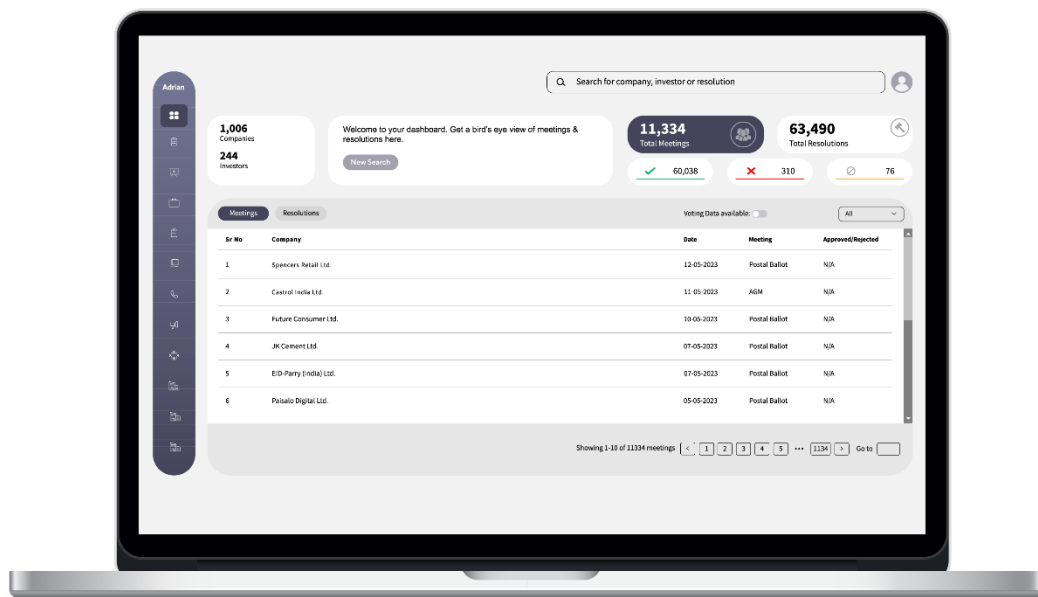


Voting Data and Outcomes for the NIFTY 500 Companies 2022





This document has been prepared using data from IiAS' cloud-based service ADRIAN (www.iiasadrian.com).

iiasadrian.com is a repository of data on shareholder meetings, types of meetings, resolutions, voting outcomes and how each investor voted, their rationale – if publicly disclosed. ADRIAN has data on more than 60,000 resolutions for close to 1000 companies, and how more than 200 investors have voted, including their rationale, if disclosed. The data is constantly being updated.

In naming its cloud-based platform ADRIAN, IiAS pays tribute to Sir Adrian Cadbury, who led the Committee on the Financial Aspects of Corporate Governance, commonly known as the Cadbury Committee. This committee's primary objective was to address corporate governance risks and failures by examining the composition of company boards and accounting systems. The global development of corporate governance principles owes a great deal to the Cadbury Committee's work.

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1. Introduction



Regulatory attitudes towards obtaining the right balance between managerial discretion and shareholder interests vary across countries. This is despite having broadly similar governance frameworks.

At the core of this balancing act is the age-old principal-agent problem. It arises since there often is a conflict in priorities between the owner of an asset (shareholder) and the person to whom control of the asset (management) has been delegated.

In the United States, the shareholders delegate most powers to the board, which take all decisions. In Germany, shareholders appoint a supervisory board, that appoints the management, that then takes most decisions, with the consent of the supervisory board. The degree of delegation in the UK is more moderate because shareholders in the UK retain quite a lot of decisions for which they cast direct votes.

In India this degree of delegation is relatively modest. Shareholders retain most of the decision-making power with themselves, even as there is a strong case for a high level of delegation to the board. The argument in support being that families own a large piece of the pie, and typically also manage the business. Consequently, what is good for them as the largest shareholder should be good for all other shareholders. Conversely, the argument for limited delegation is that business families use their dominant shareholding to push through resolutions that benefit them at the expense of the remaining shareholders. So, having shareholders as the final arbiters on most decisions is desirable.

Despite this modest degree of delegation, Indian institutional investors were not active stewards, till recently.

The Indian experience with stewardship first began in March 2010, when SEBI asked mutual funds to have a voting policy and to start voting. Having set the ball rolling Securities and Exchange Board (SEBI) held back and did not ask its regulated entities to unreservedly embrace stewardship. Insurance Regulatory and Development Authority (IRDA) did so in March 2017 as did the *Pension Fund Regulatory and Development Authority (PFRDA)* in May 2018. SEBI, having put the building blocks of stewardship in place, in December 2019, asked mutual funds and all categories of alternate investment funds to adopt a stewardship code by March 2020. And in March 2021, SEBI asked fund managers to compulsorily vote on all resolutions.

Stewardship has also been facilitated by the Companies Act 2013. Two sections that particularly impact an aspect of stewardship i.e. shareholder voting, were introduced. These are mandating companies to introduce *e-voting* and allowing for resolutions that need approval by a majority of minority votes.

e-Voting has meant that the vote count at AGM's has moved from a show of hands, with 'one person one vote' to each vote cast getting tallied. Majority of minority implies that the 'promoter' or controlling shareholder does not get to vote on resolutions in which they have a direct interest. By design, minority investors have a greater say on such resolutions.

e-Voting has also generated quality data on shareholder voting – from how many shares get voted, to which resolutions do they support, which do they routinely vote AGAINST etc., that can now be analysed by companies, investors, regulators and other market participants.

These regulations have given shareholders a greater say in the affairs of the company and the power to hold the directors and managements to account, through engagement and voting.

This report analyses the voting and outcomes of the various resolutions presented at the AGMs, EGMs, Postal Ballots, and National Company Law Tribunal (NCLT) convened meetings (NCM's) of the NSE-500 companies in calendar year 2022.



Note:

1. Unless otherwise specified, all data has been sourced from iiasadrian.com.
2. Numbers may not total 100.0 on account of rounding-up.
3. Unless specified, votes refer to votes cast.
4. Unless specified, data is for calendar year.
5. Index inclusion is for 31 December 2020 and 31 December 2021 and 30 December 2022.
6. As nearly all resolutions are proposed by management, we have not separately categorized resolutions into those presented by shareholders and those by managements.

2. Summary

2022 Review



A few elements determine voting outcomes. These include share ownership, voting participation levels among different types of shareholders, the type of resolution – ordinary, special, or majority of minority and resolution category (remuneration or director appointment or charter documents etc.).

Ownership and voting data are currently disclosed across three categories of shareholders – promoters, institutional shareholders, and others, and forms the basis for our analysis.

