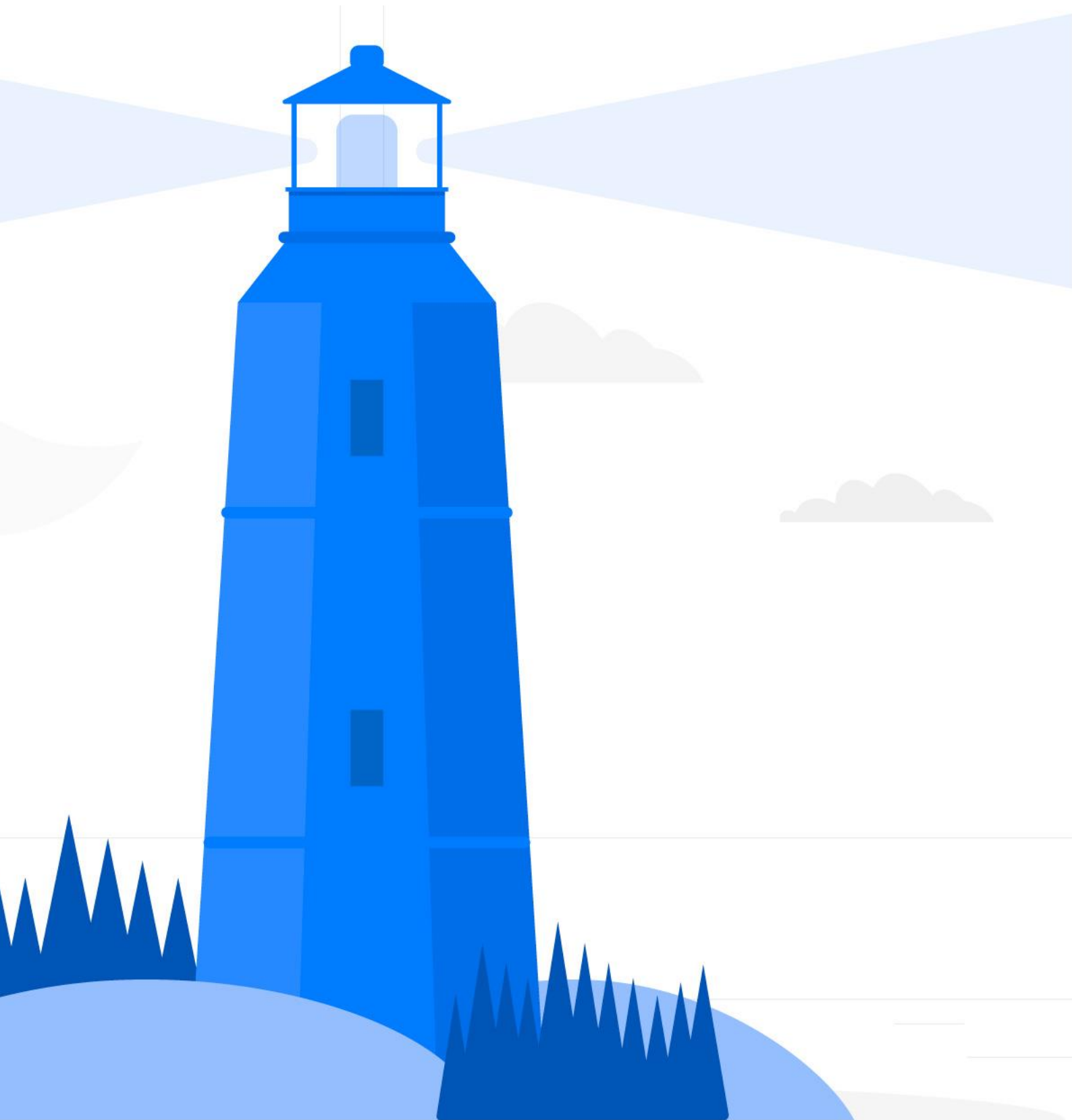


VOTING GUIDELINES 2023-24



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IiAS' VOTING GUIDELINES

These voting guidelines outline IiAS' views on the various items that are put to shareholders to vote.

These guidelines have been developed based on the Companies Act 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), best practices in corporate governance (both in India, and globally), and feedback from market participants.

Institutional investors are required to vote on shareholder resolutions as part of their stewardship responsibilities. The IiAS Voting Guidelines will help investors in deciding how to vote, and in framing their own stewardship policies. For companies, these guidelines will help draft shareholder resolutions that are clear and precise, pre-empting questions from investors. They provide a clearer understanding on how IiAS may recommend voting on a resolution.

This is the tenth edition of the guidelines. We first published these in 2013 and have revised these guidelines annually based on changing regulations, market feedback from investors, companies, and other market participants. Despite these, the philosophical underpinnings behind the guidelines have remained unchanged: equitable treatment of all shareholders.

To provide clarity, this publication includes reference to relevant regulations, the type of resolution (ordinary or special), meeting at which these are voted on (Annual General Meeting, Extra-ordinary General Meeting, Postal ballot, NCLT Convened Meeting), and risks related to specific resolutions. Our report contains data pertaining to investor engagement in the past three years for critical resolutions to provide guidance to both companies and investors on the current thinking vis-à-vis some governance practices.

SUMMARY OF CHANGES IN THE 2023-24 VOTING GUIDELINES

A few of the changes are given below. Note, that there are tweaks, language changes and more recent examples throughout these guidelines. We encourage companies and investors to go through this document in its entirety.

IiAS' voting recommendations now include a write-up on IiAS' stance vis-à-vis regulatory guidelines. This addition addresses SEBI's procedural guidelines for Proxy Advisors which was made applicable from 1 January 2021 and can be accessed on our website here: <https://www.iiasadvisory.com/voting-guidelines>

Non-rotational board position

IiAS may recommend voting AGAINST the (re)appointment of promoter directors, non-executive non-independent directors who are not liable to retire by rotation - non-rotational board seats grant permanent directorship status, and this does not give shareholders the chance to vote periodically on director reappointment.

Intercorporate Transactions

Companies must have an absolute limit on inter-corporate transactions. IiAS may recommend voting AGAINST resolutions where inter-corporate transactions have rolling limits.

Related party transactions

IiAS has updated its voting guidelines based on changes in regulations on Related Party Transactions. IiAS recognizes that companies enter transactions which by their very nature, might be of long duration: some of these contracts can extend to a 20+ year period. IiAS will support these transactions if the company can establish a clear business imperative. In such instances, IiAS expects companies to disclose the contours of such contracts, including the indicative value during the life of the contract and the annual value. Where transactions/contracts/agreements are less critical to its ongoing operations or have break-up clauses, IiAS expects the validity to be five years and if longer, for companies to provide clarity as to why the duration is in the company's interest.

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ABOUT THE DOCUMENT

This publication lists 28 typical resolutions on which shareholders are routinely asked to vote. It lists the relevant regulations, the disclosures that IiAS will review, and articulates the basis of IiAS voting recommendations.

ABBREVIATIONS

Given below is the set of abbreviations which will be used throughout the document.

Act/Companies Act: Companies Act, 2013, and all amendments thereof

AGM: Annual General Meeting

Delisting Regulations: Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021

EGM: Extraordinary General Meeting

FPO: Further/Follow-on Public Offer

ID: Independent director

Ind AS: Indian Accounting Standards

IPO: Initial Public Offer

Kotak Committee: SEBI Committee on Corporate Governance, chaired by Uday Kotak

MCA: Ministry of Corporate Affairs

NCLT: National Company Law Tribunal

NCM: National Company Law Tribunal Convened Meeting

PB: Postal Ballot

RPT: Related Party Transaction

SEBI: Securities and Exchange Board of India

SEBI (LODR): SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and all its amendments

SEBI (ICDR): SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2018, and all its amendments

A LOOKBACK AT 2022

Between January-December 2022, IiAS analysed 8,527 resolutions across the following categories:

IiAS Voting Recommendations					
Row Labels	No Recommendation	Against	For	Withdrawn/ Cancelled	Total
Adoption of Accounts		79	997		1,076
Alterations to Charter Documents		32	173		205
Audit		49	1,098		1,147
Borrowing		22	190		212
Capital Reduction			16		16
Director Appointments	2	466	2,260	7	2,735
Dividend			648		648
ESOPS		192	99		291
General		5	107		112
Issue of Securities		25	147		172
Related party transactions		118	537		655
Remuneration and Compensation		319	739		1,058
Restrictions on Power of Board		63	137		200
	2	1,370	7,148	7	8,527
2021	27	898	5,530	9	6,464
2020	860	592	4,343	8	5,803
2019	809	1,219	5,203		7,231
2018	806	774	4,819		6,399
2017	704	450	4,596		5,750

THE VOTING RECOMMENDATION PROCESS

This section summarizes the process followed to finalize IiAS' voting recommendations on shareholder resolutions. The recommendations are non-binding and the advisory reports do not carry any buy, sell, or price recommendation.

The process is initiated when a company issues a shareholder notice (Annual General Meeting, Extra-ordinary General Meeting, Postal Ballot or NCLT-Convened Meeting). The analyst examines the agenda items and reviews publicly available information including the annual report, stock-exchange filings, and such other information, including market information, that is relevant to reach a voting recommendation. The analyst prepares the advisory report and makes recommendations based on the IiAS Voting Guidelines and the internal IiAS Operating Manual. When needed, the analyst may seek clarifications from the company on the proposed resolutions.

The voting recommendations on shareholder resolutions are decided through a committee-based process. The Review and Oversight Committee (ROC) oversees the voting recommendations published by IiAS on shareholder resolutions (read [IiAS Policy on Review and Oversight Committee](#)). Our reports explain instances where the ROC decided to deviate from the Voting Guidelines, to provide transparency.

The voting recommendations are published in a report format, with details of the meeting, particulars about the company, summary financial performance, and an analysis of the resolutions being presented. Our voting recommendation reports are easy to read: we publish a summary rationale for each resolution and the detailed analysis, which includes the regulatory landscape supporting the resolution and the IiAS Voting Guidelines on the specific issue and a comparison between the two. Our voting recommendation reports are usually sent to subscribers at least 12 days before the shareholder meeting to ensure that investors' governance teams have sufficient time to discuss and agree on their vote.

Primary Inputs for IiAS Reports



Use of information to analyst shareholder resolutions	Analysts use publicly available information to assess shareholder resolutions. Primary sources of information usually form the base of the analysis. Analysts may, on occasion, speak to company representatives to seek clarity. IiAS’ analysts do not seek any unpublished price sensitive information. Any information received incrementally is considered public information and is disclosed wherever relevant.
Sources of information typically used by IiAS analysts while assessing shareholder resolutions	<ul style="list-style-type: none"> • Company annual reports • Stock exchange filings • Investor calls, transcripts and other disclosures on the company’s website • Past voting patterns on similar resolutions, through IiAS’ digital database www.iiasadrian.com • Remuneration data may also be sourced from IiAS’ proprietary database www.iiascompayre.com • Discussions with company representatives (where IiAS’ analysts do not seek unpublished price sensitive information) • Discussions with market participants including investors. • Media reports – only to the extent that these can be validated
Basis of arriving at the voting recommendation	IiAS publishes its Voting Guidelines at the beginning of every fiscal year, which are available on its website. These guidelines are written based on the regulatory requirements and practices in India while factoring in global practices that we believe investors want companies to move towards.
Decision-making process	The voting recommendations published by IiAS are arrived at after debate and discussion at the IiAS Review and Oversight Committee (ROC). To know more, refer to IiAS’ ROC Policy .
Dissemination of IiAS voting recommendations	IiAS’ voting recommendations are disseminated electronically to investors and company officials simultaneously, through its Voting Management System (VMS).

Voting Management System

Several institutions now use IiAS' Voting Management System (VMS) to conduct internal committees and to vote on shareholder resolutions. IiAS VMS is a cloud based secured service that helps investors track shareholder meetings, Shareholders using IiAS VMS can receive meeting notifications and agendas, conduct internal meetings, vote directly or through their custodians. The platform helps in recording, keeping and filing disclosures in line with Indian regulatory requirements. It provides information on how shareholders have voted on resolutions presented by the company in the past, giving users a broader perspective of other investors' view on the company and its resolutions.

SMART platform (Stewardship Management and Reporting Terminal)

To help investors in discharging their stewardship activities, IiAS has introduced SMART platform.

Key features include:

- Recording and monitoring of meetings / calls on the Meetings tabs
- Dashboard to view all calls / meetings with the companies
- Alerts of corporate announcements and non-financial announcements from stock exchanges, Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) for BSE 500 companies

In case you are interested in knowing more about IiAS' voting platform/SMART platform or are interested in a demonstration, please contact us on +91 (0)22 6123 5515 or write to us at solutions@iias.in.



ADRIAN is a cloud based analytical tool that captures shareholder meetings and voting data for more than 850 companies. These 850+ companies represent over 95% of the market-cap of listed companies in India.

ADRIAN provides packaged data that can be used to track investor reactions and market trends. This allows users to gain insights on how investors view specific issues and gain greater predictability regarding how they might vote on similar shareholder resolutions.

ADRIAN's data repository includes:

- Notices and explanatory statements.
- Voting outcomes.
- Investor/Mutual fund/Select FII and category wise voting data.
- Rationale provided by institutional investors (mutual funds, insurance companies and pension funds) while voting on resolutions.
- IiAS voting recommendations.

Key features of **ADRIAN**:

- **Unique:** Only source of searchable investor voting data.
- **Simple:** Easy to use and intuitive.
- **Cloud-based:** Synced with the cloud.
- **Comprehensive:** Data of over 8,000 shareholder meetings and 48,000 resolutions
- **Flexible:** Resolutions are tagged by section number under the Companies Act and by category i.e., company name, investor name, resolution type (remuneration, director appointments, related party transactions etc.).
- **Voting patterns:** Data on how promoters, institutional investors and retail investors vote along with their rationale.
- **Multiple search capabilities:** Resolutions can be searched by section number, by category, voting outcome, investors etc. and other analytical capabilities.
- **Benchmark Resolutions:** Access to resolutions identified and tagged which IiAS believes are the best in terms of disclosure and transparency.

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GET ANSWERS TO THESE QUESTIONS & MORE
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1. ADOPTION OF FINANCIAL STATEMENTS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM	Sections 129(2) and 134	-	Ordinary

IiAS GUIDELINES

IiAS believes that a comprehensive review of the financials of a company is a critical exercise which often requires first-hand information and proper due diligence. There is limited time between receipt of the audited accounts/annual report and the shareholder meeting for IiAS to comprehensively evaluate the financial statements. Therefore, IiAS will rely upon the auditors' report on the financial statements. IiAS will generally recommend voting FOR on the resolution to adopt accounts.

IiAS may recommend voting AGAINST under the following circumstances:

- the auditors have qualified their opinion, or
- the auditors have raised concerns over the company's internal financial controls, or
- the auditors have outlined significant emphasis of matters, which may have an adverse impact on company financials.
- where we believe the quality of the audit firm and / or the audit committee composition are a concern.
- For public sector enterprises, where the Comptroller and Auditor General (CAG) has raised significant concerns over the quality of audit or the financial statements.

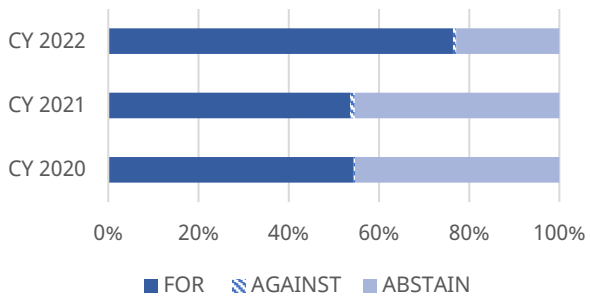
In its assessment of financial statements, IiAS will provide commentary on key financial parameters. If the company has material subsidiaries, the analysis will focus on consolidated financial statements. IiAS will highlight the observations, comments, or qualifications made in the statutory audit report and the secretarial audit report. We raise concerns, wherever relevant, on specific issues that need to be addressed by the company – these could be pertaining to cyber security issues, quantum of losses on account of frauds, or any other non-financial information. Refer to [ANNEXURE A](#) (sample accounts page).

