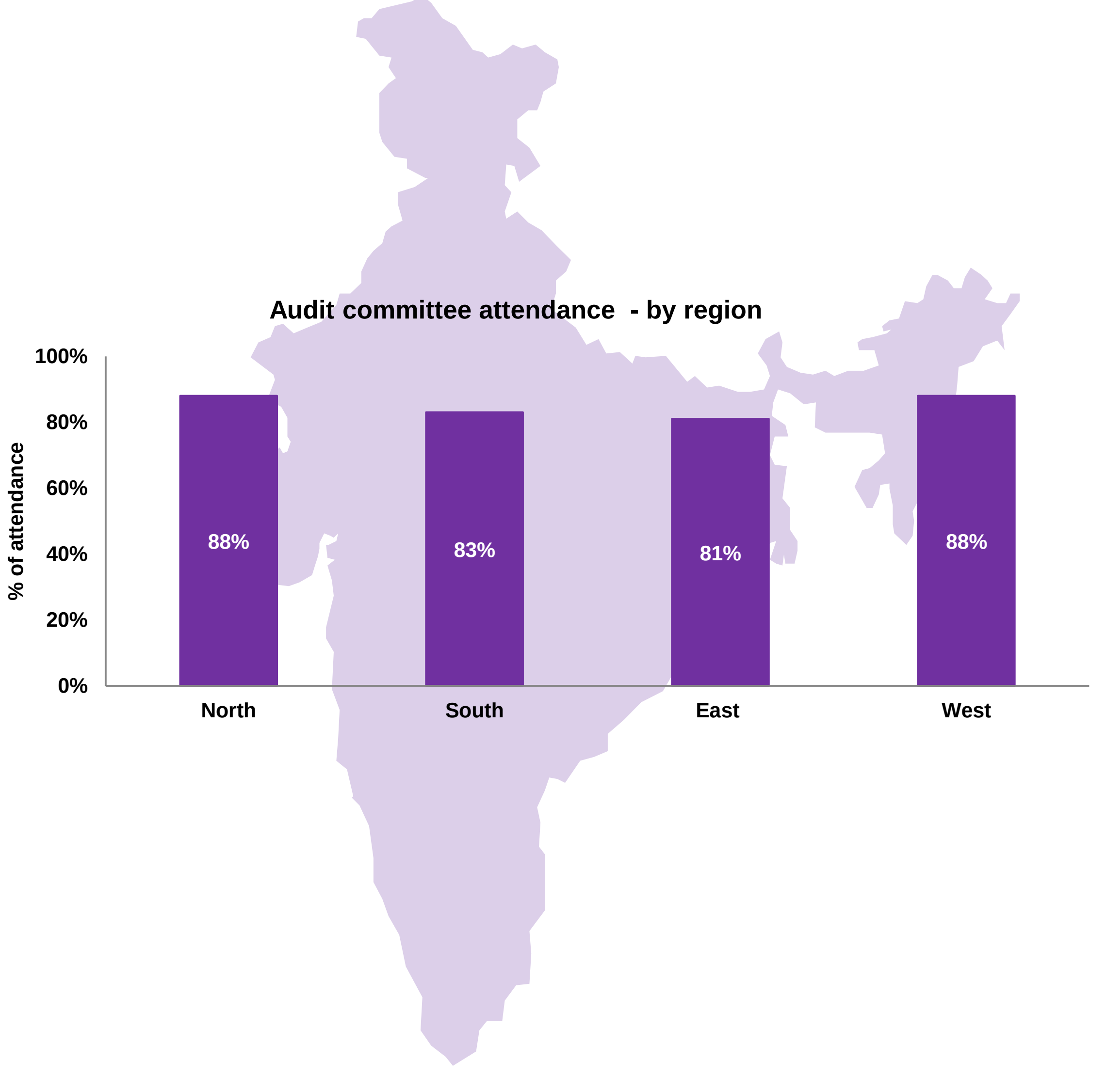


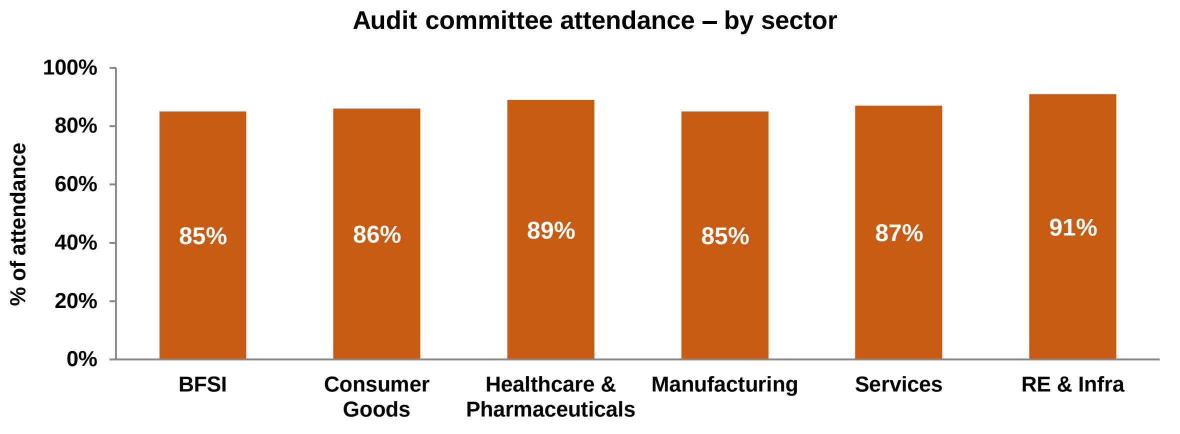


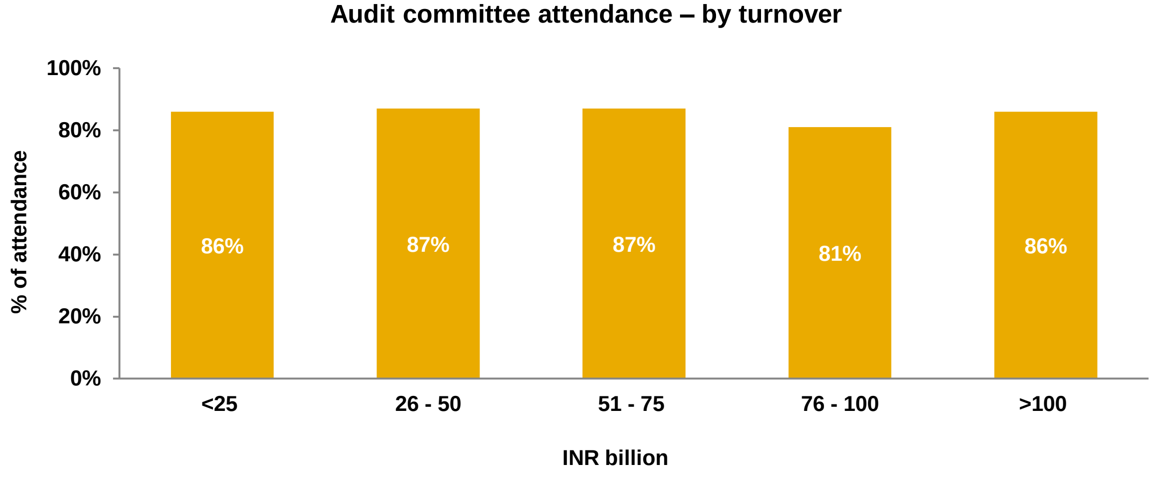
Attendance at audit committee meetings

Average attendance of directors at audit committee meetings was 85%.

Audit committee attendance by region, sector and turnover of the company is provided below:







Few companies provide real insight into how they review the effectiveness of their internal control system. Further, the existence of a risk committee does not relieve the board of their ultimate responsibility for risk and they remain responsible for making all final decisions. But with the increasing focus on risk management, the debate as to whether to separate risk from audit committee responsibility will continue.

Source: Corporate Governance Review 2011, Grant Thornton UK LLP

About Grant Thornton

About Grant Thornton India LLP

Grant Thornton in India is a member firm within Grant Thornton International Ltd. The firm has today grown to be one of the largest accountancy and advisory firms in India with over 1,500 personnel in New Delhi, Bangalore, Chandigarh, Chennai, Gurgaon, Hyderabad, Kolkata, Mumbai and Pune, and affiliate arrangements in most of the major towns and cities across the country. The firm specialises in providing assurance, tax and advisory services to growth-oriented, entrepreneurial companies.

About Business Risk Services

At Grant Thornton, we help businesses achieve the right balance between risk and reward by establishing an environment for timely and effective response to the ever changing business risks. We help our clients recognise and mitigate risks by setting up robust business processes, institutionalising the right internal controls, improving the use of information technology and achieving operational performance improvements. By proactively advising them to address and mitigate the unprecedented systemic risks affecting the control environment of their business, we create sustained value for our clients. Our range of services include

- Internal audit
- Enterprise risk management
- Standard operating procedures
- Performance improvement
- Information technology
- SOC reporting
- Grant monitoring/Audit

About Governance Advisory Services

Companies need to understand the emerging governance regulatory environment and also to put the right corporate governance framework in place. As organisations seek to give stakeholders greater confidence, they face ever increasing pressure to demonstrate corporate governance good practices. We work with audit committee and board of directors, as well as management team, to develop bespoke solutions that strengthen governance structures which will underpin corporate performance as well as ensure regulatory compliance.

Our suite of governance advisory services include:
- Clause 49 readiness
- CxO advisory
- Audit committee support
- Whistle blowing mechanism
- Ethics review
- Forensic & investigation
- Compliance risk

For more information on our services, please visit us at: **www.grantthornton.in/services**
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