Promoters held 50.45% of the NIFTY 500 companies shares in CY2022, marginally lower than 51.39% held in CY21. 85.22% (92.67%) of the shares held were voted, the gap being explained by tighter voting rules regarding related party transactions which restricted interested parties viz promoters, from voting. Of the votes cast by promoters, 99.85% were in favour of the resolutions proposed, while 0.15% were AGAINST.

Institutional investors held 28.42% of the company's shares, a decrease from 28.89% in the previous year. Of the shares they held, 83.57% were voted, up from 82.26% in the previous year. Of the votes cast by institutional investors, 93.68% were in favour of the proposed resolutions, while 6.31% were AGAINST.

The remaining 21.14% (19.92%) of the shares were held by 'others' as a category¹. They saw an uptick in the percentage of shares voted to 29.01% (26.31%). As with promoters and institutional investors, 99.12% (99.09%) of their votes were in favour of the proposed resolutions, while 0.88% (0.91%) were AGAINST.

In aggregate, of the shares held, 72.87% were voted on in 2022, implying promoters accounted for 59.0% of the total shares voted, institutions 32.6% and others just 8.4%. Aggregating the votes cast 97.8% of the votes are FOR and just 2.2% AGAINST.

Share ownership and voting patterns are discussed in chapter 3 and chapter 6.

¹ Others is an amalgam of 25 different sets. These are detailed in Exhibit 17.

The NIFTY 500 companies, which make up a substantial portion of the Indian equity market capitalization, held 994 shareholder meetings over the course of the calendar year, during which they presented 4997 resolutions.

Of these, 503 were annual general meetings (AGMs), 40 were extraordinary general meetings (EGMs), 417 were votes through postal ballot (PBs), and 34 were convened under the aegis of the national company law tribunal (NCMs).² In total, companies proposed 4997 resolutions, with six resolutions withdrawn or otherwise not put to shareholders, for a final count of 4991.

70% of the resolutions presented fell into five categories. These categories were director appointment, which had 1627 resolutions (32.5% of the total), adoption of accounts (604, 12.1%), remuneration and compensation (597, 11.9%), dividend distribution (391, 7.8%), and auditor appointment (316, 6.3%).

These are discussed in chapter 5.

Out of the 4991 resolutions presented, an overwhelming (4967) were approved and a mere 24 were defeated (chapter 4). However, even though most resolutions are approved, institutional investor dissent is on an uptick. This steady increase in the percentage of resolutions where investors vote AGAINST is captured in chapter 6.

Voting outcomes cannot be seen as a roll of the dice. Understanding the breakdown between ownership, voting participation, the investors stance on various types of resolutions are crucial for regulators, investors, and stakeholders to assess the governance and decision-making processes of the company.

The Year in Numbers



Overview of the NIFTY 500 companies:

The NIFTY 500 companies:

- Held 994 shareholder meetings during the year.
- This included 503 annual general meetings (AGMs)³, 40 extraordinary general meetings (EGMs), 417 votes through postal ballot (PBs), and 34 meetings convened under the aegis of the national company law tribunal (NCMs).
- Proposed 4997 resolutions. Six resolutions were withdrawn or otherwise not put to shareholders to vote, putting the final count at 4991.

² Types of resolutions, meetings and voting are shown in Exhibit 7. A comprehensive review is available in the [CFA Guide to Shareholder Meetings in India](#) which IIAS helped prepare.

³ Two companies, CG Power Limited and MMTC Limited had two AGM's during the 12-month period. Further, Tata Motors equity and Tata Motors DVRs are shown as two separate meetings.

- 24 of these resolutions were defeated and 4967 were approved.
- Five resolution categories accounted for about 70.74% of the resolutions. These are director appointment 1627 or 32.5% of the resolutions, adoption of accounts (604, 12.1%) remuneration and compensation (597, 11.9%), dividend distribution (391, 7.8%) and auditor appointment (316, 6.3%).

Ownership and voting by type of shareholder:

- Promoters
 - Ownership: **50.45%** (51.39% in CY21)
 - Of which voted: 85.22% (92.67%)
 - Vote FOR: 99.85% (99.92%)
 - Vote AGAINST: 0.15% (0.08%)
- Institutional Investors
 - Ownership: **28.42%** (28.89%)
 - Of which voted: **83.57%** (82.26%)
 - Vote FOR: **93.68** (94.38%)
 - Vote AGAINST: **6.31%** (5.62%)
- Others
 - Ownership: **21.14%** (19.92%)
 - Of which voted: **29.01%** (26.31%)
 - Vote FOR: **99.12%** (99.09%)
 - Vote AGAINST: **0.88%** (0.91%)

Voting by institutional investors

- Percentage of shares voted was 83.57% (82.26%)
- Median votes cast were 82.11% (82.68%)
- Voted 93.68% (94.38%) of their shares FOR and 6.31% (5.62%) AGAINST
- Voted their entire holding on 0.8% (0.5%) of the resolutions.
- Did not vote a single share on 0.7% (0.7%) of the resolutions.
- Voted their entire shareholding i.e. 100% FOR on 36.5% (40.3%) of the resolutions.
- Investor dissent:
 - 14.5% (13.3%) of the resolutions saw $\geq 25\%$ institutional shares voted AGAINST.
 - 5.3% (5.0%) of the resolutions saw 50% institutional shares voted AGAINST.
 - 1.4% (1.7%) of the resolutions saw 75% institutional shares voted AGAINST.
 - 0.1% (nil) of the resolutions saw 100% institutional shares voted AGAINST.



3. Ownership and Voting

Ownership



The shareholding data in this study is based on the number of shares held, and at first glance appears to be at variance with the share ownership data more commonly cited shareholding pattern based on market cap. While the two equate at the individual company level, the ownership pattern changes with share price when data is aggregated using market cap.

Exhibit 1 shows this difference for two companies, A and B. Column 1 and 2 show the shareholding based on the face value (FV) and Column 3, the combined ownership. Now assume that the market price of B goes up, but that of A remains at the FV. As institutions own relatively more of B than A, their shareholding relative to promoters and others, increases.

Exhibit 1: Impact of share price on shareholding pattern

	Company A FV=MP Rs 1.0 Share	Company B FV=MP Rs 1.0 Share	% ownership in A+B based on FV	Company A MP= Rs 10.0 Share	Company B MP= Rs 50.0 Share	% ownership in A+B based on MP
Promoters	50.0	40.0	45.0	50.0	2000.0	40.2
Institutions	35.0	50.0	42.5	35.0	2500.0	49.7
Others	15.0	10.0	12.5	15.0	500.0	10.1
			100.0			100.0

FV: Face value, MP: Market Price

Source: IiAS analysis

Voting



Listed entities disclose voting data with the stock exchanges within two working days from the conclusion of the meeting. Regulations require companies disclose how shareholders have voted on resolutions across three broad categories of investors: promoters, institutional investors, and others⁴. We have compiled and aggregated the data from the exchange filings based on these

⁴ Others is a heterogenous set, detailed in Exhibit 17.

categories. And looked at three broad data cuts (i) shareholding pattern, (ii) participation or percentage of shares voted ⁵ and (iii) voting decision.