SUMMARY NOTES

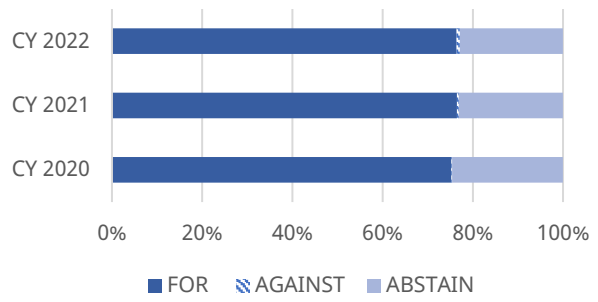
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Auditor Qualifications • High Contingent Liabilities • Opaque Related Party Transactions • Change in Accounting Policies • High Leverage • Window Dressing 	<p>IiAS will rely on the auditors' report to determine its voting recommendation.</p>	<ul style="list-style-type: none"> • Pillars of Governance: Audit Committee (Jan 23) • When shareholders don't buy the numbers (Jan 23) • Facebook and the dangers of a singular focus on profit maximization (Oct 21) • Forensic Audit: When full disclosures isn't better transparency (Nov 2020) • In defence of the quarterly reporting cycle (Jun 2020)

PAST VOTING PATTERN

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

2. AUDITOR (RE)APPOINTMENT

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM EGM (removal/ casual vacancy)	Section 139: Appointment Section 140: Removal Section 142: Remuneration Section 144: Non-audit services Section 148: Cost auditors	Regulation 36 Schedule V	Ordinary, Special: Removal

REGULATORY SNAPSHOT

Auditor Rotation

The Act mandates rotation of individual auditors every five years and of the audit firm after a maximum period of ten years (i.e., after two terms of five years each) for listed companies. A cooling-off period of five years is required, to be considered eligible for re-appointment. The Act gave companies a three-year transition period, which expired in FY17.

In order to protect the independence of the auditors/audit firms, [RBI guidelines](#) have been revised to state that commercial banks (excluding RRBs), UCBs and NBFCs (including HFCs) will have to appoint auditors for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, commercial banks (excluding RRBs) and UCBs can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), as applicable for prior approval for appointment. An audit firm would not be eligible for reappointment in the same entity for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other entities. Further as per RBI Guidelines, if the entity's asset size is more than the stipulated threshold of Rs 150 bn, the entity will need to appoint a minimum of two joint statutory auditors.

Auditor Services

Section 144 of the Companies Act explicitly prohibits Statutory Auditors from undertaking any assignment other than the statutory audit. But network firms of the statutory auditor may be allowed to undertake other professional assignments, including providing advisory and consulting services. For banks, NBFCs and Housing finance companies ("entities"), the time gap between any non-audit works (services mentioned at Section 144 of the Act, other internal or special assignments, etc.) by the auditors / firms under the same network or having common partners for the entities or audit/non-audit services for group entities should be at least one year, before or after appointment as the auditor. However, during the tenure as auditor, an audit firm may provide such services to the entities which the entities consider, in consultation with the RBI or its committees, to not normally result in a conflict of interest.

Companies (Auditor's Report) Order, 2020 (CARO 2020)

With the intention to tighten audit reporting, the Ministry of Corporate Affairs notified CARO 2020 under which auditors are required to give detailed disclosures about loan defaults, immovable properties and whistle blower complaints etc. in the Audit Report. CARO 2020 is applicable from FY 2021-22 and onwards.

Audit fees

As per Section 142, the remuneration of the Statutory Auditor should be fixed at a general meeting or in any manner determined at the general meeting. The remuneration shall include expenses, if any, incurred by the auditor in connection with the audit of the company and any facility extended, but shall not include any remuneration paid to the auditor for any other services rendered at the request of the company. As per Regulation 36 of SEBI (LODR), notice to shareholders for auditor (re)appointment should include an explanatory note regarding details of the fees proposed, basis of recommendation for appointment and the details / credentials of the statutory auditor. Additionally, the total fees paid to the audit network firms for all rendered services at a consolidated level will be disclosed in the annual report.

IiAS GUIDELINES

IiAS policy on auditor (re)appointment is guided by the same principles as laid down in the regulations. Through its analysis and commentary, IiAS is helping investors evaluate the proposal.

Best practice

We encourage audit committees to assess audit quality by using tangible metrics while (re)appointing auditors or ratifying their audit appointments (refer our framework on audit quality indicators). In June 2021, the ICAI has published an [Audit Quality Maturity Model](#) which is presently recommendatory and shall be mandated subsequently for firms auditing listed companies, banks and insurance companies.

IiAS will recommend voting FOR on the (re)appointment of statutory auditor unless:

- Tenure of audit firm/network is more than 10 years for companies and 3 years for banks.
- The size of the audit firm is small relative to the size of the company
- The firm/partner(s) do not have experience of auditing companies in the same industry or of similar size or complexity
- The firm/partner(s) have a poor track record/reputation
- There is an affiliation/association of the new firm/partner(s) with the rotated firm
- There is an affiliation/association of the audit firm/partner(s) with the promoter group
- There is no peer review conducted for the audit firm
- No information on the audit firm and the audit partner experience are available publicly

Other factors which IiAS will consider include:

- Tenure of audit partner (must not exceed five years)
- Quantum, growth and nature of audit fees
- Non-disclosure of audit fee
- Consulting services provided by network partners of the audit firm

Reappointment of vintage auditors in companies that are spin-offs of a larger company

For such companies, IiAS construes tenure to include the period during which when the company was being audited as a division of a larger company (prior to the spin-off into a separate company). Accordingly, IiAS will consider the aggregate tenure of auditors, which will include that with the parent company. IiAS believes that auditor tenure of over 10 consecutive years (including with group companies/spin offs of larger companies) or affiliation/association of auditors with the rotated firm or promoter group blunts the objectivity of the audit process and the independence of the auditor.

The experience and size of the audit firm should be commensurate with the size and complexity of the business. To enhance transparency, IiAS will take into consideration whether details including a brief profile regarding the audit partner and the audit firm are available publicly (e.g., audit firm's website) and disclosed in the notice. In line with best practices and regulation, IiAS will raise concerns in cases where auditor remuneration is not disclosed. Based on IiAS' interpretation of regulations, we will vote against auditor appointments for a term of less than five years.

Auditor (Re)appointment in Public Sector Units (PSUs) and Public Sector Banks (PSBs)

The appointment of auditors in PSUs directly vests with the Comptroller and Auditor-General of India (CAG). PSBs appoint auditors selected from a list prepared by the CAG and approved by the Reserve Bank of India (RBI) and are required to appoint multiple auditors depending on the PSBs size. In PSUs/PSBs, shareholder approval is only required to approve the remuneration of the statutory auditors. This denies shareholders the opportunity to voice their opinion on the suitability of the chosen audit firms. Although these auditors are periodically rotated, shareholder approval must be sought for appointment with adequate disclosures on size/experience of the firm including its partners and the proposed audit fees. IiAS generally recommends voting FOR such resolutions because the auditors are appointed by the CAG and shareholder approval is only required to approve their remuneration. IiAS will raise concerns in cases where the name of the proposed auditor or the proposed audit fees are not disclosed either in the meeting notice or on stock exchange/company website.

Resignation and removal of auditors

Auditor resignation has been a cause of concern for investors, especially when the resignations take place just before the completion of accounts. Under regulations, where – (a) the auditor resigns within 45 days from the end of a quarter, he/she shall issue the limited review/ audit report for that quarter; (b) the auditor resigns after 45 days from the end of a quarter, he/she shall issue the limited review/ audit report for that and the next quarter and (c) the auditor has signed the limited review/audit report for the first 3 quarters of a financial year, he/she shall issue the limited review/audit report for the last quarter as well as the audit report for the financial year. In line with Schedule III of the SEBI (LODR), we believe auditors must clearly articulate their reasons for resigning. While voting upon the

appointment of auditors to fill the casual vacancy caused by such resignations, IiAS will raise concerns if the reasons for auditor resignation are not sufficiently well articulated.

The same disclosure requirements apply for auditor removal. If the board proposes the removal of the auditors, IiAS expects a detailed rationale for the move. Since each instance of auditor removal is different in its circumstances and context, IiAS will decide on a case-to-case basis. However, IiAS may not support removal of auditors if:

- the latest audit reports (annual/quarterly) contain adverse remarks (qualification/matter of emphasis) or
- IiAS has reason to believe that the removal will undermine the integrity of the audit review or
- the board has not provided sufficient rationale for seeking the removal of auditors

IiAS carefully weighs the rationale for the removal of auditors, and will, wherever possible, wait for auditors to state their case to shareholders before making a voting recommendation.

Cooling-off of auditor

Some companies appoint audit firms who have completed a tenure of ten years as statutory auditors; as internal auditors post the completed tenure. IiAS does not consider this to be a break in association with the company and will consider the overall association of the statutory auditors with the company as their tenure.

Payment/Ratification of Remuneration to Cost Auditor

Under the Act, remuneration of cost auditors must be ratified by shareholders via an ordinary resolution. In IiAS' observation, remuneration to cost auditors is usually commensurate with the size and complexity of the business. In IiAS' observation, remuneration to cost auditors is usually not material. Therefore, IiAS generally recommends voting FOR such resolutions.

Audit committee composition

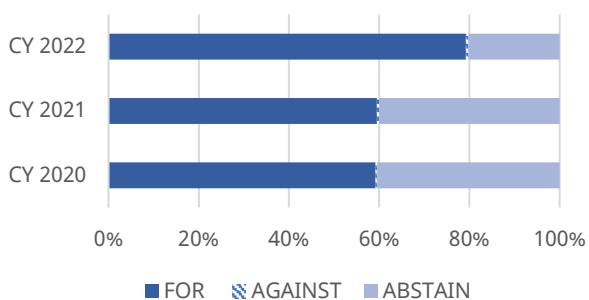
IiAS believes the membership of promoters and executive directors presents possible conflict of interest. To that extent, IiAS does not support their membership in these committees and may raise this concern in its discussion on board and board committee compositions.

SUMMARY NOTES

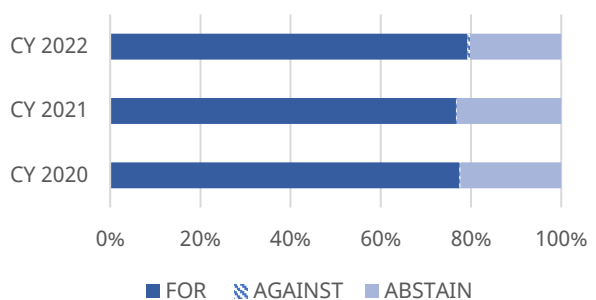
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Audit Partner Tenure • Track record and experience of audit firm and partner • Auditor proximity to the board/company/promoters • High auditor fees 	<p>The objectivity of the auditor determines the quality of the audit process.</p>	<ul style="list-style-type: none"> • Pillars of Governance: Statutory Auditor (Jan 23) • RBI on auditor appointments: The slip between the cup and the lip (June 2021) • Forensic Audits: When full disclosure is not better transparency (Nov 2020) • Five Trends that will shape the governance landscape in the 2020's (Jan 2020)

PAST VOTING PATTERN*

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

* Indicates voting data for all auditor related resolutions, including remuneration for cost auditors

3. DIVIDEND DECLARATION

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High Medium ✓ Low	AGM	Section 123, Secretarial Standard -3	Regulation 43A	Ordinary

REGULATORY SNAPSHOT

Effective 5 May 2021, SEBI has mandated the top 1000 listed companies based on market capitalization to formulate a dividend distribution policy. This policy should be disclosed in the respective companies' annual reports and on their websites. This requirement is also provided under the Companies Act under the Secretarial Standard - 3 on Dividend.

In May 2016, Department of Investment and Public Asset Management (DIPAM) released guidelines on Capital Restructuring of Central Public-Sector Enterprises which required every Central Public Sector Enterprises to pay 30% of profit after tax or 5% of networth, whichever is higher, as dividend to shareholders. PSEs are required to justify dividend pay-out if it is lower than the specified limit.

IiAS GUIDELINES

IiAS will generally recommend voting FOR the proposed dividend pay-out (whether on equity or preference shares).

IiAS may advise shareholders to request a higher dividend if:

- Growth in dividend is not commensurate with the improvement in financial performance
- Growth in dividend is not commensurate with growth in royalty payments and/or managerial compensation
- The dividend pay-out is consistently lower than industry average
- The company has a large cash balance and has not communicated its use of cash surplus to shareholders
- The company has recently undertaken sale transactions which have resulted in a large cash inflow and has not articulated the use of such proceeds

IiAS may, in rare instances, caution investors and recommend voting AGAINST a high dividend pay-out which may impact the long-term interests of shareholders. Such instances may include:

- The company's profitability is poor, or the company is routinely reporting losses
- The company has defaulted on any of its debt obligations
- Operating cash flows are weak
- For banks or financial institutions: If the capital adequacy is hovering at the regulatory threshold
- Any other situation where the dividend payout will impact the long-term interest of shareholders

IiAS believes that dividend declaration should not favour a specific class of shareholders (e.g., promoters/controlling shareholders). IiAS will flag off the cases where the company does not have an articulated dividend policy with a defined target dividend payout ratio.

As per Ind AS, the liability for final dividend on equity shares is recognized as liability in the period in which dividend is approved by the shareholders. However, IiAS will continue to look at proposed dividend vis-à-vis the applicable year's PAT to analyse the pay-out for the year.

Practices that companies can follow:

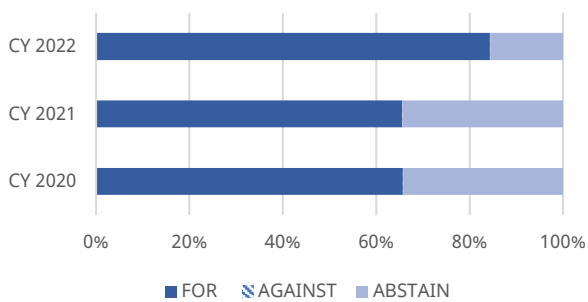
- Specify a Target Pay-out Ratio/Range:** Companies must specify a target pay-out ratio (or pay-out range).
- Utilization of cash balances:** Companies with surplus funds need to clearly communicate their strategy for cash retention.
- Disclosures on policy deviation:** In case the company needs to deviate from its stated policy, it must provide the rationale for the deviations, along with the expected timelines within which the company proposes to revert to the stated policy.
- Approval Process:** Shareholders must be given an opportunity to express their opinion on the dividend policy. This can be achieved through a consultation process in the company's general meetings. At the very least, the dividend policy must be approved by the company's board.

SUMMARY NOTES

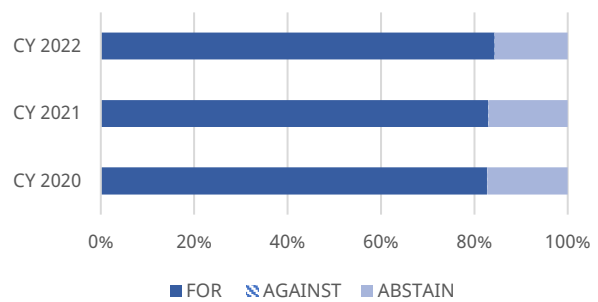
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<p>For low dividend</p> <ul style="list-style-type: none"> • High cash and equivalents • Low pay-out ratios compared to peers <p>For high dividend</p> <ul style="list-style-type: none"> • Inadequate profits • Large contingent liabilities 	<p>IiAS does not favour cash hoarding and encourages companies to articulate a dividend policy.</p>	<ul style="list-style-type: none"> • Slash dividends, cease buybacks: prioritize shoring up your balance sheet (Apr 2020) • IiAS' perspective regarding dividends and buybacks in the time of COVID-19 (Apr 2020) • IiAS Dividend and buy back study 2020 (Feb 2020) • Dividend policy format template formulated by IiAS

PAST VOTING PATTERN

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

4. APPOINTMENT/RE-APPOINTMENT OF INDEPENDENT DIRECTORS

5. APPOINTMENT/RE-APPOINTMENT OF NON-INDEPENDENT DIRECTORS

6. APPROVE NOT FILLING CASUAL VACANCY ON THE BOARD

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Sections 149, 152 and 161	Regulations 17 and 25	Ordinary Special: IDs

REGULATORY SNAPSHOT

Non-executive directors do not occupy any full-time position in the company. In general, they can be grouped under the following categories:

- a. Independent Directors
- b. Non-Independent Directors
- c. Promoter/Promoter Group/Relative
- d. Former senior executives, with less than three years cooling-off period
- e. Person with significant association that include those who:
 - ii. Provide professional services to the company, or to an affiliate
 - iii. Are counterparties (customer, supplier, creditor, banker, advisor or consultant) in material transactions – both commercial and non-commercial
 - iv. Have a substantial stake (>2%) in the company
 - a. Nominee directors

A board must have an adequate number of independent directors. One-third of the board must comprise of independent directors if the Chairperson is independent. If the Chairperson is an executive director or part of the promoter group, half of the board of directors must be independent. In addition to this, as per SEBI LODR, the Board of Directors of the top 1000 listed companies must have at least one independent woman director.

As per the Act, an independent director is permitted to be appointed for two consecutive terms of up to five years each. A mandatory cooling-off period of three years is necessary after ceasing as an independent director prior to further (re)appointment in the same company. The provisions of the Act are applicable prospectively.

Effective 1 January 2022, companies must ensure that shareholder approval for (re)appointment of a director is taken at the next general meeting or within three months from the date of (re)appointment - whichever is earlier. Additionally, wholetime director/managing director who was earlier rejected by shareholders can be (re)appointed only with prior approval of shareholders. The appointment and reappointment of independent directors can now be made only through a special resolution. Additionally, where the special resolution is not approved, the (re)appointment shall still be made if, an ordinary resolution is passed and approval from majority of public shareholders is obtained. IiAS believes that shareholder approval for reappointment of independent directors should be sought on or before the completion of a directors' first term as Independent Director; IiAS shall raise concerns where re-appointments are made after completion of the first term.