NSE 500 company data for FY22 is shown in Exhibit 2.

Exhibit 2: 2022 Ownership and voting

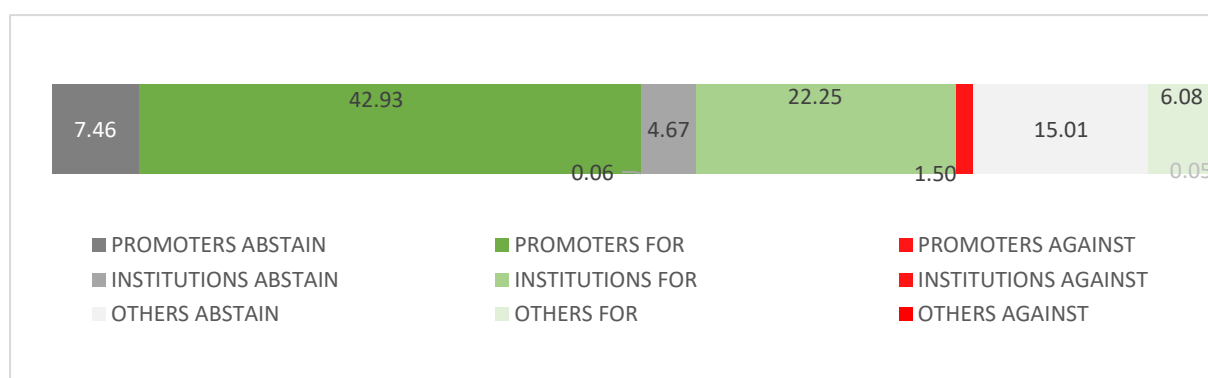
	Ownership %	Votes Polled %	Votes FOR %	Votes AGAINST %	Shares Voted	Shares Voted FOR	Shares Voted AGAINST	% Shares Voted	FOR %	AGAINST%
Promoters	50.45	85.22	99.85	0.15	42.99	42.93	0.06	59.00	58.91	0.09
Institutions	28.42	83.57	93.68	6.31	23.75	22.25	1.50	32.59	30.53	2.06
Others	21.14	29.01	99.12	0.88	6.13	6.08	0.05	8.41	8.34	0.07
					72.88	71.26	1.62	100.0	97.78	2.22

Source: IiAS analysis

For the year under review, promoters held 50.45% in NIFTY500, institutional investors owned 28.42% percent, with others holding the balance 21.14%.

The promoters voted 85.22% of their shares, much lower than 92.67% of the shares voted during 2021. While it is expected that promoters will vote all their shares, it is not so: there are resolutions in which promoters as interested or related parties do not get to vote. Institutional investors polled 83.57% of the shares they own, marginally more than the 82.26% voted the previous year. The 'others' as a category hold not just the lowest percentage of equity but polled 29.01% their shares, which while higher than the 26.31% voted the previous year, remains very low.

Exhibit 3: NSE 500 ABSTAIN, FOR and AGAINST vote by ownership

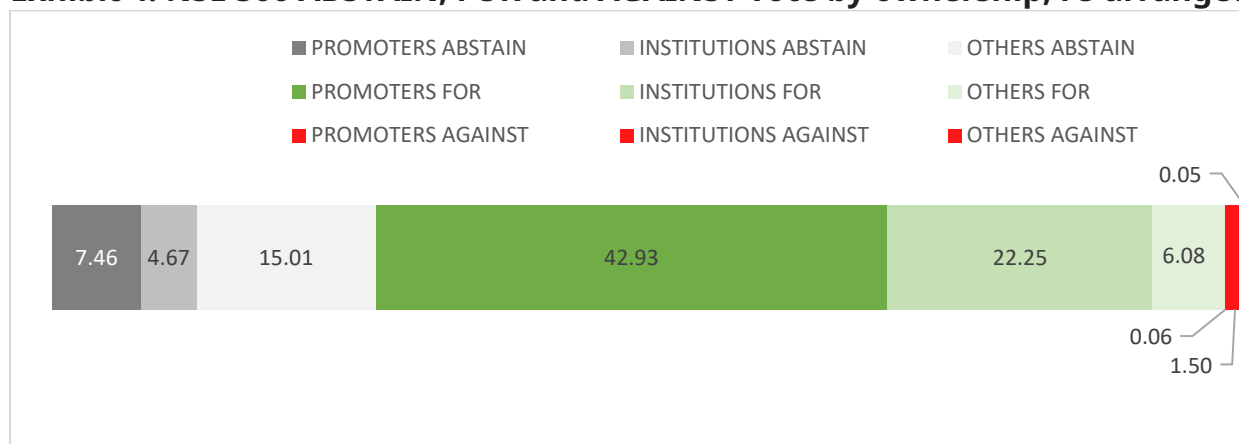


Source: IiAS analysis

⁵ Voted or abstained or did not vote. In a narrow sense abstain and did not vote can be different. There may be instances where an investor has voted on five of the six resolutions but did not vote on one – which is abstain. If the investor did not cast their vote at all, then they may have abstained or just did not vote.

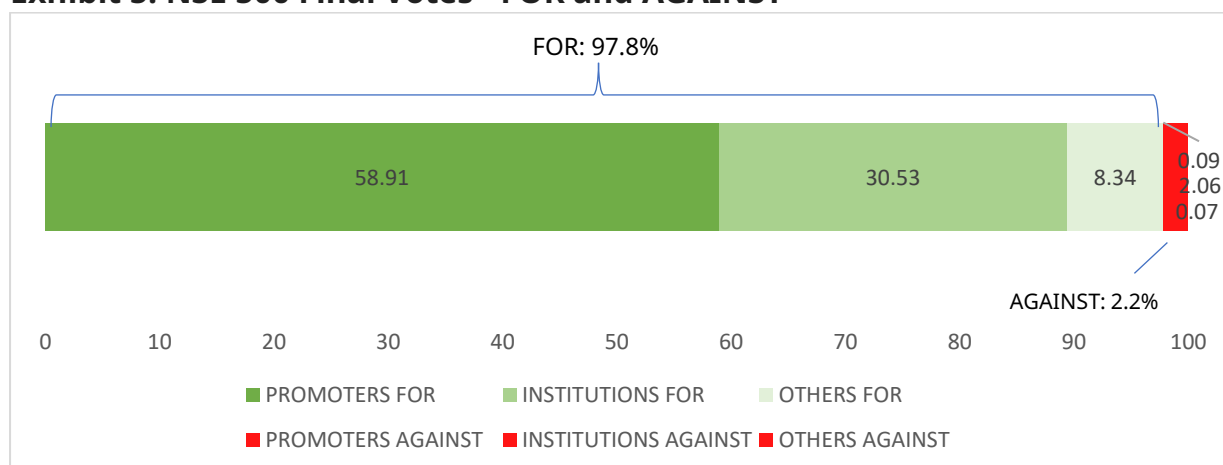
This data has been re-arranged into ABSTAIN, FOR and AGAINST and is shown as Exhibit 4.

Exhibit 4: NSE 500 ABSTAIN, FOR and AGAINST vote by ownership, re-arranged



Source: IiAS analysis

Exhibit 5: NSE 500 Final Votes - FOR and AGAINST



Source: IiAS analysis

In aggregate of the shares held, 72.87% were voted on in 2022, implying promoters accounted for 59.0% of the total shares voted, institutions 32.6% and others just 8.4%.

As almost all resolutions were proposed by managements, 99.85% (99.92%) of the votes by the promoters were in favour (- family disputes account for the AGAINST votes among this set of shareholders).

Institutional investors voted in favour of the resolutions 93.68% (94.38%) of their shares as did *others* who supported resolutions by voting 99.12% (99.09%) in favour.

Finally, if we adjust for the abstain - regulations count the votes that were cast, an overwhelmingly the votes have been in favour of the resolutions. This is shown in Exhibit 5, with 97.8% of the votes FOR and just 2.2% AGAINST.

This is how one expects the voting to be: what is in the interest of the largest shareholder should also be in the interest of the small shareholder. Only in those instances where the interests are not aligned, will the voting pattern diverge. This data is shown in chapter 6 where we have looked at institutional investor dissent.



4. Defeated Resolutions



The aggregate voting data shows that after adjusting for shareholders abstaining, promoters voted 59.0% of the shares, institutional investors 32.6% and 'others' 8.4%. Further 97.8% of the votes are For and 2.2% AGAINST.

The above suggests that in the normal course, all ordinary resolutions will almost always carry, even if none of the institutional investors and *others* vote in support of the resolution. Further that special resolutions or resolutions requiring a majority of minority vote will have a marginally lower probability of being approved. The outcome data validates this, though the dataset of defeated resolutions is too small to draw any meaningful conclusions.

This is reflected in the voting outcome data with 4967 of the resolutions being approved and 24 resolutions being defeated. Just 11 of the 3386 of the ordinary resolutions presented were defeated (0.32%). And 13 of the 1605 special resolutions (0.81%) were defeated.

The defeated resolutions are shown in Exhibit 6.

Exhibit 6: Resolutions not approved

Sr. No.	Company Name	Type	Date	Resolution Category	Resolution Type
1	Max Financial Services Ltd.	PB	20-03-2022	Restrictions on Power of Board	SPECIAL
2	Solar Industries India Ltd.	AGM	10-06-2022	Borrowing	SPECIAL
3	Solar Industries India Ltd.	AGM	10-06-2022	Borrowing	SPECIAL
4	Solar Industries India Ltd.	AGM	10-06-2022	Director Appointments	SPECIAL
5	Britannia Industries Ltd.	AGM	28-06-2022	Restrictions on Power of Board	SPECIAL
6	Indian Energy Exchange Ltd.	PB	17-07-2022	Director Appointments	SPECIAL
7	Equitas Small Finance Bank	AGM	19-07-2022	Remuneration and Compensation	SPECIAL
8	PVR Ltd.	AGM	21-07-2022	Remuneration and Compensation	SPECIAL
9	PVR Ltd.	AGM	21-07-2022	Remuneration and Compensation	SPECIAL
10	VIP Industries Ltd.	AGM	02-08-2022	Director Appointments	ORDINARY
11	DLF Ltd.	AGM	10-08-2022	Related party transactions	ORDINARY
12	Lemon Tree Hotels Ltd.	AGM	14-09-2022	Director Appointments	SPECIAL
13	Lemon Tree Hotels Ltd.	AGM	14-09-2022	Director Appointments	SPECIAL
14	Lemon Tree Hotels Ltd.	AGM	14-09-2022	Director Appointments	SPECIAL
15	Lux Industries Ltd.	AGM	20-09-2022	Restrictions on Power of Board	ORDINARY
16	Lux Industries Ltd.	AGM	20-09-2022	Restrictions on Power of Board	ORDINARY
17	Lux Industries Ltd.	AGM	20-09-2022	Restrictions on Power of Board	ORDINARY
18	Lux Industries Ltd.	AGM	20-09-2022	Restrictions on Power of Board	ORDINARY
19	SJVN Ltd.	AGM	29-09-2022	Director Appointments	ORDINARY
20	Jindal Steel & Power Ltd.	AGM	30-09-2022	Related party transactions	ORDINARY
21	Jindal Steel & Power Ltd.	AGM	30-09-2022	Related party transactions	ORDINARY
22	Bank of India	EGM	28-11-2022	Director Appointments	ORDINARY
23	Bank of India	EGM	28-11-2022	Director Appointments	ORDINARY
24	Castrol India Ltd.	PB	04-12-2022	Alterations to Charter Document	SPECIAL

Source: IiAS Adrian

SEBI, through its regulations has asked mutual funds to vote their entire ownership across all resolutions. This will no doubt mean some increase in institutional voting from the current 83.57% of their shareholding (or 32.59% of the total votes cast), But all sets of investors including insurance companies, pension funds and Foreign Institutional Investors (FII's) should be nudged to vote all their shares. And unless more resolutions are classified as special resolutions, or those where majority of minority investors vote (- an example being promoters voting their own salary), the voting outcomes will not change materially.






5. Resolutions and Meetings



Shareholder meetings are a regulatory requirement. A company cannot act on its own; it acts on the resolutions that are proposed and approved (- decisions approved), by its shareholders, at meetings. Shareholders get to vote at Annual General Meetings, Extraordinary General Meetings, NCLT Convened Meetings and through Postal Ballots⁶.

Exhibit 7: Shareholder meetings, resolutions, and voting

<p style="text-align: center;">SHAREHOLDER MEETINGS</p> <p style="text-align: center;"></p> <ul style="list-style-type: none"> • ANNUAL GENERAL MEETING (AGM): Statutory meeting to be held once every year. • EXTRAORDINARY GENERAL MEETING (EGM): Any meeting of shareholders called between two annual general meetings. • NCLT CONVENED MEETING (NCM): Meetings summoned by the National Company Law Tribunal to consider schemes of arrangement / capital reduction. • POSTAL BALLOT (PB): An alternative means to vote on resolutions by sending ballot papers/e-voting without the requirement of having a physical meeting.
<p style="text-align: center;">Types of shareholder resolutions</p> <p style="text-align: center;"></p> <ul style="list-style-type: none"> • ORDINARY RESOLUTION: Passing requires votes cast in favour of the resolution to exceed the number of votes cast AGAINST it. • SPECIAL RESOLUTION: Passing requires the number of votes cast in favour of the resolution to not be less than three times the number of votes cast AGAINST it. • MAJORITY OF MINORITY: Passing requires votes cast in favour of the resolution by public shareholders to exceed the number of votes cast AGAINST the resolution by public shareholders. Promoters/interested parties abstain from voting.
<p style="text-align: center;">Voting at meetings</p> <p style="text-align: center;"></p> <ul style="list-style-type: none"> • SHOW OF HANDS: Shareholders raise their hands to signify their approval or disapproval (for unlisted companies). • POLL: Shareholder's poll their votes at the meeting venue through physical poll papers or hand-held devices using mobile / web-based application. • EVOTING: Shareholders vote before the meeting, using e-Voting links provided by the company. Voting period is open for at least 3 days before the meeting and ends at 5:00p.m. on the preceding date. • Voting results are required to be published within 2 working days.