Also, with effect from 1 April 2019, shareholder approval through a special resolution should be obtained to appoint or continue the appointment of any non-executive director (including independent directors) who has attained 75 years of age and the explanatory note annexed to the notice proposing the appointment/continuation should provide justification for the same. IiAS shall raise concerns in cases where the special resolution for the appointment/continuation is not passed on or before the date of attaining the age of 75 years by the director.

When assessing board composition, IiAS will evaluate director independence along the lines of its stated criteria.

IiAS GUIDELINES

Given their role of enhancing and protecting the interests of public shareholders, IiAS has adopted an eligibility criterion for the (re)appointment of independent directors.

Eligibility

In assessing the 'independence' of independent directors, IiAS focuses on the spirit of the regulation. Therefore, IiAS may recommend voting AGAINST director (re)appointments even if these are compliant with regulations.

IiAS may recommend voting AGAINST independent director (re)appointments in the following cases:

- i. Directors who have cross linkages with each other across multiple boards (board interlock)
- ii. Those who do not satisfy the eligibility criteria laid down in Section 149(6) of the Act and Regulation (16)(1)(b) of the SEBI (LODR)
- iii. Directors who have been on the board for more than 10 consecutive years. IiAS makes two important distinctions:
 - a. Unlike the Act, which computes tenure beginning 1 April 2014, IiAS will compute tenure on a retrospective basis i.e., from date of first appointment
 - b. IiAS will apply the 'visa rule' and consider independent directors seeking reappointment as non-independent if they complete a 10-year tenure within six months of the date of their next reappointment
- iv. Directors who have been on the board of the parent/holding/subsidiary for more than 10 consecutive years
- v. Former executive/non-executive directors who have not had a cooling-off period (complete detachment from the board, company, and promoter group) for at least three years
- vi. Former executives who are on the board along with their previous supervisors unless these executives have completed at least a five-year cooling period. IiAS will consider the cooling period to have been completed only if there is a complete break-away between the director and the company/group
- vii. Directors who are simultaneously on the board of a large number/percentage of group companies, with a prolonged tenure of >10 years in any of these companies
- viii. Representatives of large shareholders (holding >2% stake) or lenders, even if they are not appointed on the board as a nominee. However, former employees of such shareholders who continue to remain on the board (even after they move on from their employment) may be considered independent. Similarly, directors who were earlier on the board as nominees may be considered independent once the investor has sold its stake. Retired IAS officers /civil servants will also be considered as independent on the board of Public Sector Enterprises.
- ix. Directors who may have business ties with the company, with their firms providing services to the company or other companies in the group, irrespective of the extent of the pecuniary relationship. We understand that while the value of such transactions between the firm and company may not be material in the context of the size of the firm or company, any business dealing may impair the objectivity and independence of the director.
- x. Directors who have been on the board of at least two companies that have failed on account of poor governance and oversight. While this yardstick may not be always consistently applied – because the history of all directors may not be easily accessible, or we may fail to capture board failures, we believe investors must set higher thresholds for board accountability and begin giving some push back on the (re)appointment of such directors
- xi. In instances where IiAS believes that independent directors on board/board committees have not exercised balanced or prudent judgement
- xii. The director carries a reputation risk or has been associated with transactions that IiAS considers to be prejudicial towards minority shareholders in either the company's or other boards or has strong political affiliations.

Given that independent directors are entrusted with the role of enhancing and protecting the interests of public shareholders, IiAS focuses on the spirit of the regulation in assessing the 'independence' of independent directors. IiAS believes that the length of the tenure is directly proportional to the degree of independence of a director. IiAS does not favor past associations with the company/group companies (>10 years) and considers directors to be non-independent once they cross a tenure of 10 years from the date of their first appointment.

Where family members of previous independent directors are appointed to the board, IiAS may consider voting against the resolution unless there is at least a three-year cooling between the two appointments. Alternatively, the board must, in the shareholder resolution, articulate the process it adopted and the basis of such appointments, including the pool of candidates considered.

Experience criteria for directors being appointed to the board

IiAS recognizes that boards may seek to bring in a younger generation of promoters (as executive directors or non-executive non-independent directors) on to the board as a succession planning mechanism. Notwithstanding, IiAS expects individuals being appointed on the board to have the relevant experience and maturity to add value to board

deliberations. Therefore, IiAS requires individuals to have at least 10 years of relevant work-experience or be at least 30 years of age to be appointed as director. IiAS will take into account the quality and relevance of past experience while evaluating the appointment. Notwithstanding, IiAS will make exceptions to this rule when the director is a first-generation promoter or founder.

Change in control

Where there is a change in control, IiAS will generally follow the classification criteria of Companies Act 2013 for Independent Directors. We will look at an aggregate tenure of ten years, factoring in the change of management.

Attendance

IiAS believes that the attendance level of directors in board/committee/shareholder meetings is a critical indicator of the directors' commitment levels towards the company. IiAS expects 100% attendance, but for directors coming up for re-appointment, accepts a minimum attendance level of 75% in the just concluded year. In case the attendance is below this threshold, IiAS reviews the attendance over the immediately preceding three-year period (participation through telephonic means or video conferencing is counted while looking at overall attendance) and will recommend voting FOR the re-appointment only if the attendance is above this 75% threshold.

In cases where promoters or their representatives are actively engaged with the business, but may not necessarily hold executive positions, IiAS may consider making an exception and continue to vote FOR their reappointments even if the attendance levels are below the 75% threshold. This will also be applicable for the sole or dominant 'promoter' representative on the board. For global heads/CEOs of MNCs, who are appointed in a non-executive capacity in the Indian listed entity, IiAS may make an exception to the attendance threshold if it believes that the presence of the global representative reflects on the company's importance within the group and its ability to access global resources.

IiAS will not factor in attendance by alternate directors. IiAS expects the elected director to attend either via telecon or video conferencing.

Further, if a director has been on the board for less than three years and has a poor track record of board meeting attendance, we may recommend voting AGAINST the director's reappointment; especially when their attendance levels are unlikely to meet IiAS' three-year average attendance threshold of 75% after completion of three years on the board.

IiAS recognizes the regulatory guidance that board meeting attendance is important: IiAS uses board meeting attendance as a measure of directors' engagement with the company. While the regulation only articulates the final measure of removal for non-attendance over a 12-month period, IiAS believes that, from a governance standpoint, to perform their duties with sufficient care and diligence, board members must attend all board meetings.

However, IiAS may make an exception those cases where it believes that the promoter or promoter-representative or an executive director plays a critical role in the business or where their presence on the board either signals the criticality of the business to the group or may result in the company getting critical support from within the group.

Number of board memberships

IiAS believes that the current regulatory caps on board memberships create adequate safeguards to prevent 'over-boarding' of directors. These caps are as follows:

- i. An individual can be a director in a maximum of 20 companies, including private limited companies
- ii. An individual can be a director in a maximum of 10 public companies (maximum of 7 listed companies)
- iii. An individual can be present as an independent director in a maximum of 7 listed companies
- iv. An individual, who is a whole-time director in any listed company, can be present as an independent director in a maximum of 3 listed companies.

IiAS will consider those holding full-time employment of any nature – including (but not limited to) consultants, managing partners of audit or law firms, company secretaries in practices, cost auditors - as whole-time directorship and will generally vote against such directors holding multiple other directorships. IiAS believes that full-time employment responsibilities are equivalent to a whole-time directorship. Therefore, IiAS uses the same regulator yardstick to assess over-boarding for those who are not strictly considered whole-time directors but continue to shoulder similar full-time responsibilities. If the board believes such directors have the ability to devote sufficient time to their board responsibilities, it must make this disclosure in the shareholder resolution, along with the basis of such a conclusion.

Commission to a single Independent Director higher than other Independent Directors

While uncommon in corporate India, IiAS has seen some instances where companies pay out differential amounts of commission across independent directors on their boards. While IiAS recognizes that Independent Directors must be compensated for their time and effort, we believe that this reason for additional remuneration to a director vis-à-vis others, must be disclosed. In companies in which certain Independent Directors are entitled to a higher share of commission than others, we expect the reasons for the differential payments to be clearly articulated.

Non-rotational board position

IiAS may recommend voting AGAINST the (re)appointment of promoter directors, non-executive non-independent directors who are not eligible to retire by rotation - non-rotational board seats grant permanent directorship status, and this does not give shareholders the chance to vote periodically on director reappointment.

Performance and Governance failures

IiAS may recommend voting AGAINST the appointment of promoter directors / representatives where company performance has been consistently deteriorating on account of poor capital allocation decisions.

(Re) Appointment of government nominee directors in PSUs

A number of public sector unit boards lower than the regulatory threshold of Independent Directors. In such instances, IiAS will recommend voting AGAINST the government nominee directors proposed to be appointed/reappointed to the board. As representatives of the government, the responsibility of ensuring adequate independent representation on the board rests on their shoulders.

Appointment of alternate directors

IiAS uses attendance level of directors in board/committee/shareholder meetings as a measure of directors' engagement with the company. IiAS believes that companies must refrain from appointing alternate directors who attend meetings on behalf of an elected director. The elected director must use technology to participate in board/committee meetings. Therefore, IiAS will generally recommend voting AGAINST appointment of alternate directors. However, IiAS may make an exception in cases where employees or key managerial personnel of the company are proposed to be appointed as an alternate director and the resolution relates to his/her continuation as an employee/KMP and/or approval of their remuneration.

Directors holding more than one executive position

Whole-time directors may hold an executive role in more than one company.

REGULATORY SNAPSHOT

Under Section 203 of the Companies Act, 2013, whole-time key managerial personnel (Managing Director/ Wholetime Director/ Manager) shall not hold office (executive positions) in more than one company except in its subsidiary company at the same time. Under Regulation 17A of the SEBI LODR, whole-time directors/managing directors of listed companies cannot serve as independent director in more than 3 listed companies.

IiAS GUIDELINES

IiAS will decide on such proposals on a case-to-case basis. IiAS makes a distinction between promoter executives and non-promoter executives in this case. The size and business linkages of the companies, as well as the remuneration being received from the companies where executive directorships are held are factored into the decision-making process.

- i. **For promoter executives:** Given their ownership over the group and level of accountability, IiAS recognizes the need for promoters to hold executive positions in two listed entities. IiAS' recommendation on the remuneration proposals from each of the entities will be based on whether the final pay (both at an individual company level and aggregate group level) fits in with IiAS' criteria on executive remuneration – which includes a best fit comparison with size, performance, and peers.
- ii. **For non-promoter executives:** IiAS does not encourage such directors to hold executive positions in more than one listed entity. IiAS will recommend voting for such proposals only if there are strong business linkages between the entities and the total remuneration is in line with IiAS criteria on executive remuneration.

While the regulations permit directors to hold two executive positions, IiAS believes that multiple executive positions may not allow directors to devote adequate time towards discharging their functions in each company effectively. Notwithstanding, promoter executives have responsibilities towards the group and are accountable for overall performance: therefore, IiAS understands the need to drive more than one company. For professional executives, IiAS

believes their sole focus must be towards driving performance in one company. IiAS discourages multiple executive positions for professionals unless there are strong business linkages between the companies and the aggregate remuneration is reasonable. For promoters, IiAS may dispense from its criteria of interconnected of the two businesses.

Multiple family members / investor representatives on the board

IiAS does not generally support multiple family members on the board and in the company, because this may limit the company's ability to attract the right professional talent. Multiple investor representatives (usually private equity investors) raises concerns over board composition. IiAS will take a view on a case-to-case basis. The analysis will factor in the board size and composition, the education and experience of the family member, the number of lines of business and the overall profitability of the business.

Approve not filling casual vacancy on board

This resolution usually comes up when a vacancy is created on the board due to the retirement/demise of an executive or a non-executive non-independent director, and the company proposes not to fill up the vacancy. IiAS will generally recommend voting FOR not filling the vacancy caused due to retirement of a director, because if the resolution is defeated – the AGM stands adjourned: which poses its own set of challenges for the investors and the company.

Chairperson Emeritus

We expect a Chairperson Emeritus to play a mentorship role in the company and do not encourage them to be a part of the board or any of the board committees. Their presence on the board might indicate presence of two power centres and ambiguity regarding the chain of command.

IiAS understand that companies may wish to pay remuneration or commission to the Chairperson Emeritus: these are generally founders/promoters who played a significant part in the company's journey and may add value to the company's strategic decisions. While IiAS supports payment of remuneration / honorarium to Chairperson Emeritus, these must be at reasonable levels. In case of profit-linked commission, IiAS will recommend on a case-to-case basis, bearing in mind the reasonableness vis-à-vis the compensation paid to other whole-time directors and other board members. IiAS will generally vote AGAINST remuneration to Chairperson Emeritus if it is higher than, or almost equal to, the remuneration being paid to Executive Directors and/or KMPs.

To summarize:

IiAS will recommend voting FOR the (re)appointment of directors UNLESS:

- IiAS eligibility criteria on independence is not satisfied (for independent directors);
- the director is not eligible to retire by rotation (for promoter directors, non-executive non-independent directors) - non-rotational board seats grant permanent directorship status, and this does not give shareholders the chance to vote for director reappointment;
- the director has attended less than 75% of the board meetings (on average) in the preceding three years;
- number of directorships exceeds the prescribed limit under regulations;
- directors in a full-time role holding multiple other directorships;
- the director is a former employee who joins the board (prior to completion of a cool off period of five years) where his / her previous supervisor / significant shareholder, is on the board;
- Independent directors who have business ties with the company, with their firms providing services to the company or other companies in the group;
- the director carries a reputation risk or has been associated with transactions that IiAS considers to be prejudicial towards minority shareholders;
- the director has been on the board of two or more companies that have failed on account of poor governance and oversight;
- has less than 10-years of relevant experience or is less than 30 years of age. Notwithstanding, IiAS may make exceptions to this rule when the director is a first-generation promoter or founder;
- the company has not provided a meaningful profile of the director and sufficient information of the director's experience and qualifications is not publicly available;
- the director has linkages with political parties: we believe such affiliations may unnecessarily politicize decisions that the company will make, and therefore distract the management from its core focus;
- promoter directors / representatives where company performance has been consistently deteriorating;
- For the size of business, there are too many members of the promoter family on the board, which in turn, expands the board size

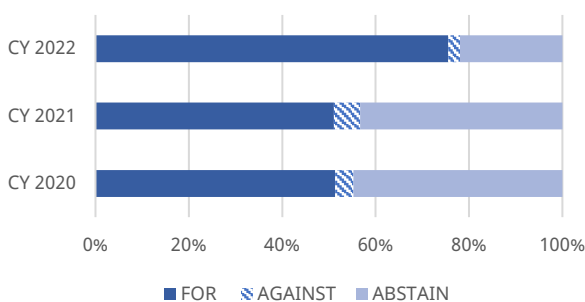
- An independent director proposed to be appointed is related to any current or former director on the board, without a three-year cooling period between the appointment of such a director and the cessation of the former director;
- in the case of a Chairperson Emeritus, the compensation paid to the Chairman Emeritus is high relative to what is paid to the whole-time directors, other directors, and / or KMPs or the remuneration has not been disclosed;
- The director has been directly or indirectly responsible for poor governance practices, or it can be established that the director failed in the discharge of fiduciary responsibilities in other companies.

SUMMARY NOTES

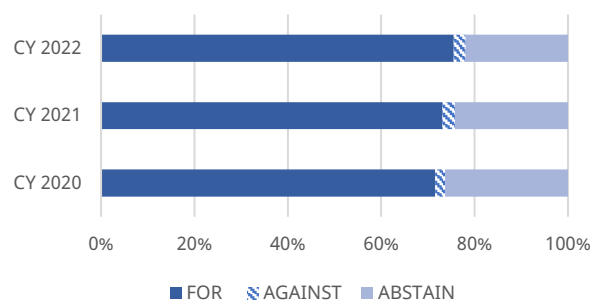
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Prolonged association with promoters and/or company (for independent directors) • Poor attendance levels • Director carries reputation risk • Inexperienced family members appointed on the board 	<p>IiAS expects directors to abide by the spirit of the regulations, not merely the letter.</p>	<ul style="list-style-type: none"> • Corporate India: Women on boards (Nov 2022) • Protecting the company from the promoter family’s feud (Nov 2022) • Board permanency creates leverage for promoters (August 2022) • Preparing for the great refresh (July 2022) • When less is more (Mar 2022) • Linking Board Evaluations to Director Remuneration (June 2021) • The coming rush in chairpersons emeritus (May 2021) • Investors signal that regulators must enforce board compositions norms for PSEs (Nov 2020) • Checking the box on skill diversity (Oct 2020) • Corporate India needs an unwavering commitment to gender diversity (Mar 2020) • The elephant in the boardroom (Dec 2019)

PAST VOTING PATTERN*

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.
 * Indicates voting data for all board (re)appointment and related resolutions

7. REMOVAL OF DIRECTOR

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	EGM	Section 169	Regulation 25(6)	Ordinary Special: IDs

REGULATORY SNAPSHOT

Section 169 of Companies Act 2013 states that a director can be removed by passing an ordinary resolution at a general meeting. The removal of independent directors requires a special resolution. The resolution is proposed by the shareholders.