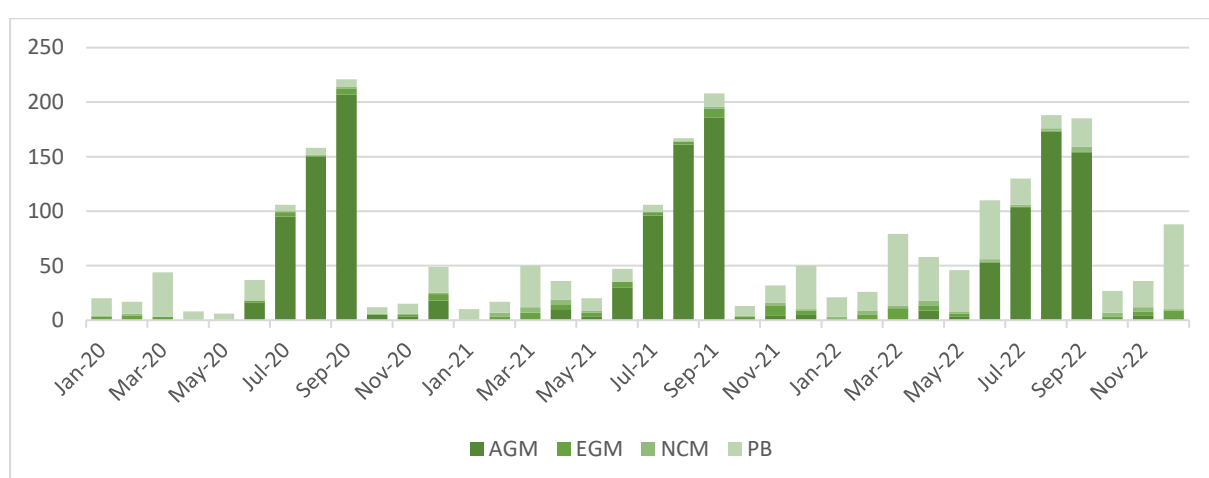
⁶ Postal Ballot is both a type of meeting and a way of voting.

Shareholder meetings now follow hybrid format i.e., held physically and virtually simultaneously. Voting is digital i.e., e-voting, which implies each vote is counted.

Resolutions can be ordinary resolutions, needing a simple majority to be approved, special resolution, needing >75% to be carried and majority of minority resolutions, where the controlling shareholder/interested part does not get to vote.⁷

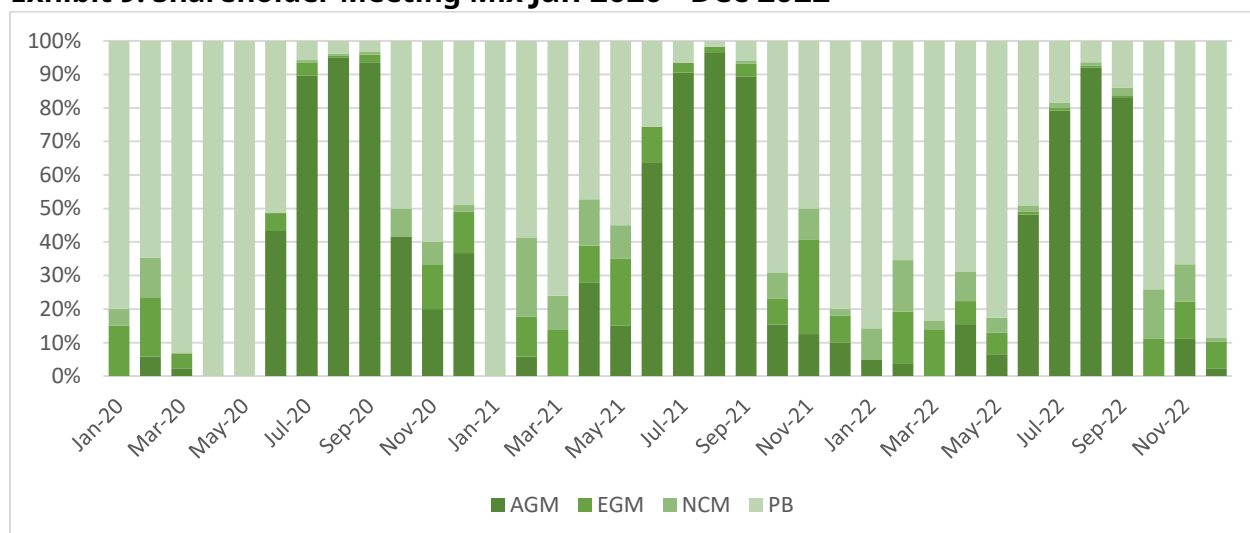
Resolutions passed at all such meetings are binding on the company and its stakeholders.

Exhibit 8: Shareholder Meeting Count Jan 2020 - Dec 2022



Source IiAS ADRIAN

Exhibit 9: Shareholder Meeting Mix Jan 2020 - Dec 2022



Source IiAS ADRIAN

⁷ A more comprehensive review is available in the [CFA Guide to Shareholder Meetings in India](#). The Institute contracted IiAS to help prepare this guide.

As companies have a March year-end, AGMs are concentrated in the third quarter of each year - referred to as the voting season. The NCLT Convened Meetings (NCM's), are driven by the date set by the court. Postal ballots are spread throughout the year, but the numbers tend to come down during the voting season.

The three-year summary is given as Exhibit 10 below:

**Exhibit 10: Annual Shareholder Meetings
2020 - 2022**

Meeting Type	2020	2021	2022
AGM	496	498	503
Postal Ballot	160	185	417
EGM	27	50	40
NCM	10	23	34
Total	693	756	994
Resolutions #	3860	4125	4997

Source: IiAS ADRIAN

Exhibit 11: Monthly Shareholder Meetings 2022

	AGM	EGM	NCM	PB	Total
Month					
Jan-22	1	0	2	18	21
Feb-22	1	4	4	17	26
Mar-22	0	11	2	66	79
Apr-22	9	4	5	40	58
May-22	3	3	2	38	46
Jun-22	53	1	2	54	110
Jul-22	103	1	2	24	130
Aug-22	173	1	2	12	188
Sep-22	154	1	4	26	185
Oct-22	0	3	4	20	27
Nov-22	4	4	4	24	36
Dec-22	2	7	1	78	88
Total	503	40	34	417	994

Source IiAS ADRIAN

Five resolution categories accounted for about 70.74% of the resolutions presented.