For shareholders to propose the removal of a director, they must collectively own 10% and call for an EGM by giving a special notice under Section 100 of Companies Act 2013. Following this notice, the company is required to host the EGM within 45 days of receiving such a notice from shareholders.

IiAS GUIDELINES

If a resolution to remove a director is proposed, we expect a clear articulation of how the decision is in the long-term interest for the company. Further the director, whose removal is being proposed, must have the opportunity to present his/her arguments, if any, in favour of remaining on the board. This will allow shareholders to have a balanced view and make a more discerning voting decision.

We may support the removal of executive directors if these have been presented by the controlling shareholders – because we believe the support of the controlling shareholder is necessary for the executive director and the board to function seamlessly.

In other circumstances, where shareholders recommend an almost complete change of board, IiAS recommends that they present clarity on the rationale for such a decision and allow the board an opportunity to explain their point of view ([Fortis India EGM](#)).

IiAS believes that the removal of independent directors by controlling shareholders may set the wrong precedent. Independent directors are responsible for protecting the interest of non-promoter shareholders, among their fiduciary responsibilities. To that extent, allowing controlling shareholders to remove independent directors undermines the integrity of the board composition: it may encourage independent directors to remain beholden to the controlling shareholders. We are likely to recommend voting **AGAINST** resolutions presented by controlling shareholders to remove independent directors, unless there are circumstances that may result in board dysfunction or have materially negative implications for the company.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> Directors who raise dissenting voices against management may be removed 	<p>Need to engage with company to understand the reasons for the removal.</p>	<ul style="list-style-type: none"> Universus Photo Imagings Ltd (AGM Sep 2022) Coming up next: ZEE Entertainment and Dish TV (Nov 2021) A rough day at Tata Sons (Dec 2019) Everest Industries Ltd (EGM Feb 2019) Fortis India EGM (May 2018) Removal of Independent Directors: A Sword of Damocles (Nov 2016)

8. CHANGE IN BOARD SIZE

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High ✓ Medium Low	AGM, EGM, PB	Section 149(1)	Regulation 17(1)	Special

REGULATORY SNAPSHOT

Section 149(1) of the Act states that the board of every public company must comprise at least 3 and have a maximum of 15 directors. However, a company may appoint more than 15 directors after passing a special resolution. Under the SEBI (LODR), the board of top 2000 companies must have at least six directors.

IiAS GUIDELINES

While regulations prescribe the upper and lower limits for the size of the board, IiAS recognises that board size should be commensurate with the size and operations of the company. For listed companies, IiAS follows SEBI LODR and requires the board to comprise of at least six directors. In instances where the board size is less than six members, IiAS will articulate its concerns on this aspect.

On the other hand, consensus on many critical issues may be difficult to achieve if board size exceeds 15 members. IiAS will, therefore, generally recommend voting AGAINST resolutions regarding increase in board size to over 15 members, particularly if there are a disproportionate number of promoter family members on the board. However, in exceptional cases, IiAS may vote for increasing the board size in companies facing financial/liquidity/stability/capital crisis or if board expansion is necessary under a set of circumstances.

SUMMARY NOTES


KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> Board size may be increased to accommodate family members 	A large board size will make consensus building difficult	<ul style="list-style-type: none"> Sundaram Finance Ltd (PB Dec 2022) Pidilite Industries Ltd (AGM Aug 2022) Escorts Limited (PB Dec 2021) Jain Irrigation Systems Limited (AGM Dec 2020)

9. REMUNERATION OF EXECUTIVE DIRECTORS

10. PAY IN CASE OF INADEQUATE PROFITS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, Postal Ballot	Sections 196 and 203: Appointment Section 197: Remuneration Schedule V: Pay in case of inadequate profits	Regulations 17(6) and 17A	Ordinary Special: Exceeding regulatory threshold

IiAS GUIDELINES

The level and composition of executive remuneration should be appropriately structured to attract and incentivize the top management. At the same time, measures need to be taken to ensure that there is a fair and equitable distribution of the wealth of the company. The role of NRCs is to strike the right balance while deciding executive pay. IiAS uses its propriety tool “ comPAYre” while making recommendations on executive remuneration.

IiAS believes that remuneration of executive directors should be used to align their focus with the company’s goals and performance. Excessive remuneration, especially in underperforming companies, are a major cause of concern for stakeholders. To promote greater accountability and discipline, companies must ensure that the growth in remuneration for its executive director is in line with growth in profits and revenues. IiAS further believes that to align pay with performance, the remuneration structure of executive directors must majorly comprise of variable pay, a sizeable portion of which must be in form of long-term incentives.

IiAS now expects boards to provide a comprehensive discussion on the proposed remuneration for executive directors in the shareholder resolution. At a minimum it is expected that the NRC will provide clarity on the following:

- Is the remuneration/ increase commensurate with the growth in profits/operations?
- How does the increase in remuneration compare with that of median employee remuneration?
- Has employee benefit expenses, or employee headcount reduced while executive remuneration has increased?
- Is it commensurate with increase in dividends paid?
- Has the company disclosed performance metrics for variable pay?
- Are there claw-back provisions in the remuneration structure?
- Are ESG/ sustainability targets part of performance metrics for variable pay?
- Does the Director receive remuneration from other group companies?

This is indicative. To know more about the expected disclosures, please see our special report: [CEO salary – clarity that investors want](#); Nov 2021.

In the absence of reasonable disclosures, IiAS may either raise concerns over the level of transparency in the resolution and/ or vote AGAINST the resolution.

IiAS will use the following indicators to assess remuneration proposals:

- Size, turnover and profitability
- Market capitalisation and price performance
- Disclosures and clarity on pay structure, and on the performance metrics used to determine variable pay
- Alignment of pay with company performance
- Peer comparison
- Overall promoter/family remuneration
- Pay fairness (as compared to median employee remuneration, employee benefit expenses, and headcount changes)
- Fair value of options granted

Remuneration for promoter executive directors

Under the SEBI LODR, shareholder approval is required if overall pay of all the executive promoter directors exceeds 5% of the net profit or if remuneration of a single promoter executive director exceeds Rs. 50 mn or 2.5% of the net profit, whichever is higher. Non-promoter executive directors can be paid as per the limits under the Companies Act 2013. In case the proposed remuneration is paid to relatives of directors/promoters, it should be commensurate with their qualification and experience in the assigned role. In case there are two or more promoter directors on the board, IiAS may take into consideration the aggregate remuneration drawn by them in previous years while making its voting recommendation.

Remuneration for non-promoter directors (professionals)

IiAS will expect the remuneration structures to carry a balance between fixed pay, and short-term and long-term variable pay. IiAS expects the NRCs to disclose the performance metrics used to benchmark variable pay, to provide greater clarity to shareholders.

Stock Options / Phantom Stocks / SARs (ESOPs)

IiAS expects companies to make a full disclosure of ESOPs (including the fair value of the grant), or any other similar instrument (like phantom stock or stock appreciate rights) granted to its executive directors / key managerial personnel from all sources / companies within the group. IiAS will include the expected/actual fair value of stock options in the overall pay calculations and will not consider the perquisite value of stock options exercised during the year. IiAS does not support stock options being granted at a deep discount to market price (on date of grant) to senior executives. IiAS may make an exception in case of performance-based vesting, where the performance indicators have been clearly disclosed.

Remuneration from multiple companies

Executives in some companies receive remuneration from more than one entity. IiAS will consider the business linkages (parent-subsidiary / group companies, integrated businesses or supply chains) between the entities and the total remuneration (across all sources) while recommending on such proposals. The following criteria may be used:

A. Remuneration being received from multiple listed entities

- **For promoter executives:** Given their ownership over the group and level of accountability, IiAS recognizes the need for promoters to hold executive positions in two listed entities. IiAS' recommendation on the remuneration proposals from each of the entities will be based on whether the final pay (both at an individual company level and aggregate group level) fits in with IiAS' criteria on executive remuneration – which includes a best fit comparison with size, performance, peers, and employee costs.
- **For non-promoter executives:** IiAS does not encourage such directors to hold executive positions in more than one listed entity. IiAS will recommend voting FOR such proposals only if there are strong business linkages between the entities and the total remuneration is in line with IiAS criteria on executive remuneration.

B. Remuneration being received from unlisted subsidiaries/holding companies

Remuneration from unlisted subsidiaries/holding companies are not approved by shareholders. In many cases, the amounts being paid from such entities are also difficult to trace. As a result, IiAS does not encourage this practice. In the absence of clarity and past track record on the remuneration from other sources, IiAS may consider voting AGAINST the resolution.

C. Remuneration from external arrangements

An executive director may receive remuneration from external arrangements including from private equity investors. Such arrangements do not result in distribution of company's profit but are likely to create a conflict of interest. Non-disclosure of such arrangements raises transparency issues in the overall remuneration structure. IiAS does not encourage this practice and expects companies and the directors to list out all such arrangements to shareholders. IiAS will generally vote AGAINST all such arrangements.

Pay in case of inadequate profits

Section 197 of the Act states that shareholder approval will be required if the remuneration to any one whole-time director exceeds 5% of the net profits of the company. If there is more than one such director, approval will be required if the aggregate remuneration exceeds 10% of the net profits. Profits are considered inadequate if the remuneration exceeds these thresholds. Additionally, where in any financial year during the currency of tenure of a managerial person, a company has no profits or its profits are inadequate, it may pay remuneration up to or over the limits

specified in Schedule V of the Act, if members’ approval by way of an ordinary or special resolution respectively, has been taken for payment of minimum remuneration for a period not exceeding 3 years.

IiAS recognises that the minimum remuneration thresholds are derived under regulations, which may not be reasonable for companies of all sizes and business complexities. IiAS will evaluate past performance and profitability before recommending voting for minimum remuneration/waiver of excess remuneration. IiAS may recommend voting ‘FOR if there is reason to believe that the executive will play an important role to help turn around the company. IiAS believes that the minimum remuneration paid to executive directors must be in line with peers and must not be higher than the remuneration paid during years in which the company made adequate profits. Further, if approval is sought for waiver of excess remuneration, the waiver sought must be reasonable and overall remuneration (including excess remuneration) must be in line with the size and complexity of the company. IiAS may make a distinction on minimum remuneration/waiver of excess remuneration for promoters vis-à-vis professional executives.

Best practice

IiAS recommends a high component of variable pay in the overall salary, which will link performance and pay. Such incentive structures must be aligned with those of comparable peers and capped at a level that is commensurate with the size, performance and complexity of the business. For promoters, where interests are aligned by virtue of equity ownership, exceptions may be made to this rule provided the overall pay is at reasonable levels.

Promoters and executive directors as members of the Nomination and Remuneration Committee (NRC)

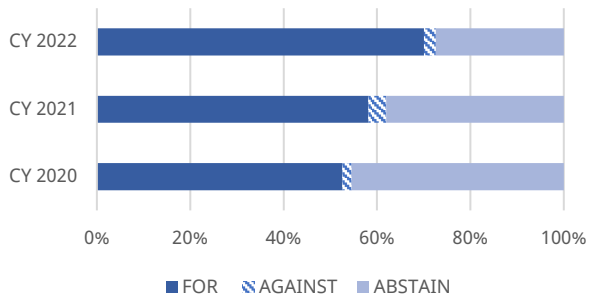
IiAS believes the membership of promoters (holding executive positions) and executive directors in the NRC presents possible conflict of interest. Their presence by itself limits the committee's ability to act objectively. To that extent, IiAS does not support their membership in the NRC and will raise this concern in our discussion on board and committee composition.

SUMMARY NOTES

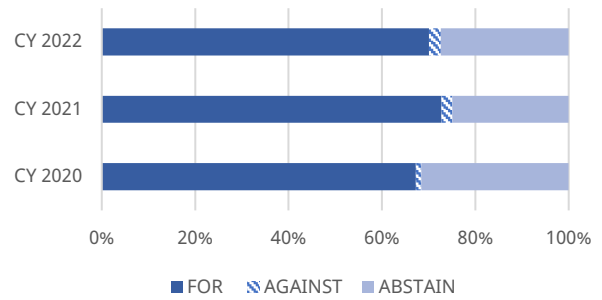
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> Higher pay than peers Open-ended pay structure Pay not linked to performance 	<p>IiAS encourages a high component of variable pay and a cap on the overall salary.</p>	<ul style="list-style-type: none"> Boards must censure the CEOs for personal misconduct (Jan 2023) Is the company's CEO worth it? (Sept 2022) India Inc's remuneration levels needs to be reined in (Jul 2022) The missing 'S' in CEO compensation (Feb 2022) NSE: Is financial performance the only measure of a CEO? (Feb 2022) Promoter CEO: A company's most important asset (Jan 2022) Investors seek better clarity on CEO pay (Dec 2021) Vedanta Limited (AGM Sept 2020) Shouldn't pay only be for performance? (Jul 2020) CEO Remuneration: Competition to pay more (Apr 2019)

PAST VOTING PATTERN*

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

* Indicates voting data for all remuneration related resolutions, including for non-executive directors

11. REMUNERATION OF NON-EXECUTIVE DIRECTORS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High ✓ Medium Low	AGM, EGM, PB	Section 197	Regulation 17(6)	Ordinary Special: Exceeding regulatory threshold

REGULATORY SNAPSHOT

Shareholder approval is not required for the payment of sitting fees to non-executive directors. Non-executive directors can also be paid commission / remuneration up to 1% of the net profits of the company (if there is a managing or whole-time director or manager) and 3% otherwise, by passing an ordinary resolution. These limits are permitted to be extended on obtaining approval of the shareholders by a special resolution.

As per SEBI LODR, approval of shareholders must be obtained if annual remuneration for a single non-executive director exceeds 50% of the total remuneration to all non-executive directors.

In the event of no profits or inadequate profits non-executive directors and independent directors can receive remuneration in accordance with the limits mentioned below, which are based on the 'effective capital' of the company.

Where the effective capital is	Limit of yearly remuneration payable shall not exceed
(i) Negative or less than 5 crores	Rs. 12 Lakhs
(ii) 5 crores and above but less than 100 crores	Rs. 17 Lakhs
(iii) 100 crores and above but less than 250 crores	Rs. 24 Lakhs
(iv) 250 crores and above	Rs. 24 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores:

The company may pay remuneration over the ceiling limit specified in Schedule V, if members' approval by way of a special resolution has been taken for a period not exceeding 3 years.

IiAS GUIDELINES

IiAS will recommend voting on such resolutions on a case-to-case basis.

For promoter non-executive directors: In companies with professionals as CEO, promoter directors can have a material role to play in establishing strategic direction and governance structures – even while being appointed in a non-executive capacity. In such cases, where accountability and control can be linked to one non-executive promoter director, IiAS will consider the individual to be part of the leadership team and review the remuneration proposal from that perspective (see previous section for guidelines on executive remuneration).

For non-promoter non-executive directors: Pay structures, which make their roles appear more executive in nature or where the remuneration is higher than the senior leadership, may have material implications for the chain of command within and outside the organization. In such circumstances, IiAS will generally not support such levels of remuneration for non-executive director.

Payment of annual remuneration to a single non-executive director exceeding 50% of the total remuneration to all non-executive directors shall also be reviewed by IiAS on the basis of the above guidelines.

Best practice

The Companies Act 2013 limits the remuneration to Non-Executive Directors at 1% of the net profits unless approved by a special resolution. For larger companies, 1% of profits can be a large amount. IiAS recommends that companies place a cap on the amount proposed to be paid, rather than stay with the regulatory thresholds. Further, IiAS expects these resolutions to have a validity of not more than five years.

IiAS' voting recommendation will be based on a combination of the following factors:

- Whether an overall cap has been specified
- Remuneration paid to non-executive directors in past years
- Whether the proposed remuneration is commensurate with the size and scale of the company
- Remuneration paid to one director relative to remuneration paid to other non-executive directors
- Whether aggregate remuneration is higher than or largely in line with that of any other executive director
- Whether the nature of remuneration is fixed or variable (commission-based)
- Whether there has been a linkage of non-executive director remuneration to company performance
- Overall family remuneration (for promoter family members)

Since the regulatory thresholds are based on profits - for larger companies, 1% of profits can be a significant amount. Companies should therefore place a cap on the absolute amount proposed to be paid, rather than stay with the regulatory thresholds. Additionally, IiAS does not encourage resolutions seeking shareholder approval in perpetuity and may raise concerns on such open-ended resolutions.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Remuneration not in line with size of the company and scale of its operations 	<p>Past history of board compensation is a deciding parameter.</p>	<ul style="list-style-type: none"> • Max Financial Ltd (PB Mar 23) • Max Ventures Ltd (PB Mar 23) • Max India Ltd (PB Mar 23) • Rico Auto Limited (AGM Nov 2020) • Sequent Scientific Limited (PB Dec 2020) • Titagarh Wagons Limited (AGM Dec 2020)

12. ALTERATION TO CHARTER DOCUMENTS

13. CHARGE FOR SENDING DOCUMENTS THROUGH A PARTICULAR MODE

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High ✓ Medium Low	AGM, EGM, PB	Section 13: Change in MoA Section 14: Change in AoA Section 61: Change in capital Section 20: Charge for sending documents	Regulation 45: Name change	Special

IiAS GUIDELINES

A. Alteration to Memorandum of Association (MoA)

The MoA of a company states the:

- **Name** changes
IiAS will generally recommend voting FOR any change/alteration in the name of the company.
- **State** in which the registered office is to be situated
IiAS will generally recommend voting FOR a change in the State in which the registered office is to be situated.

To facilitate shareholder engagement with company management, IiAS encourages companies to be more accessible to its shareholders and other stakeholders. Regulations require companies to hold their general meetings in the city / town / village of the registered office. Companies, therefore, must take every effort to ensure that the registered office is situated within the local limits of the nearest city or town. IiAS may recommend voting AGAINST proposals to shift the registered office if there is reason to believe that the shifting will cause significant inconvenience to shareholders.

- The **Objects** for which the company is incorporated
IiAS will generally recommend voting FOR changes to the Objects Clause in the MoA.
- **Liability** of members – whether limited or unlimited
This provision is standard for all listed companies. The liability of members in a listed company is limited to the amount unpaid, if any, on the shares held by them. IiAS will generally support alterations to the charter documents to support the change in the liability clause to this extent.
- **Capital** of the company, stating the number of shares
IiAS will generally recommend voting FOR resolutions proposing to increase/decrease the authorized share capital. standard

B. Alteration to Articles of Association (AoA)

The Articles of Association (AoA) of a company contains regulations for management of the company, including grant of special rights to certain classes of investors.

IiAS recommendations on changes in the AoA will be made on a case-to-case basis.

- **Board nomination rights:** IiAS generally supports this for controlling shareholders and strategic investors, subject to a reasonable minimum shareholding threshold. In certain instances, strategic investors have sought inclusion of clauses in the Articles of Association (AoA) which allow the investor to possess board nomination rights even with less than 10% shareholding: IiAS will not support such clauses.
- **Committee nomination rights to investors based on shareholding thresholds:** IiAS will recommend voting AGAINST clauses which allow committee nomination rights or quorum related rights to investors, irrespective of an embedded minimum shareholding threshold.
- **Non-rotational board seat:** IiAS generally does not support non-rotational board seats for non-executive non-independent directors or any other right which grants permanent directorship status to any individual.

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- **Veto power on board decisions:** IiAS generally does not support this provision as it allows for negative control and concentration of power on a small section of the board.
 - **Requirement of specific individual(s) to form quorum for board or general meetings:** This provision may be used to delay or cancel key meetings. IiAS generally does not support such clauses.
 - **Right to appoint risk head, internal or statutory auditors:** In order to maintain independence and objectivity of these functions, IiAS believes such appointments must be the sole prerogative of the audit committee/board and not any individual board member or shareholder.
 - **Powers to arrange security at meetings:** The board may take any action before the commencement of a meeting of members to ensure the security of the meeting. IiAS generally does not support such clauses. However, given the recent trend of shareholder meetings moving to a virtual or hybrid format, there may be limited impact of this provision.

Board nomination rights based on shareholding thresholds

Under the Companies Act, 2013, shareholders collectively holding 10% of paid-up share capital of a company have the right to requisition an Extra-ordinary general meeting (EGM) and may nominate a director on the board via such an EGM. We believe strategic investors and promoters must also be subject to the same minimum shareholding threshold of 10% to be able to nominate a director on the board. IiAS recognizes that investors/promoters may seek rights to appoint nominees to the company's board, based on shareholding ownership thresholds. However, we propose that, in addition for such rights to be linked to shareholding, investors/promoters must hold at least 10% of outstanding equity in the company to be able to nominate a director on the board. In certain instances, strategic investors have sought inclusion of clauses in the Articles of Association (AoA) which allow the investor to possess board nomination rights even with less than 10% shareholding: IiAS will generally not support such clauses but may make context-based exceptions.

Committee nomination rights to investors based on shareholding thresholds

Strategic investors may seek rights to appoint nominee directors onto board committees via inclusion of such clauses in the AoA of the company. Further, the nominee directors may also have quorum related rights, dictating that meetings may not be held without the presence of such directors. Embedding such rights into the AoA limits the board's ability to create independent board committees. Board committee composition must be decided by the board independently. IiAS will recommend voting AGAINST clauses which allow committee nomination rights or quorum related rights to investors, irrespective of an embedded minimum shareholding threshold.

In principle, IiAS will not approve of any clauses or changes in the AoA which provide special / overriding powers to a particular individual or group, which are susceptible to potential misuse and/or are prejudicial to the interests of minority shareholders.

IiAS expects the company to highlight the changes in the shareholder notice and make the draft AoA available on its website and may raise concerns where this information is not provided. IiAS will review all the clauses in the AoA (which must be publicly available) based on the above criteria before finalizing its recommendation.

Charge for sending documents through a particular mode to shareholders

As per Section 20 of the Companies Act 2013, a document may be served to a shareholder by sending it to him/her by post, registered post, speed post, courier, or by such electronic or other mode. The Act further mentions that if a shareholder chooses a specific mode of delivery for the desired documents – other than the delivery mode opted by the company – he/she will have to pay such fees as may be determined by the company in its general meeting.

This provision is either embedded as part of the AoA or put up as a separate resolution. Where such provisions are embedded in the AoA – it will be an enabling one and the company will require a shareholder approval to put this into effect. While we do not encourage such a provision, we will vote FOR such provisions forming a part of amending the AoA or adopting a new set of AoA.

While IiAS believes charging fees would make shareholders reluctant in seeking information from the company, it has changed the earlier view and will generally recommend voting FOR subsequent resolutions being put up to charge shareholders, as the companies have informed IiAS, that this is a tool used by some disruptive retail shareholders to create inconveniences.

SUMMARY NOTES

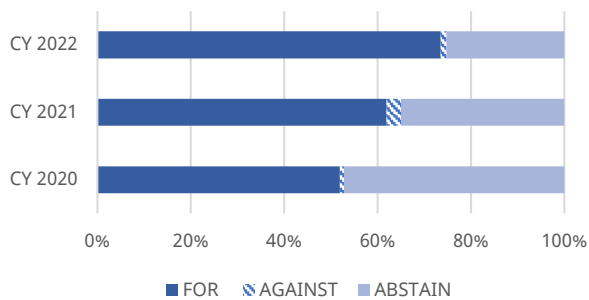
KEY RISKS
<ul style="list-style-type: none"> Individuals being named in the charter documents.

HIGHLIGHTS
<p>IiAS will recommend voting FOR, if the impact is neutral to the interest of minority shareholders.</p>

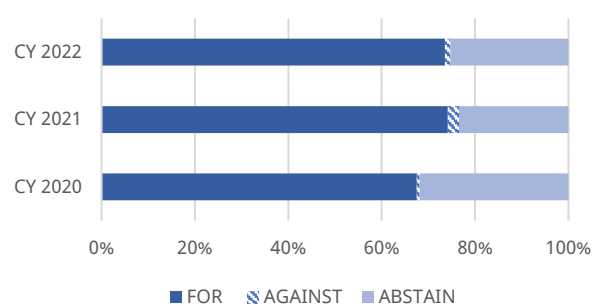
RELATED RESEARCH
<ul style="list-style-type: none"> Lumax Auto Technologies Ltd (PB Mar 23) Castrol India Ltd (PB Dec 2022) Sagar Cements Limited (PB April 2022) FSN E-Commerce Ventures Ltd (PB February 2022) Zomato Limited (PB Sept 2021) Magma Fincorp Ltd (PB July 2021) Texmaco Rail and Eng. Limited (PB Mar 2021) Indus Towers Limited (PB Dec 2020) InterGlobe Aviation Limited (EGM Jan 2020)

PAST VOTING PATTERN

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

14. ISSUANCE OF EQUITY SHARES

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Section 48: Variation of rights Section 62: Issue of capital Section 63: Bonus Issues Section 27: Change in use of IPO/FPO proceeds	Regulations 28 and 29	Ordinary: bonus shares Special: all others

REGULATORY SNAPSHOT

As per the Act, issuance of shares on a pro-rata basis to existing shareholders (rights issue) will not require shareholder approval. However, if the issuance is to any other entity, it requires approval through a special resolution. This includes both public issues (IPO/FPO) and preferential allotments. Such approvals are valid for a period of one year.

IiAS GUIDELINES

Public Issues

Public issues are monitored by SEBI as per the SEBI (ICDR) Regulations. IiAS will generally recommend voting FOR public issues.

Preferential Issue of Shares

IiAS recognizes that a public issue is typically costlier and time consuming. Preferential issues made to select investors and can be completed within shorter timeframes. A company is required to make adequate disclosures on the utilisation of funds raised through qualified institutional placement/preferential issuance.

IiAS will generally recommend voting FOR such issuances because companies need growth capital. Excessive dilution of existing shareholders by the promoter group may be a concern unless companies are undergoing a debt restructuring program. Our analysis will consider the following:

- List of allottees: promoter/non-promoter
- Type of investor: financial/strategic
- Extent of dilution
- Urgency of funds
- Debt levels and available cash
- Return on capital employed

IiAS will also recommend voting FOR preferential issues for companies in the financial services sector, as these companies need additional capital to meet Basel III guidelines, absorb credit losses, and to grow.

IiAS may recommend voting AGAINST preferential issue of equity if the dilution is excessive and there is no clear business case to raise capital. Such decisions, however, will be made on a case-to-case basis.

Preferential Issue of Warrants

In a warrants issue, 25% of the conversion price is paid up front, with an option to convert the warrants into equity shares anytime during the next 18 months. The remaining 75% is paid upon conversion. If the warrants are allowed to lapse, the initial upfront amount of 25% is forfeited by the warrant holders.

IiAS is generally not in favour of preferential issue of warrants to promoters. IiAS understands that warrants to promoters give them the option to ride the stock price for 18 months. Subsequently, if the promoters decide not to subscribe to the remaining 75%, it could have material implications for the company's long-term plans. IiAS does not encourage warrants to promoters and rather that all the money be brought-in upfront. But IiAS may recommend voting for preferential warrants if these are:

- Made to a government-controlled entity (in case of PSUs)
- Made to technical collaborators, wherein the preferential allotment may be required to bring in technical expertise
- Made to non-promoter shareholders
- In which the exercise period is less than 18 months

-
- In which the upfront payment is greater than 25%
 - Where the warrants are issued at a significant premium to the market price
 - Company confirms that the allottee will pay the remaining amount irrespective of the market price prevailing on the date of exercise of warrants.
 - Where the company's financial health is deteriorating and there is a need for urgent fund infusion
 - Where the company offers the same terms of issue to both promoters and non-promoter shareholders
 - Granted to an institution or listed company
 - The company has a capex plan that requires staggered funding.
 - The promoters have a track record of completely subscribing to warrant issues in the past.

Issue of Convertible Securities

Convertible securities are instruments which are convertible into equity shares of the company on a future date, at a predetermined price. As per Ind AS, the equity portion on these instruments is to be recognized as equity, while the non-convertible portion will be recognized as debt. Therefore, we will be analysing the issue based on the substance of the transaction. In case the instrument predominantly satisfies conditions of equity, then we will be treating it as an equity instrument and if the instrument predominantly satisfies conditions of debt, we will be treating the issue as a borrowing resolution.

IiAS will generally recommend voting on such issuances after analysing the following:

- Financial performance
- Leverage ratios and credit rating
- Effective interest rates
- Debt servicing capacity and past repayment history
- Amount of cash balance and marketable securities
- Post-conversion dilution

Variation of Voting Rights

As per Section 48 of the Act, the voting rights attached to any class of shares may be varied with the consent of three-fourths of holders of the shares of that class or by passing a special resolution at a separate meeting of the holders of the shares of that class and the issue of such shares is further authorised by an ordinary resolution.

IiAS believes that, in the interest of shareholder democracy, one share should equal one vote and will generally recommend voting AGAINST any proposal for variation of voting rights.

Issue of Bonus Shares

A company may issue fully paid-up bonus shares to its shareholders out of its free reserves, securities premium account, or the capital redemption reserve. Bonus shares do not change the fundamentals of the company.

IiAS will generally recommend voting FOR the issuance of bonus shares.

Change in use of IPO/FPO proceeds

A company needs approval through a special resolution to change the objects for which money was raised. In addition, the company cannot use any amount raised through prospectus for buying, trading or otherwise dealing in equity shares of any other listed company. As per Section 27 of the Companies Act 2013, dissenting shareholders (shareholders who have not agreed to the proposal to vary the terms of contracts or objects) must be given an exit offer by promoters or controlling shareholders at an appropriate exit price (to be fixed after approval from SEBI). Further, as per SEBI (LODR), a company is required to make adequate disclosures on the utilisation of funds raised through qualified institutional placement/preferential issuance until fully utilised.

IiAS will recommend voting FOR such proposals based on the company's stated justification and rationale for change in proceeds.

Option to lenders to convert loan into equity:

As per Section 62(3) of the Companies Act 2013, the terms of issue of debentures or loan containing an option to be converted to equity should be approved before the issue of such debentures or the raising of loan by a special resolution passed by the company in a general meeting.

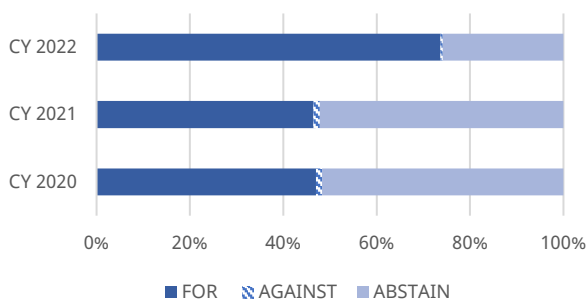
IiAS will recommend voting on such resolutions on a case-to-case basis. IiAS understands that lenders typically insist on having a clause for conversion of debt into equity to safeguard their interests in case of default or inability to pay by the company. In case of default committed by the company either in repayment of the loans or interest on it, the lender has the option to convert the whole or part of the outstanding due amounts into the equity shares of the company. While the dilution to shareholders could be high if all loans are converted to equity, such a provision is often needed to raise debt from the banking channel.

SUMMARY NOTES

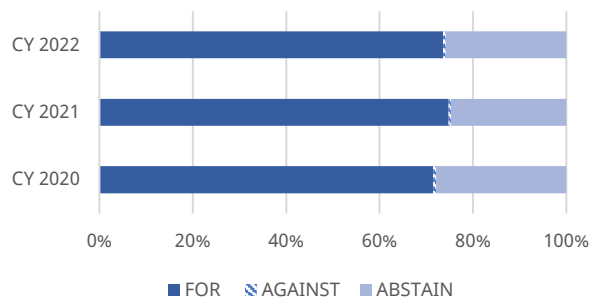
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Voting power of existing shareholders may get diluted. • Promoter shareholding may increase significantly. • In case of warrants, promoters get to ride the stock price 	<p>IiAS generally does not favour issuance of preferential warrants.</p>	<ul style="list-style-type: none"> • Calcom Vision Ltd. (May 2023) • Electronics Mart India Ltd. (April 2023) • Atul Auto Ltd. (EGM November 2022) • Future Retail Ltd (EGM April 2022) • Spandana Sphoorty Financial Ltd. (PB March 2022) • Deepak Fertilizers: Preying on the market price (May 2020) • Dual class shares will weaken governance ecosystem (May 2019)

PAST VOTING PATTERN*

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.
 * Indicates voting data for all issuance of securities related resolutions

15. DELISTING OF EQUITY SHARES

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High ✓ Medium Low	PB	NA	NA	Special

REGULATORY SNAPSHOT

As per the SEBI (Delisting of Equity shares) Regulations, 2021, a company may voluntarily delist its equity shares from the stock exchanges where they are listed, if the acquirers provide an exit opportunity to the public shareholders of the company in accordance with the requirements of the SEBI Delisting Regulations.

The procedure to be followed is: (i) acquirer to make a public announcement of the delisting offer; (ii) company to obtain the approval of its Board of Directors in respect of the proposal of the acquirer after carrying out the prescribed due diligence; (iii) company to obtain the approval of the shareholders through postal ballot and/or e-voting via a special resolution, within 45 days from obtaining board approval - the delisting resolution will be acted upon only if the votes cast by the public shareholders in favour of the resolution are at least two times the number of votes cast against it; (iv) company to seek in-principle approval of the stock exchange(s). The delisting will take place through a reverse book-building process.

The acquirer may (i) accept at its sole discretion, to acquire the equity shares of the public shareholders at either (a) the discovered price determined in accordance with the reverse book building mechanism specified in the SEBI Delisting Regulations or (b) an exit price, which is higher than the floor price or (c) may, if it chooses to, provide an indicative price in respect of the delisting offer, which shall be higher than the floor price – acquirer shall also have the option to revise the indicative price upwards before the start of the bidding period. The acquirer may, if it deems fit, pay a price higher than the discovered price. Further, in case the discovered price is not acceptable to the acquirer, a counteroffer may be made by the acquirer to the public shareholders. The delisting proposal will be successful only if the collective shareholding of the acquirer and the tendered equity shares accepted through eligible bids at the discovered price/exit price reaches 90% of the total issued equity share capital.