These categories are on expected lines. NIFTY500 companies on average have nine directors, and a few are appointed each year to fill in the vacancies or new appointments or re-appointments. Consequently, the maximum count is for director appointments (1627 or 32.5% of the resolutions). Often the appointment is merged with compensation (597, 11.9%). Companies need accounts approved annually with some seeking approval for adoption of consolidated and standalone accounts separately and a few combine this approval (604, 12.1%).

Exhibit 12: Top-Five Resolution Categories 2021, 2022

	2020		2021		2022	
Top 5-categories	#	%	#	%	#	%
Director Appointment	1256	32.77%	1326	32.15%	1627	32.56%
Adoption of Accounts	536	13.88%	590	14.30%	604	12.09%
Rem. And Compensation	472	12.23%	608	14.74%	597	11.95%
Dividend Distribution	330	11.01%	377	9.14%	391	7.82%
Auditor (Re-) appointment	425	8.54%	175	4.24%	316	6.32%
	3028	78.44%	3076	74.57%	3535	70.74%
Total Resolutions #	3860		4125		4997	

Source IiAS ADRIAN

The belief is that the companies in the frontline indices will be dividend paying and almost four in five of the NIFTY 500 companies do (391, 7.85%) seek shareholder approval to pay dividends. Auditor appointment (316, 6.3%).



6. Voting by Investor

Voting by Institutions



Institutional behavior is influenced by the business model adopted by such investors. For certain investors, active ownership is an essential element, while for others, voting is seen as a mere expense. In the former scenario, obligatory regulations regarding ownership engagement may be unnecessary, whereas in the latter case, such regulations are unlikely to have a significant impact beyond superficial compliance.

For most, engaging with public companies to promote good governance and sustainability is closely linked to the creation of long-term value for stakeholders. Within this framework, both engagement and voting offer shareholders a platform to voice their perspectives and opinions.

In 2022, institutional investors held 28.42% (26.83% in 2021) of the total outstanding shares of the NIFTY 500 companies. They voted 83.57% (82.26%) of the shares held. Of the total votes cast by institutional investors, 93.68% (95.85%) were in favour of the resolutions put forth, while 6.31% (4.51%) were AGAINST them. Although too early to comment, taking the three-year data, the change, albeit marginal, signifies a more nuanced view of governance issues and a departure from a superficial checkbox approach.

Institutional Shareholder Dissent



The focus of this section is to examine the instances of institutional investor dissent on resolutions, as the ownership pattern and voting preferences of the NIFTY500 suggest that most resolutions will likely be approved.

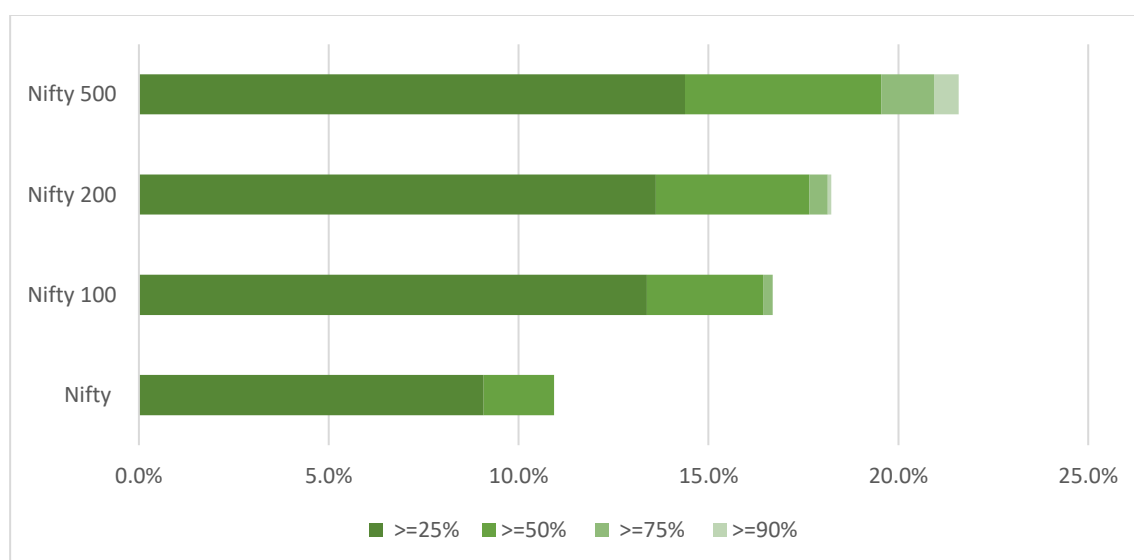
This serves as a useful analysis for company managements to understand the current trends and areas of concern among shareholders, leading to more constructive engagement and better decision-making.

The resolution that saw the highest dissent relates to ESOPs and this reflects the differing philosophies of company managements and investors. While management view ESOPs as deferred compensation and frequently propose issuing these at a discount to the existing market price, investors view ESOPs as pay at risk and desire a more durable alignment between their interests and those of

the management and employees. Investors thus want to see ESOPs issued at or close to the market price. Since both parties approach the same resolution from divergent perspectives, it is essential to have extensive engagement between investors and the Nomination and Remuneration Committees to bridge this gap.

The other categories that have seen dissent are: RPTs, Restrictions on the power of the board (- this refers to transactions that the board cannot undertake without specific shareholder approval like slump sales, sale of substantial undertakings intercorporate transactions), Director Appointment and Remuneration.

Exhibit 13: Institutional Investor Dissent (By Index)



Source: IiAS ADRIAN

The dissent at the index level is along an expected path. The institutional investors dissent is lowest for the NIFTY50 and increases as you broaden the index by expanding the representation and coverage of the companies and sectors being tracked. As expected, companies in the frontline indices, on average tend to have higher institutional ownership and a higher level of institutional engagement, which generally translates into a lower level of dissent. But as you move along the curve, you see lower institutional ownership, with a lower degree of engagement. This is reflected in resolutions with more than 75% or even 90% of the institutional vote being AGAINST; these resolutions still carry because of low institutional shareholding.