Delisting from any one stock exchange (equity shares remain listed on any recognised stock exchange)

As per the SEBI (Delisting of Equity shares) Regulations, 2021, a company may delist its equity shares from one or more of the recognised stock exchanges on which it is listed without providing an exit opportunity to the public shareholders, if after the proposed delisting, the equity shares remain listed on any recognised stock exchange that has nationwide trading terminals. In this regard, the Delisting Regulations require the acquirer to (i) seek Board approval; (ii) make an application to the relevant stock exchange(s); (iii) issue a public notice of the proposed delisting mentioning the name(s) of the stock exchange(s) from which the equity shares of the company are intended to be delisted, reasons for delisting, the fact of continuation of listing on other stock exchange(s) and (iv) disclose the fact of delisting in its first annual report post delisting.

IiAS GUIDELINES

The delisting process mandates a price-discovery mechanism (reverse book-building process) to decide on the final price. IiAS believes companies and promoters can choose to delist their shares at any point time. The legal framework provides sufficient safeguards for minority shareholders. IiAS will generally support all delisting resolutions that are compliant with these regulations. If IiAS believes that the valuation is detrimental to the interests of the minority shareholders, especially in cases where shares of the company are infrequently traded, IiAS may recommend voting AGAINST the resolution.

SUMMARY NOTES

KEY RISKS

- Valuation in case of infrequently traded shares
- Residual cash in the company

HIGHLIGHTS

IiAS may recommend voting AGAINST the resolution if it believes that the valuation is detrimental to the interests of the minority shareholders.

RELATED RESEARCH

- [TTK Healthcare Ltd.](#) (May 2023)
- [DFM Foods Ltd.](#) (October 2022)
- [Allcargo Logistics Limited](#) (PB Sept 2021)
- [Vedanta's delisting throws up questions regarding disclosing unconfirmed bids](#) (Oct 2020)
- [Vedanta Delisting: Discovering the right price](#) (Oct 2020)
- [Vedanta Delisting: The same old replay](#) (May 2020)

16. ISSUANCE AND/OR MODIFICATION OF STOCK OPTIONS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Sections 42 and 62	-	Special

IiAS GUIDELINES

ESOP schemes are governed by the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 in addition to the Companies Act, 2013. IiAS will recommend voting on stock options on a case-to-case basis, depending on the following:

- **Dilution**

The conversion of ESOPs into equity shares will raise the issued capital of the company, which may dilute the interests of minority shareholders. IiAS expects the dilution to be restricted to less than 5%.

- **Exercise price**

If the exercise price is at a steep discount to the market price on date of grant, it will increase the fair value of the options. This cost will be borne by the company as an expense and amortized over the vesting period. Further, issuance of stock options at a discount to market price does not align the interests of shareholders with those of employees. Generally, IiAS may recommend voting AGAINST stock option plans where the exercise price is at a significant discount (of over 20%) to the market price on date of grant. IiAS may make an exception in cases where vesting of the stock options is performance based and the performance indicators have been clearly disclosed. The performance driven vesting conditions embedded in the proposed scheme must ensure alignment of interests between employees and shareholders.

- **Vesting/Exercise Period**

IiAS expects a staggered vesting schedule and overall vesting periods to be between one to five years. Exercise period should not stretch more than three years from date of vesting.

Ratification of existing schemes will be reviewed by IiAS as per the same guidelines.

Amendments to existing stock option schemes will be reviewed as per following:

- **Modification of exercise price**

IiAS is not in favour of re-pricing stock options and will generally recommend voting AGAINST unless:

- executive directors and senior management are excluded from the new re-priced scheme
- the reasons for the poor price performance have been beyond the control of the company such as, regulatory changes, the COVID -19 pandemic etc.
- the re-priced options follow a life cycle like that of new stock options, i.e., they have a specified vesting, grant and exercise schedule
- the change is driven by regulatory compliance

- **Modification of vesting period/exercise period**

The stock options issued at market price may be repriced if the vesting period of these stock options is increased. IiAS will take a case-to-case view on the revision in vesting period and expects the companies to provide a detailed rationale for revision in vesting period.

- **Increase in size of stock option scheme**

Some companies propose to add to the pool of stock options in the existing schemes. In such cases, IiAS will support the revision if we support the existing scheme, subject to dilution levels.

Further, IiAS generally does not favour stock options schemes that propose to grant options to its listed subsidiaries or holding companies which have their own ESOP plans. Listed holding companies generally have their own ESOP schemes. In case of extension of schemes to subsidiary companies, the costs associated with the scheme will have to be borne by subsidiary company while the benefits will accrue to employees of the holding company.

Best practice

IiAS recommends that the larger portion of the ESOP grant is linked to performance parameters, and a smaller portion being linked to tenure. IiAS expects the company to start defining the performance parameters. While IiAS encourages companies to make granular disclosures, it recognizes that in the interim companies may prefer listing these parameters i.e., gain in market share as against atleast a 5% increase in market share.

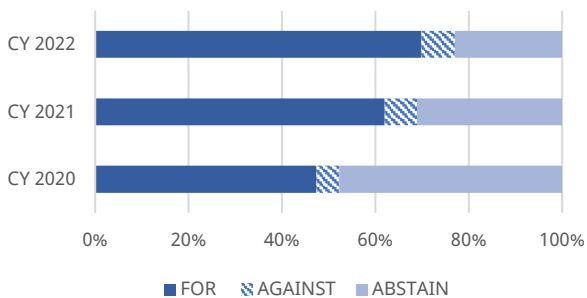
Phantom stock options and SARs that are settled on a cash only basis do not need shareholder approval since they do not fall within the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

SUMMARY NOTES

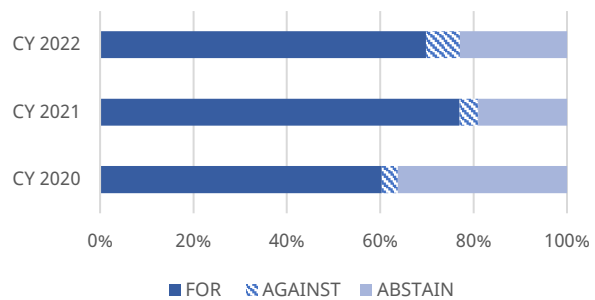
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Dilution for shareholders • Cost of the scheme • Skewed incentive structure for employees 	<p>IiAS will generally recommend voting FOR grant of ESOPs, subject to disclosures, low discount to market price and minimal impact on the profits.</p>	<ul style="list-style-type: none"> • Aavas Financiers Ltd. (May 2023) • Should Vijay Shekhar Sharma be eligible to receive stock options? (January 2023) • Money for nothin' and your ESOPs for free (August 2022) • One 97 Communications Limited (PB Feb 2022) • V-Mart Retail Limited (AGM Aug 2021) • Magma Fincorp Ltd (PB July 2021) • Time Technoplast Limited (AGM Sep 2020) • KPIT Limited (PB Jun 2020)

PAST VOTING PATTERN

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

17. INCREASE IN BORROWING LIMITS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Section 180(1)(c)	-	Special

REGULATORY SNAPSHOT

As per the Act, a company needs prior shareholder approval through a special resolution to raise debt more than the aggregate of its paid-up share capital and free reserves and securities premium account. Temporary loans obtained from the company's bankers in the ordinary course of business are exempt from this section: therefore, the applicability of this section (and the consequent shareholder approval) is largely limited to raising long term funds. Moreover, the regulation does not require companies to define a validity for the resolution – once approved, the borrowing limit will continue till it is breached or revised.

IiAS GUIDELINES

IiAS observes that borrowing resolutions, which are presented to shareholders for approval, are usually without any details explaining why the money is needed. While companies do need some flexibility to raise funds to manage their operations, some companies have leveraged the full scope of ambiguity by asking shareholders to approve borrowing limits that the company is unlikely to use even in the foreseeable future. Others have asked for rolling limits - a finite amount of debt, over and above the net-worth - as the company's net-worth increases, so does its borrowing limits. Therefore, borrowing limits must be sought at judicious levels.

Best practice

When requesting shareholders for an approval to increase borrowing limits, as a good governance practice, IiAS expects companies to disclose the following:

- borrowing limits to be absolute limits (not rolling limits linked to net-worth), and inclusive of both long-term and short-term limits (including credit limits)
- companies to present broad details of the plan and purpose of raising the debt
- details regarding current outstanding debt at both, standalone and consolidated levels
- support provided to subsidiaries or group companies (i.e., guarantee, letter of support, keep-well agreement etc) that may potentially convert to a funding requirement
- a specific time period for borrowing limits (IiAS recommends a three-year period), following which the company will reapply for another increase
- leverage philosophy – while companies are unlikely to raise the entire quantum of debt in a single instance, it is prudent for companies to disclose their thresholds of debt-protection measures / ratios
- give details of gross consolidated debt levels (including non-fund-based limits)

IiAS will generally recommend voting on such resolutions on a case-to-case basis.

IiAS will generally recommend voting FOR, under the following circumstances:

- for manufacturing and services companies, where the increase in debt has been clearly explained and ties in with a case for business expansion, or where the increase in debt has no material implications for the overall credit protection measures.
- IiAS may consider using publicly available credit ratings provided by credit rating agencies as a measure to assess the company's level of creditworthiness
- for financial services companies, where the capital adequacy levels are within the levels stipulated by RBI's BASEL III capital regulations

IiAS may recommend voting AGAINST an increase in the borrowing limits where:

- company has borrowed excessively in the past and/or has a poor track record in fulfilling its debt obligations
- there is no clear rationale for increasing the borrowing limit – and where, if the company raises debt to the full extent of the limit, its credit protection measures (Debt/EBITDA and/or Debt/Equity) will deteriorate significantly from current levels
- borrowing limit is a rolling limit linked to net-worth

Creation of mortgages/charges on assets of company

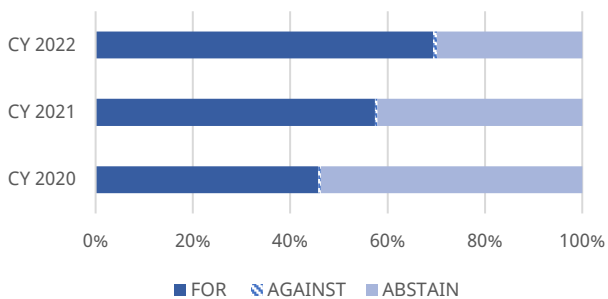
Companies need to seek approval of shareholders by way of special resolution for creation of charge on their assets to ratify security creation on funds already borrowed in the past or for securing their future borrowings. IiAS generally recommends voting FOR all resolutions that pertain to creation of charge for securing sums already borrowed by the company (even if IiAS has recommended voting AGAINST the borrowing resolution) as the terms of borrowing, interest rates etc. for secured loans tend to be better than those for unsecured loans.

SUMMARY NOTES

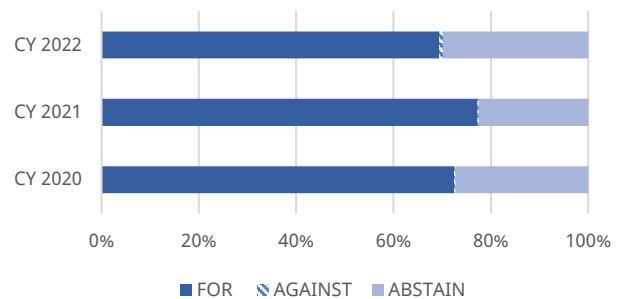
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Lack of clarity on usage of funds • Deterioration of leverage profile 	<p>The track record of the company in servicing debt is a key voting parameter.</p>	<ul style="list-style-type: none"> • Himatsingka Seide Limited (PB January 2023) • Sadbhav Engineering Limited (AGM September 2022) • Greenlam Industries Limited (PB Jan 2022) • Godrej Industries Limited Postal Ballot (PB Mar 2021) • McLeod Russel India Limited (AGM Sep 2019)

PAST VOTING PATTERN*

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

* Indicates voting data for all borrowing related resolutions

18. ISSUANCE OF DEBT INSTRUMENTS

19. ISSUANCE OF PREFERENCE SHARES

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High ✓ Medium Low	AGM, EGM, PB	<ul style="list-style-type: none"> Sections 42 and 71: NCDs Sections 73 to 76: Fixed Deposits Sections 42, 55 and 62: Preference shares 	Regulations 49 - 62	Special

REGULATORY SNAPSHOT

Non-convertible debentures (NCDs)

Non-convertible securities are generally debt instruments (debentures) which the company uses to augment its capital base. As per Section 42 of the Act, a company requires shareholder approval through a special resolution if such securities are offered on a private placement basis. Where the proposed amount to be raised through such offer or invitation exceeds company's borrowing limits, it shall be sufficient if the company passes a previous special resolution only once in a year for all the offers or invitations for such debentures during the year.

Fixed Deposits

Through fixed deposit programmes, companies raise debt from shareholders and the public at large. As per regulations, a company can accept or renew deposits up to 10% of aggregate of the paid-up capital, free reserve and securities premium account from its shareholders and up to 25% of aggregate of the paid-up capital, free reserve and securities premium account from the public. The company is additionally required to obtain credit rating (which must not be below the investment grade rating) from a recognised credit rating agency each year during the tenure of the deposits.

Preference Shares

As per regulations, preference shareholders do not have voting rights. They can only vote on resolutions which directly affect the rights attached to the preference shares and, any resolution for the winding up of the company or for the repayment or reduction of the share capital of the company. However, in cases where the dividend in respect of a class of preference shares has not been paid for a period of two years or more, such class of preference shareholders gets a right to vote on all resolutions placed before the company. An issue of preference shares has to be authorized by passing a special resolution in the general meeting of the company as per Sec 55 of the Companies Act, 2013.

As per Ind AS, redeemable preference shares will be considered as borrowings while non-redeemable preference shares will be treated as equity.

IiAS GUIDELINES

IiAS will generally recommend voting FOR such resolutions unless the proposed debt is not within borrowing limits of the company or IiAS believes the borrowing may be deleterious to the company's operations. IiAS understands that non-convertible securities/debt instruments (debentures) are used by companies to augment their capital base.

For fixed deposits, IiAS expects that the deposit programmes carry interest which is aligned to the credit risk of the company. IiAS will support fixed deposit programmes that have credit ratings in the higher investment grade (FA- and above for the FD programme), since instruments with these credit ratings are expected to have a lower probability of default. IiAS may not support fixed deposit programmes if it believes retail investors carry a significant risk in investing in such programmes.

For preference shares, IiAS will generally recommend voting FOR in profit making companies with a dividend track-record. Like fixed deposits, IiAS may not support preference share issuances if it believes retail investors carry a risk in investing in such instruments. We expect companies to disclose:

- nature of preference shares (convertible or non-convertible, cumulative or non-cumulative)
- rate of dividend
- tenure
- objects of the issue

Best practice

Like any other shareholder, promoters will get voting rights on preference shares if they do not receive dividends on their preference shares for two or more years. However, IiAS expects promoters to forego the voting rights in such circumstances.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Issuance to related parties may be favourable for promoters • Risk for shareholders in investing in high risk deposit programmes • Inability of the company to pay timely dividends 	<ul style="list-style-type: none"> • IiAS generally recommends voting FOR NCD issuance. • If the credit rating is in the higher investment grade, IiAS generally recommends voting FOR fixed deposit programs. 	<ul style="list-style-type: none"> • Godrej Industries Ltd. (PB December 2022) • Hawkins Cookers Ltd. (AGM August 2022) • Thangamayil Jewellery Ltd (AGM Aug 2021) • GMM Pflauser Limited (PB Dec 2020) • Power Grid Corporation Limited (AGM Sep 2020)

20. INTER-CORPORATE TRANSACTIONS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Sections 185 and 186	-	Special

REGULATORY SNAPSHOT

Inter-corporate transactions can be clubbed into the following categories: loans, corporate guarantees or loan securities, and investments. Under Section 186 of the Companies Act, 2013, when the aggregate of the loan, investment, guarantee or security already made together with the loan, investment, guarantee or security proposed to be made exceeds the higher of – 60% of (paid-up share capital + free reserves + securities premium) or 100% of (free reserves + securities premium), prior approval by means of a special resolution is necessary.

Section 185 of Companies Act, 2013, prohibits any company from giving loans, guarantee or securities in favor of its directors or any other person in whom the director is interested subject to the following conditions –

- Shareholder approval is sought through a special resolution at a general meeting and full disclosure of the same is provided in the explanatory statement
- the loans are utilized by the borrowing company for its principal business activities.

These conditions do not apply to,

1. the giving of any loan to a managing or whole-time director - as a part of the conditions of service extended by the company to all its employees or pursuant to any scheme approved by the members by a special resolution.
2. a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan.
3. any loan made by a holding company to its wholly owned subsidiary company or any guarantee given or security provided by a holding company in respect of any loan made to its wholly owned subsidiary company.
4. any guarantee given or security provided by a holding company in respect of loan made by any bank or financial institution to its subsidiary company.

“Person in whom a director is interested” means any private company in which such director is a director or member; anybody corporate in which not less than 25% of the total voting power may be exercised or controlled by any such director(s) or whose Board is accustomed to act in accordance with the directions or instructions of the Board, or of any director(s), of the lending company.

IiAS GUIDELINES

IiAS voting recommendations on inter-corporate transactions are based on the following:

- disclosure levels: mostly about the recipient parties
- headroom available under current limits
- affiliation of recipient party with promoter group
- financial health of the company extending loans
- financial health of the recipient parties, including cases where it is a part of an approved rehabilitation proposal
- source of funds for the transactions
- aggregate amount of transaction – whether the limits sought are specified or rolling
- urgency and need for such transactions

In the event of extending loans or guarantees, IiAS expects companies will pro-rate the transaction amount to the extent of its ownership in the entity.

For transactions proposed under Section 185 of the Act, IiAS will generally recommend voting on such resolutions on a case-to-case basis. IiAS voting recommendations on such cases are based on the following:

- The company has provided a strategic rationale nor an economic rationale to support its subsidiaries/joint venture
- Details on whether the loans provided will be to the extent of the company’s shareholding and if the transactions will be at arm’s length pricing
- The company has disclosed the full terms of transactions including interest and the repayment period

In IiAS’ view, transactions with companies with common directorships pose inherent conflicts of interest and may be used to the detriment of minority shareholders. A clear and granular articulation of the need for such transactions, details of pricing and full disclosure of the terms of the transactions will be factored into IiAS’ decision on such resolutions. In the absence of clarity on the transactions, IiAS will vote AGAINST such resolutions.

Companies must have an absolute limit on inter-corporate transactions. IiAS will vote AGAINST resolutions where inter-corporate transactions have rolling limits.

Best practice

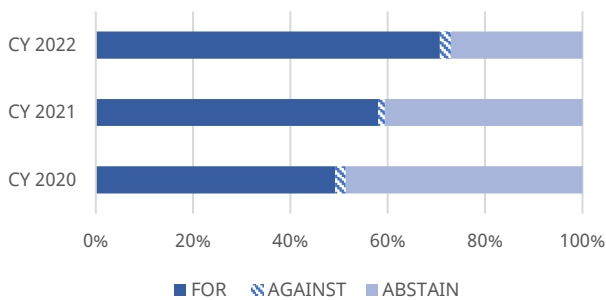
We expect companies to make relevant disclosures on the recipient parties and the nature of their association with the company.

SUMMARY NOTES

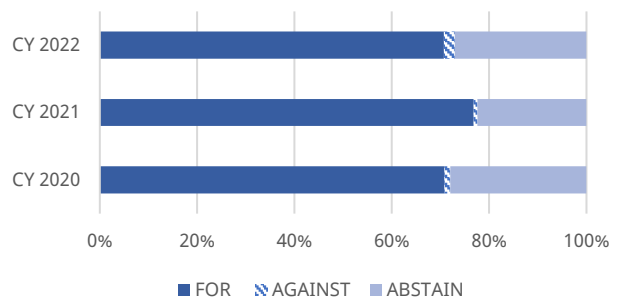
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> Provide financial assistance to promoter group at the cost of minority investors 	<p>IiAS will consider the operational need of the transactions.</p>	<ul style="list-style-type: none"> Wim Plast Limited (PB March 2023) Sheela Foam Limited (PB February 2023) Vinati Organics Limited (AGM July 2021) Godrej Industries Limited (PB Mar 2021) Elpro International Limited (AGM Oct 2020) Extending the boards reach (Jul 2020)

PAST VOTING PATTERN

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

21. RELATED PARTY TRANSACTIONS (RPT)

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Section 188	Regulation 23	Ordinary

REGULATORY SNAPSHOT

- The Companies Act 2013, under Sec 188 defines different materiality thresholds depending on the nature of the transaction for obtaining shareholder approval. Any related party transaction which is not in ordinary course of business and not at arm's length will require shareholder approval.
- As per SEBI (LODR), effective 1 April 2022, prior approval of shareholders via an ordinary resolution will be required for: (a) all material RPTs, i.e., transfer of resources exceeding Rs. 1000 crores or 10% of the annual consolidated turnover – lower of the two; (b) subsequent material modifications; (c) material RPTs between a company or any of its subsidiaries with a related party of the company/any of its subsidiaries; (d) material RPTs between the company and any person/entity holding 20% or more of the company's shareholding. Preferential issues, corporate actions viz., payment of dividend, subdivision/consolidation of securities, rights issue or bonus issue, buy-back of securities and acceptance of fixed deposits by banks/ NBFCs at terms uniformly applicable/offered to all shareholders/public will not be considered as RPTs.
- Interested/related parties can abstain from voting or vote against such resolutions.
- Transactions (a) with wholly owned subsidiaries; (b) between Government-owned entities and (c) between wholly owned subsidiaries of a listed holding company are exempt from shareholder approval.

Best practice

SEBI (LODR) mandates half-yearly disclosures of related party transactions undertaken by listed companies on a consolidated basis.

IiAS GUIDELINES

IiAS will recommend voting on a case-to-case basis. based on the following:

- parties to the transaction
- terms of the contract
- duration of the proposed transaction
- level/degree/nature of association with related parties
- rationale for transaction
- pricing and financial arrangements
- whether an independent opinion has been obtained on the valuation/pricing aspects
- economic benefit for all interested related parties

IiAS will generally recommend voting on such resolutions on a case-to-case basis. IiAS will generally recommend voting against related party transactions if:

- the controlling shareholder unduly benefits from the transaction.
- the approval sought is for an indefinite amount for an undefined time period.
- it cannot be ascertained that the transaction is at arms-length (for both, price and other commercial terms of the transactions)

IiAS believes that related party transactions must be conducted in a manner that protects the interests of minority shareholders. For this, boards must ensure that all aspects of such related party transactions are fully disclosed, including details on its nature, frequency, materiality, quantum and pricing terms: IiAS may raise concerns over the level of disclosures provided in the shareholder notice. IiAS understands that there are inherent conflicts of interest involved in related party transactions, which must be adequately managed, with comprehensive policies, and accurate monitoring and disclosure. IiAS will generally recommend voting FOR transactions that are operational in nature.

IiAS expects resolutions to have time validity, preferably of not more than five years. The shareholders in a company change over time, and these shareholders should get an opportunity to review and vote on proposals with fresh thinking. IiAS will generally vote AGAINST any resolution that is in perpetuity or has a validity of more than five years,

except in situations where the resolution is based on monetary limits – turnover/capital/networth or in cases where it can be established that a shorter duration will not be in the interest of minority investors.

The same principles will apply for related party transactions with promoter-controlled entities.

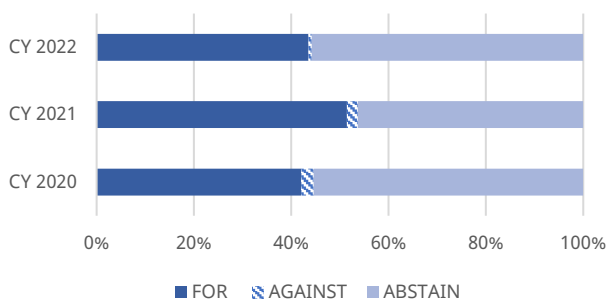
IiAS recognizes that companies enter transactions which by their very nature, might be of longer duration, an example being service concession agreements, sale and leaseback transactions, power purchase agreements: some of these contracts can extend to a 20+ year period. IiAS will support these transactions if the company can establish a clear business imperative. In such instances, IiAS expects companies to disclose the contours of such contracts, including the indicative value during the life of the contract and the annual value. Where transactions/contracts/agreements are less critical to its ongoing operations or have break-up clauses, IiAS expects the validity to be five years and if longer, for companies to provide clarity as to why the duration is in the company’s interest.

SUMMARY NOTES

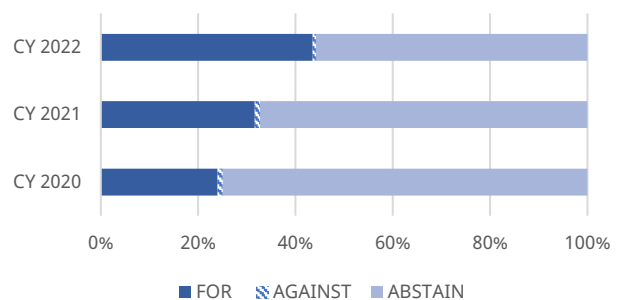
KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • The terms of the arrangement may be skewed in favour of related parties • Resolutions may be open ended and for an indefinite period of time 	<ul style="list-style-type: none"> • IiAS will stress on equitable treatment for all shareholders. 	<ul style="list-style-type: none"> • Jindal Steel & Power Limited (AGM September 2022) • Tata Steel Long Products Limited (April 2022) • Is JSPL selling family silver under garb of debt reduction? (Aug 2021) • Debt default risk of holdco must not sway Vedanta’s directors (Oct 2020) • Rescuing CG Power: Lessons from Fortis’ playbook (Aug 2019)

PAST VOTING PATTERN

Non-promoter shareholders



All Shareholders



Source: IiAS Adrian; Past voting patterns are based on aggregate number of votes cast.

22. APPOINTMENT TO OFFICE OF PROFIT

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Section 188	NA	Ordinary

REGULATORY SNAPSHOT

Under the Companies Act, 2013, a related party's appointment to any office or place of profit in the company carrying monthly remuneration exceeding Rs. 0.25 mn should be approved by the shareholders of the company. This requirement will not apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

IiAS GUIDELINES

IiAS will generally recommend voting on such resolutions on a case-to-case basis. IiAS' recommendation will depend on:

- Family members' education
- Family members' experience – both, within and outside the company
- proposed pay structure
- the comparability of remuneration across peers
- the definition of the peer group based on experience, skill, and remuneration levels

Persons in office of profit positions should be compensated in line with their experience levels and responsibilities in the business. IiAS may not support the appointment if there are too many family members being inducted or already in a similar roles across the company. Further, we expect companies to ask for shareholder approval for the office of profit position for a defined period of time, but not more than three years– we are unlikely to support open-ended resolutions.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Large number of promoter family members in executive roles deters from attracting the right talent to the company • Compensation is not aligned to others in a similar role 	<p>IiAS recommendation will be based on whether remuneration for office of profit, is comparable to peers in the company / industry based on experience and skill.</p>	<ul style="list-style-type: none"> • Trident Limited (PB November 2022) • Graphite India Limited (AGM August 2022) • Kotak Mahindra Bank Limited (AGM Aug 2021) • IG Petrochemicals Limited (AGM Jul 2021) • Relaxo Footwears Limited (AGM Sep 2020) • Advanced Enzymes Technologies Limited (AGM Jul 2020)

23. ROYALTY PAYMENTS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	-	Regulation 23(1A)	Ordinary

REGULATORY SNAPSHOT

Under the SEBI (LODR), shareholders' approval will be required for royalty/brand payments to related parties exceeding 5% of consolidated turnover of the company as per the last audited financials.

IiAS GUIDELINES

IiAS will recommend voting on the payment of royalty based on an analysis of the following general principles:

- Should the company be paying royalty in the first place?
- Does the market see value in the brand/technology?
- How has the quantum of royalty been decided and has an independent evaluation been conducted?
- What has been the track record on royalty pay-outs and has it been aligned with performance?

As per an IiAS study, median royalty pay-outs for 30 companies in the Indian market amounted to 1.8% of sales and 10.5% of pre-tax pre-royalty profits in FY21¹. IiAS will generally recommend voting FOR royalty payments within these thresholds, provided that royalty has grown in line with performance. IiAS believes that while royalty payments are a legitimate payout, they must be proportionate to the benefits derived by the company. In IiAS' opinion, the increase in royalty must be in line with the improvement in the performance of the company.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • The terms of the arrangement may be skewed in favour of the parent company / promoter to whom royalty is paid 	<p>IiAS will stress on equitable treatment for all shareholders;</p> <ul style="list-style-type: none"> • Royalty payouts must be reasonable and based on the value of brand being created • The company must have a reasonable dividend payout to reward all shareholders. 	<ul style="list-style-type: none"> • MNCs and Royalty: Me Before You? (Jan 2022) • SKF Limited (AGM Jul 2020) • Royalty payments: Too early to take your eyes off (Feb 2020) • Royalty payment: Establishing its legacy (Mar 2019)

¹ FY21 includes companies with year ending on 31 December 2020, 31 March 2021 and 30 June 2021.

24. CHARITABLE CONTRIBUTIONS AND DONATIONS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High ✓ Medium Low	AGM, EGM, PB	Section 181	-	Ordinary

REGULATORY SNAPSHOT

Section 181 of the Act allows companies to make charitable contributions upto 5% of the average net profits for the three immediately preceding financial years. Shareholder approval via an ordinary resolution is required for contributions to exceed the 5% threshold.

IiAS GUIDELINES

IiAS understands that companies can spend 5% of average of three-year profits in charitable contributions without shareholder approval. Over and above this, companies are required to spend 2% of average of three-year profits in CSR, which has philanthropic aspects. This resolution in effect is seeking shareholder approval when the spend is more than 7% of the average net profits for the three immediately preceding financial years on charitable / non-business-related aspects. IiAS will generally recommend voting AGAINST charitable donations beyond 5% of average net profits.

IiAS may make an exception to this policy if the profits had dipped during the year due to one-time expenses or other exceptional items. In such cases, IiAS expects the company to seek approval only for the specific year in which the profits had dipped.

IiAS expects companies to disclose the recipient charities/trusts and the association, if any, between the recipient charities and the company management/board/ members of the promoter family. IiAS does not favour such approvals where there is any association between the recipient charities and the company management/board/ members of the promoter family.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> Large donations being made to promoter-controlled trusts and/or politically aligned persons 	<p>IiAS will generally vote AGAINST donations beyond the prescribed limits.</p>	<ul style="list-style-type: none"> Anand Rathi Wealth Limited (AGM August 2022) Equitas Small Finance Bank Ltd. (AGM Aug 2021) Covid relief and vaccinations set to dominate CSR this year (Dec 2020) India Inc.'s CSR spends are increasingly project driven (Mar 2020) Political Donations: A framework for corporates and boards (Mar 2019)

25. SALE OF ASSETS / SLUMP SALE

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	AGM, EGM, PB	Section 180(1)(a)	Regulations 24(5) and 24(6)	Special

REGULATORY SNAPSHOT

As per Section 180(1)(a) of the Act, a company cannot sell, lease, or dispose of any of its undertaking², or substantially the whole of any undertaking, without getting prior approval from shareholders through a special resolution. Under Regulation 24(5) of the SEBI (LODR), a company cannot dispose of shares in its material subsidiary³ which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or cease the exercise of control over the subsidiary without passing a special resolution. Further, as per Regulation 24(6) selling, disposing and leasing of assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of shareholders by way of special resolution.

IiAS GUIDELINES

IiAS will generally recommend voting on such resolutions on a case-to-case basis. IiAS expects the companies to make the following disclosures:

- Rationale for the sale
- Financials of the business being sold
- Critical balance sheet and P&L ratios of the business being sold
- Expected impact on sales/profits
- Use of sale proceeds
- Book value of aggregate assets to be disposed
- Market value of aggregate assets to be disposed
- Valuation report from an independent third-party
- Expected price

Given that slump sales envisage disposal of a significant portion of a company's existing business, these may have a material impact on the financials of the company. Therefore, details of the proposed transaction, including the strategic rationale, financial impact and valuation metrics are critical to shareholders in order to take an informed view. Further, the use of the sales proceeds must be disclosed to shareholders to ensure equitable distribution of such proceeds. IiAS will generally recommend voting for the resolution if it believes that the transaction is not detrimental to the interests of the minority shareholders. IiAS may raise concerns over the level of disclosures provided in the meeting notice.

IiAS will do a market multiple comparison to assess the fairness of the valuation. IiAS will generally recommend voting FOR the resolution if it believes that the transaction is not detrimental to the interests of the minority shareholders. IiAS expects companies to disclose use of the sale proceeds to shareholders. If there is no immediate need for the cash, the sale proceeds (after transaction expenses) must be distributed to shareholders.

² Undertaking refers to an asset of the company in which the investment of the company exceeds 20% of its net worth as per the audited balance sheet of the preceding financial year or that has generated 20% of the total income of the company during the previous financial year. 'Substantially the whole' of any undertaking refers to 20% or more of the value of the undertaking as per the audited balance sheet of the preceding financial year.

³A material subsidiary is one whose income or net worth exceeds 10% of the consolidated income or net worth of a company in the immediately preceding accounting year.

SUMMARY NOTES

KEY RISKS

- Improper valuation of critical assets

HIGHLIGHTS

IiAS will generally recommend voting FOR if all shareholders are impacted equally.