Exhibit 14: Institutional Investor Dissent (by Resolution)

25%	2020	2021	2022
Alterations to Charter Documents	9.7%	5.3%	13.7%
Audit	0.5%	0.4%	4.1%
Director Appointments	9.9%	15.5%	17.0%
ESOPS	46.9%	57.2%	67.2%
Related party transactions	13.7%	13.4%	12.6%
Remuneration and Compensation	15.8%	29.8%	27.6%
Restrictions on Power of Board	15.7%	20.8%	22.4%

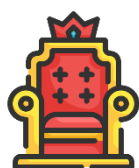
50%	2020	2021	2022
Alterations to Charter Documents	3.2%	3.2%	6.0%
Audit	0.5%	0.2%	1.4%
Director Appointments	3.7%	4.9%	5.1%
ESOPS	15.6%	26.5%	33.3%
Related party transactions	9.8%	4.5%	3.8%
Remuneration and Compensation	3.3%	11.7%	9.5%
Restrictions on Power of Board	4.5%	5.0%	14.0%

75%	2020	2021	2022
Alterations to Charter Documents	1.1%	0.0%	3.4%
Audit	0.2%	0.2%	0.3%
Director Appointments	2.1%	1.9%	1.5%
ESOPS	10.4%	4.2%	5.0%
Related party transactions	2.9%	1.8%	0.9%
Remuneration and Compensation	1.5%	4.8%	2.5%
Restrictions on Power of Board	2.2%	2.0%	4.7%

Source: IIAS ADRIAN

This reflects a shift. Where previously the focus was on financial numbers, many now focus on compensation, capital allocation and transparency.

Voting by Promoters



Family businesses dominate the Indian corporate landscape, as promoters are often both owners and managers of the business. Consequently, they exercise enormous influence over the workings of the company. Here the dialogue is between two sets of shareholders. And while both shareholders look for ways to make their business flourish, the

interests of the promoters may not always align with the institutional and other shareholders. This can be because both may have a different investment time-horizon. Or it can be in instances when the promoters push through resolutions that benefit them at the expense of minority investors.

For 2022, promoters owned 50.45% of the shares of the NIFTY500 companies and voted 85.2% of the total shares held. The promoters did not vote on 372 resolutions as they were not eligible to vote on these and another 24 resolutions voluntarily.

In 99.85% of the total shares were voted FOR, and just 0.15% AGAINST. Almost the entire shares were voted **FOR**, although a small percentage (0.03%) were voted AGAINST. These are all instances where there is a family dispute.

Out of 4997 resolutions, 6 were withdrawn, 219 resolutions were proposed by companies with no identified promoter. Of the remaining 4772 resolutions, there were 396 resolutions on which the promoters did not vote.

Exhibit 15: Resolutions where promoters did not vote

Category	#
Related party transactions ♦	362
Director Appointments	13
Restrictions on Power of Board ♦	13
Remuneration and Compensation	6
General: Profit sharing agreement ♦	1
Issue of securities	1
	396

Note: This table excludes resolutions in companies without an identified promoter

♦ majority of minority

♦9 of the 13 relate to reclassification of promoters and are majority of minority

Source: IiAS Adrian

Of these 396 resolutions, 372 are majority of minority – these include RPTs (362), re-classification of promoters (9) and profit-sharing agreement (1). The remaining 24 are where promoters have voluntarily abstained/companies have taken a conservative interpretation. This count excludes companies that do not have an identifiable promoter.

Exhibit 16:

Interestingly, there are a few companies where promoters have not voted as a block. There were 22 such resolutions across seven companies. Five companies are a part of the Murugappa Group. These are **Coromandel International Limited** (3 resolutions), **Cholamandalam Investments and Finance Limited** (4), one each by **Carborundum Universal Limited** (1), **Tube Investments Limited** (1) and **EID Parry India Limited** (2). In addition, nine resolutions were proposed by **Solar Industries India Limited** and one resolution by **Birla Corp Limited** saw divergence in voting.

The surprising inclusion in this list is **Housing Urban and Development Corporation India Limited (HUDCO)**, a Central PSU. The President of India holds equity through Secretary Ministry of Housing and Urban Affairs and through Secretary Ministry of Rural Development. 74.7% of these shares were voted in support of the resolution and 25.3% was opposed.

Promoters do not consistently vote all their shares. Out of a total of 4991 resolutions, there were just 3168 (63.4%) resolutions in which promoters cast 100% of their shares, 3820 (76.5%) resolutions where promoters voted on more than 99% of shares they held. However, as expected, promoters generally tend to support resolutions, as evidenced by ~99% of the resolutions receiving 100% of the votes in favour.

Voting by 'Others'



Others is an amalgam of retail investors, bodies corporates, alternate investment funds and along with various 'others' that are neither promoters nor institutional investors.

Others as a category own 21.14% of the shares. They voted just 29.01% of their shares – the lowest of the three. *Others* as a category too have voted overwhelmingly in support of the resolutions, with 99.12% of the votes FOR and just 0.88% of the votes rejecting the resolution.

902 (18.0%) of the resolutions had less than 1% of the votes being cast and 2154 (43.1%) of the resolutions had less than 10% of this set of investors voting their shares. The median voting at ~11.4% (previous year 7.9%) suggests a lackadaisical attitude towards voting, and an acceptance, at least at the level of retail investor, that they cannot affect the outcomes.

Exhibit 17: Who are included as 'others'

Category	Category
1 Angel Investors	2 Bodies Corporate
3 Clearing member	4 Director or Director's Relatives
5 ESOP or ESOS or ESPS	6 Employees
7 Employee Welfare Fund	8 Enemy Property
9 FCCB	10 Firm
11 Foreign Nationals	12 Foreign Portfolio Investors (Category III)
13 HUF	14 IEPF
15 LLP	16 Market Maker
17 NSDL or CDSL transit	18 Non-Resident Indian (NRI)
19 Overseas Corporate Bodies	20 Private Equity Fund
21 Societies	22 Trusts
23 Venture Capital Fund	24 Unclaimed or Suspense or Escrow Account
25 Others	

Source: IiAS Research

There is also a case for separating the retail investors from others in this category viz. venture funds and private equity. That will help regulators and companies, monitor retail investor voting, and take steps to encourage them to act as good stewards of businesses they invest in.



7. Conclusion



Understanding how shareholders vote on resolutions is important for a few reasons:

Accountability: Shareholders are the owners of a company, and therefore have a vested interest in the company's performance and decision-making. Examining how shareholders vote on resolutions can hold company management accountable for their actions and decisions. If a large percentage of shareholders vote AGAINST a resolution, it can be a sign that management needs to reconsider its approach.

Transparency: Examining how shareholders vote on resolutions can provide insight into the company's decision-making process and how it responds to shareholder concerns. Shareholders have the right to know how other shareholders vote and the reasons behind their decisions. India is possibly the only country that asks for the voting rationale to be disclosed. This information can be used to inform future shareholder activism and engagement with the company.

Shareholder Value: Shareholders vote on resolutions that impact the company's financial performance, corporate governance, and social and environmental responsibility. Examining how shareholders vote on these issues can provide valuable information on how the company is performing and whether it is taking steps to protect shareholder value.

Overall, examining how shareholders vote on resolutions is an important part of corporate governance and can provide valuable insights into a company's decision-making process and its alignment with shareholder interests.

Even as institutional ownership has ticked-up, promoters on average continue to have majority ownership, giving them a decisive say in shareholder voting. Their highest percentage of ownership, together with the highest percentage of shares voted means that the math's will remain in their favour. In 2022, almost one in every three resolutions had 100% of the shareholders voting in support, and nine out of 10 resolutions had more than 90% of the votes in favour of the resolution. The data shows that the likelihood for ordinary resolutions being approved is extremely high. And though special resolutions and those requiring majority of minority votes give 'minority' investors an edge, the default outcome remains that such resolutions will get approved.

In this context, regulators need to examine recategorizing resolutions from ordinary to special to majority of minority. Currently, resolutions relating to compensation paid to owner-managers are primarily presented as ordinary resolutions⁸ and need simple majority to carry. Should these continue as ordinary resolutions? Ought all such approvals be by way of a special resolution? Or should the promoters not be allowed to vote on their salary (increase), but obtain a majority of minority vote? Such issues need to be assessed.

The other changes all relate to disclosures.

India is probably the only geography that requires institutional investors to disclose their voting rationale. We can build on this by mandating that the voting rationale be made mandatory for a few more categories of investors including corporates, trusts and private equity.

In addition, the periodicity of disclosure by funds can tighten from quarterly at present, to within a week of the vote being cast. This quicker disclosure will provide a faster feedback-loop for companies and investors and increase the engagement between the participants.

Finally, for the data and analysis to be fuller, regulators need to ask for ownership and voting disclosures across a various sub-category – mutual funds, insurance companies, pension funds, alternate investment funds and foreign institutional investors, corporate bodies, and retail.



⁸ Resolutions to approve payment of compensation to directors may be presented as special resolutions subject to regulatory thresholds.

Annex 1: Select Historical Data

Exhibit 18: Institutional Investors: Voting on Resolutions

	2020	2021	2022
Voting			
Median Votes (%)	72.5	78.75	82.11
100% Shares voted	34	21	41
>90% Shares voted	511	687	1424
<10% Shares voted	113	53	105
Nil Shares voted	47	28	36
Voting FOR/AGAINST			
100% shares voted FOR	1880	1660	1821
>90% shares voted FOR	3201	3121	3698
>25% Shares voted AGAINST	323	546	726
>50% Shares voted AGAINST	117	204	267
>75% Shares voted AGAINST	65	70	71
>90% Shares voted AGAINST	34	37	36
=100% shares voted AGAINST	19	0	4

Source: IiAS ADRIAN

Exhibit 19A: 2022 Ownership and voting

	Ownership %	Shares Voted	Voted FOR	Voted AGAINST	Shares Voted %	FOR %	AGAINST %	% of total votes
Promoters	50.45	42.99	42.93	0.06	85.22	99.85	0.15	59.00
Institutions	28.42	23.75	22.25	1.50	83.57	93.68	6.31	32.59
Others	21.14	6.13	6.08	0.05	29.01	99.12	0.88	8.41
	100.00		71.26	1.62				100.0

Exhibit 19B: 2021 Ownership and voting

	Ownership %	Shares Voted	Votes FOR	Votes AGAINST	Shares Voted %	FOR %	AGAINST %	% of total votes
Promoters	51.39	47.62	47.58	0.04	92.67	99.92	0.08	62.19
Institutions	28.89	23.77	22.43	1.33	82.26	94.38	5.62	31.04
Others	19.72	5.19	5.14	0.05	26.31	99.09	0.91	6.77
	100.00	76.58	75.15	1.42				100.00

Source: IiAS ADRIAN

Exhibit 19C: 2020 Ownership and voting

	Ownership %	Shares Voted	Votes FOR	Votes AGAINST	Shares Voted %	FOR %	AGAINST %	% of total votes
Promoters	48.57	44.80	44.79	0.02	92.25	99.96	0.04	60.84
Institutions	30.02	23.13	21.96	0.96	77.06	94.93	4.17	31.41
Others	21.41	5.71	5.64	0.08	26.67	98.73	1.33	7.75
	100.00	73.65	72.38	1.06				100.00

Source: IiAS ADRIAN

Exhibit 21: Monthly meeting count 2020-2022

Month	AGM	EGM	NCM	PB	Total
Jan-22	1	0	2	18	21
Feb-22	1	4	4	17	26
Mar-22	0	11	2	66	79
Apr-22	9	4	5	40	58
May-22	3	3	2	38	46
Jun-22	53	1	2	54	110
Jul-22	103	1	2	24	130
Aug-22	173	1	2	12	188
Sep-22	154	1	4	26	185
Oct-22	0	3	4	20	27
Nov-22	4	4	4	24	36
Dec-22	2	7	1	78	88
Total	503	40	34	417	994

Jan-21	0	0	0	10	10
Feb-21	1	2	4	10	17
Mar-21	0	7	5	38	50
Apr-21	10	4	5	17	36
May-21	3	4	2	11	20
Jun-21	30	5	0	12	47
Jul-21	96	3	0	7	106
Aug-21	161	3	0	3	167
Sep-21	186	8	2	12	208
Oct-21	2	1	1	9	13
Nov-21	4	9	3	16	32
Dec-21	5	4	1	40	50
Total	498	50	23	185	756

Jan-20	0	3	1	16	20
Feb-20	1	3	2	11	17
Mar-20	1	2	0	41	44
Apr-20	0	0	0	8	8
May-20	0	0	0	6	6
Jun-20	16	2	0	19	37
Jul-20	95	4	1	6	106
Aug-20	150	1	1	6	158
Sep-20	207	5	2	7	221
Oct-20	5	0	1	6	12
Nov-20	3	2	1	9	15
Dec-20	18	6	1	24	49
Total	496	28	10	159	693

Source: iias ADRIAN

Exhibit 20: Annual Meeting Count

Meeting Type	2020	2021	2022
AGM	496	498	503
Postal Ballot	159	185	417
EGM	28	50	40
NCM	10	23	34
Total	693	756	994
All Resolutions #	3836	4125	4997

Source: IiAS ADRIAN

Exhibit 22: Top-Five Resolution Categories 2020-2022

	2020		2021		2022	
Top 5-categories	#	%	#	%	#	%
Director Appointment	1317	34.33%	1326	32.15%	1627	32.56%
Adoption of Accounts	565	14.73%	590	14.30%	604	12.09%
Rem. and Compensation	480	12.51%	608	14.74%	597	11.95%
Dividend Distribution	343	8.94%	377	9.14%	391	7.82%
Auditor Reappointment	123	3.21%	175	4.24%	316	6.32%
	2828	73.72%	3076	74.57%	3535	70.74%
All Resolutions #	3836		4125		4997	

Source: IiAS ADRIAN

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