RELATED RESEARCH

- [UPL Limited](#) (EGM November 2022)
- [Jindal Steel & Power Ltd.](#) (EGM Sep 2021)
- [Wockhardt Limited](#) (PB Feb 2020)
- [Linde India Limited](#) (PB Feb 2020)
- [Are your shareholders in your deal equation](#) (Apr 2019)

26. RECLASSIFICATION OF PROMOTERS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High Medium ✓ Low	AGM, EGM, PB	-	Regulation 31A	Ordinary

REGULATORY SNAPSHOT

Regulation 31A of the SEBI LODR requires shareholders to approve proposals for promoter re-classification. Reclassification of promoters is permitted under the following conditions:

1. promoters seeking re-classification should make a request to the company
2. the Board must analyse such a request and place it before the shareholders along with the Board's view on the same
3. company should obtain shareholder approval in a general meeting where the promoters seeking re-classification and persons related thereto shall not vote to approve such resolution
4. promoter along with persons related thereto should:
 - not hold more than 10% of the voting rights in the company
 - not directly or indirectly, exercise control, over the affairs of the entity
 - not have special rights under any formal/informal arrangements
 - not be represented on the Board (including having a nominee director)
 - not act as KMP in the company
 - not be categorised as a "wilful defaulter" under RBI guidelines
 - not be a fugitive economic offender
5. the company should:
 - comply with the minimum public shareholding requirements
 - not have trading in its shares suspended
 - not have outstanding dues to the Board, stock exchange or depositories
6. promoters seeking re-classification shall continue to – (a) not hold more than 10% of the voting rights; (b) not directly or indirectly, exercise control and (c) not have special rights at all time from the date of re-classification failing which he/she shall automatically be reclassified as promoter
7. promoters seeking re-classification shall continue to not be represented on the Board or act as KMP for at least 3 years from the date of re-classification failing which he/she shall automatically be reclassified as promoter

If any public shareholder seeks to re-classify itself as promoter, it shall be required to make an open offer.

IiAS GUIDELINES

IiAS will generally recommend voting on such resolutions on a case-to-case basis. IiAS will generally recommend voting FOR such reclassifications where:

- the company has abided by the spirit of regulatory provisions
- where the change is due to a takeover, change in company ownership, restructuring of shareholding or open offer
- pursuant to a family separation the reclassified promoters are not expected to exercise any management control
- the promoter has not been director or key managerial personnel of the company for a period of at least one year

IiAS believes that promoters should abide by the spirit of the regulation in cases of re-classification. IiAS does not favour subsequent associations with the outgoing promoters (e.g., where a relative of the promoter seeking to be reclassified continues to be on the board). IiAS understands that such associations reflect a relative's proximity to the promoter and their day-to-day involvement in the company, along with the instances of divulging any relevant market information that may be available.

Best practice

As a good governance practice, IiAS expects companies to disclose the following:

- reasons for promoter reclassification
- confirmation that the family separation agreement has been formalized

SUMMARY NOTES

KEY RISKS

- The reclassified promoters may exercise their votes in line with the existing promoters

HIGHLIGHTS

IiAS will generally recommend voting FOR such resolutions unless the promoter continues to be on the company's board or as its KMP.

RELATED RESEARCH

- [Simplex Infrastructures Limited](#) (PB February 2023)
- [Poonawalla Fincorp Ltd.](#) (PB Feb 2022)
- [Elgi Equipment Limited](#) (PB Mar 2021)
- [Ingersoll-Rand India Limited](#) (PB Dec 2020)
- [Mindtree Limited](#) (AGM Jul 2020)

27. BUYBACKS

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
High Medium ✓ Low	AGM, EGM, PB	Section 68	-	Special

REGULATORY SNAPSHOT

Buyback of shares in India is governed by Section 68 of the Companies Act 2013, and the SEBI (Buyback of Securities) Regulations, 2018. A company can buy back its shares: (a) from existing shareholders on a proportionate basis through the tender offer, where promoters are permitted to participate or (b) from open market through a book-building process or through stock exchange.

Buyback proposals require shareholder approval by passing a special resolution. As per these regulations, any company willing to buy back some of its shares from the market, needs to:

- Disclose adequate reasons for the buy-back
- Ensure that the buy-back amount is 25% or less of the aggregate of paid-up capital and free reserves of the company
- Ensure that the aggregate debt after buyback is not more than twice the sum of company's paid-up capital and free reserves
- Complete the process within one year from the date of passing of the special resolution
- Ensure that no offer of buyback is made within a period of one year reckoned from the date of the closure of the preceding offer of buy-back
- Ensure that at least 75% of the amount earmarked for buy-back is utilized

IiAS GUIDELINES

IiAS recognizes that share buybacks provide an efficient exit mechanism for shareholders. Every shareholder has a choice: they can tender their shares through the buyback offer if they feel the price is right or they can continue to remain invested. Also, when promoters participate in buybacks, it is to the extent of their shareholding percentage in the company.

IiAS will check for availability of cash primarily on a standalone basis, since the buyback is for the standalone entity. Since the decision will be made by shareholders depending on their risk-return appetite, IiAS will generally recommend voting FOR buyback proposals. In rare instances, IiAS may caution investors and recommend voting AGAINST share buy-backs if it negatively impacts the long-term interests of the company's stakeholders or the company's financial profile.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • The outflow because of the buyback may impact the interest of stakeholders 	<p>Decision to tender lies entirely with shareholders, IiAS will generally recommend voting FOR.</p>	<ul style="list-style-type: none"> • Should Paytm's board approve a buyback? (December 2022) • Slash dividends, cease buybacks: prioritize shoring up your balance sheet (Apr 2020) • IiAS' perspective regarding dividends and buybacks in the time of COVID-19 (Apr 2020) • IiAS Dividend and buy back study 2020 (Feb 2020)

28. SCHEME OF ARRANGEMENT

GOVERNANCE FOCUS	MEETING TYPE	COMPANIES ACT, 2013	SEBI (LODR), 2015	RESOLUTION TYPE
✓ High Medium Low	NCM, PB	Section 230-234	Regulations 11 and 37	Ordinary (public shareholders): PB Special: NCM

REGULATORY SNAPSHOT

Schemes of arrangement for a company refer to the following:

- Reorganization of the company’s share capital
- Compromise between a company and its creditors or any class of them (corporate debt restructuring)
- Scheme for the reorganization of the company involving any merger or amalgamation

Under section 230 of the Companies Act, 2013, applications for such schemes of arrangement need to be submitted to the National Company Law Tribunal (NCLT) for approval or the Ministry of Corporate Affairs (MCA), in case of government companies. The NCLT (or MCA, as the case may be) may direct the company to convene a meeting of its shareholders and creditors and get their approval through a special resolution. The schemes also need to be submitted to the stock exchanges and SEBI for approval. If the scheme involves entities of the promoter group or envisages issuing additional shares to the promoter group, the scheme needs to be approved by majority of public (minority) shareholders.

While proposing such schemes, companies need to disclose the following:

- the proposed terms of the scheme
- a report adopted by the directors of the merging companies explaining the effect of the arrangement on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders
- the valuation report from an independent valuer (in cases where there is a change in shareholding pattern)

IiAS GUIDELINES

Since the underlying contours and rationale of each case vary, IiAS will recommend on a case-to-case basis for such schemes of arrangement. Our analysis will generally consider the following:

- Valuation and mode of payment
- Dilution of stake and change in shareholding pattern
- Underlying rationale
- Impact on financial and leverage ratios
- Accounting treatment
- Legal and tax implications
- Impact on minority shareholders

IiAS will not support one-sided transactions between two listed companies, i.e., where one set of shareholders gain at the expense of another set of shareholders. IiAS believes transactions must be fair to both parties of the merger / amalgamation.

SUMMARY NOTES

KEY RISKS	HIGHLIGHTS	RELATED RESEARCH
<ul style="list-style-type: none"> • Inequitable treatment of minority shareholders 	<p>IiAS will evaluate the long-term impact of such schemes before finalizing the recommendations.</p>	<ul style="list-style-type: none"> • HDFC Bank Limited (NCM November 2022) • Jindal Stainless Limited (NCM Apr 2022) • Mangalam Cements Limited (NCM Mar 2021) • Jubilant Life Sciences Limited (NCM Aug 2020) • CRISIL Limited (NCM Jan 2020)

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ANNEXURE A.1: SAMPLE ACCOUNTS PAGE (MANUFACTURING AND SERVICES)

Category: Accounts

#	Type	Description of resolution	IiAS Recommendation	Indicators See Legend
1	O	Adoption of standalone financial statements for the year ended 31 March 2023		

Standalone vs Consolidated	(Rs. bn)				Quarterly Results (Consolidated)			(Rs. bn)
	Standalone		Consolidated		Q1	Q2	Q3	
	FY22	FY23	FY22	FY23				
Revenue								
PAT								
Total Assets								

Segmental Results

Segment	FY22				FY23			
	Revenue	%	EBIT	%	Revenue	%	EBIT	%
Segment 1								
Segment 2								
Segment 3								
Total								

Liquidity

For the year ended 31-March	2023
Cash flow from operations (Rs. bn)	
Cash and cash equivalents (Rs. bn)	
Liquid Investments	

Leverage Profile

FYE 31-March	2021	2022	2023
Debt (Rs. bn)			
Debt to equity (x)			
Debt to EBITDA (x)			

Risk Indicators

For the year ended 31-March	2021	2022	2023
CFO/EBITDA (x)			
Exceptional items/total income (%)			
Interest/Average Debt (%)			
Contingent liabilities/networth (%)			
Receivables Days			
Tax Provision/PBT (%)			

Credit Rating

Rating	As on

Corporate Social Responsibility (CSR)

Period ending 31-Mar-2023	Rs. mn	% (PAT)
Average 3-yr profits		
Prescribed CSR expenditure		
Actual CSR expenditure		

Audit Integrity

Parameter	Result
Name of Auditor	S. R. B. C. & Co. LLP
Audit Network	Ernst & Young
Tenure of auditor (yrs)	3
Tenure of audit partner (yrs)	..

Key Audit Matter:

- Impairment of investments

As on 31 March 2023, the Company has investment in Coffee Day Hotels and Resorts Private Limited (CDHRPL) amounting to Rs. 7.1 bn. As CDHRPL has reported losses in the current and prior financial years, Management has assessed that there is an indication that the asset may be impaired and hence has estimated its recoverable amount and basis such estimation has concluded that there is no impairment required to be recorded.

Matter of Emphasis/Qualifications: Nil

Comments by Secretarial Auditor: Nil

COVID 19 Impact:

ANNEXURE A.2: SAMPLE ACCOUNTS PAGE (FINANCIAL SERVICES)

Category: Accounts

#	Type	Description of resolution	IiAS Recommendation	Indicators See Legend
1	O	Adoption of standalone financial statements for the year ended 31 March 2023		

Standalone vs Consolidated				Quarterly Results (Consolidated)			
		(Rs.bn)		(Rs. bn)			
	Standalone		Consolidated		Q1	Q2	Q3
	FY22	FY23	FY22	FY23			
Revenue							
PAT							
Total Assets							
Gross NPA (%)							
CRAR (%)							

Segmental Results

Segment	FY22				FY23			
	Revenue	%	EBIT	%	Revenue	%	EBIT	%
Segment 1								
Segment 2								
Segment 3								
Total								

Risk Indicators

For the year ended 31-Mar	2021	2022	2023
Net interest margin (%)			
Non- interest expenses as % of total income			
Other income as a % of total income			
Provision coverage ratio (%)			

Capital Adequacy Ratio (%)

FYE 31-Mar	2021	2022	2023
CRAR (incl. CCB)			
CET I (incl. CCB)			
Tier I			
Tier II			

Sectoral Exposure

As on 31-Mar-2023	Rs.bn
Exposure to real estate sector	
Exposure to the capital market	

Source: ACE Equity, Annual Report

Corporate Social Responsibility (CSR)

Period ending 31-Mar-2023	Rs.mn	% (PAT)
Average 3-yr profits		
Prescribed CSR expenditure		
Actual CSR expenditure		

Frauds: 211 frauds reported during FY23 aggregating Rs 247.3 mn, which have been provided for.

Penalties: In FY23, RBI imposed a penalty of Rs 23.7 mn under Section 46(4) of The Banking- Regulation Act

Matter of emphasis/Qualifications: Nil

Comments by Secretarial Auditor: Nil

Divergence from RBI audit:

RBI vide their circular dated 18 April 2017 and 1 April 2019 has prescribed Banks to make suitable disclosure in the “Notes to Accounts”, wherever the additional provisioning requirement assessed by RBI exceeds 15% of published net profit after tax or 10% of reported profit before provisions and contingencies or additional Gross NPAs identified by RBI exceeds 15% of published incremental Gross NPA during reference period.

Exhibit 1: Divergence in Gross NPA, Net NPA & Provisioning vis a vis RBI (31 Mar 2023)

Rs bn	Bank ABC (A)	RBI Assessment (B)	Divergence (B) - (A)
Gross NPA			
Net NPA			
Provisioning			
Net Profit/ Loss (Consolidated)			

Source: Annual Report

Cyber Security: Bank has put in place Captive Security Operation Centre (SOC) at Data Centre. The Bank is ISO 27001 (ISMS) and ISO 22301 (BCMS) certified. Other advanced security tools like Privilege Identity Management, Database Activity Monitoring, Web Application Firewall, Network Behaviour Anomaly Detection (NBAD), Anti-APT (web & email) and Anti-DDoS have also been operationalized.

COVID 19 Impact: Disclosure as per RBI Circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning –

Exhibit 2: NPA performance and recoveries

In Rs. bn for the year ended 31-Mar	2019	2020	2021	2022	2023
Gross NPA (opening)					
Additions					
Less Reductions					
i) Upgradations					
ii) Recoveries					
iii) Write – Off					
Gross NPA (closing)					
Net NPAs (Closing)					
Provision for NPAs (Closing)					
Recovery as a % of Gross NPA					
Write off as a % of Gross NPA					

Source: Annual Reports

Exhibit 3: Comparison of performance of Banks (latest available)**Private Sector Banks**

Name	On 31 March 2023				
	Gross NPA (%)	Net NPA (%)	CRAR (%) (BASEL III)	Tier I (%)	Tier II (%)
AU Small Finance Bank Ltd.					
Axis Bank Ltd.					
Bandhan Bank Ltd.					
City Union Bank Ltd.					
D C B Bank Ltd.					
Dhanlaxmi Bank Ltd.					
HDFC Bank Ltd.					
ICICI Bank Ltd.					
IndusInd Bank Ltd.					
Karur Vysya Bank Ltd.					
Kotak Mahindra Bank Ltd.					
RBL Bank Ltd.					
The Federal Bank Ltd.					
The Jammu & Kashmir Bank Ltd.					
The Karnataka Bank Ltd.					
The Lakshmi Vilas Bank Ltd.					
The South Indian Bank Ltd.					
Yes Bank Ltd.					

Source: Ace Equity

Public Sector Banks

Name	On 31 March 2023				
	Gross NPA (%)	Net NPA (%)	CRAR (%) (BASEL III)	Tier I (%)	Tier II (%)
Allahabad Bank					
Andhra Bank					
Bank of Baroda					
Bank of India					
Bank of Maharashtra					
Canara Bank					
Central Bank of India					
Corporation Bank					
Dena Bank (Amalgamated)					
IDBI Bank Ltd.					
Indian Bank					
Indian Overseas Bank					
Oriental Bank of Commerce					
Punjab & Sind Bank					
Punjab National Bank					
State Bank of India					
Syndicate Bank					
UCO Bank					
Union Bank of India					
United Bank of India					
Vijaya Bank (Amalgamated)					

Source: Ace Equity






Legend


IiAS recommendations are based on [IiAS' Voting Guidelines](#), which are published on our website. The data and regulations reviewed while arriving at a recommendation are disclosed to market participants. This gives investors and companies clarity regarding the basis for our recommendations.



IiAS recommendations are non-binding in nature. Investors may have their own voting rationale which may, on aspects, differ from those of IiAS. On such occasions, investors must use these recommendations as a guiding tool.

Our voting recommendations do not constitute advice to buy, sell or hold securities.

To allow for a more nuanced discussion on resolutions, IiAS recommendations may be supplemented with a risk or a transparency indicator (refer table below). This helps balance the narrative for proposals which have multiple connotations in terms of their implications for the company and its stakeholders.

Risk Indicator	Coverage	Description
	Governance Matters	This symbol is used for resolutions which in IiAS' opinion indicate corporate governance practices that have room for improvement or are non-compliant with regulations or their intent.
	Inequitable Treatment	This symbol is used for resolutions which in IiAS' opinion benefit the controlling shareholders (or any other class of shareholders) at the expense of the public shareholders. This also includes resolutions which may result in excessive dilution or disproportionate voting powers.
	Financial Impact	This symbol is used for resolutions which, as per IiAS, will have a negative impact on the company's financials.
	Valuation Divergence	This symbol is generally used for resolutions associated with corporate restructurings, which include schemes of arrangement, and slump sales, where a fair valuation cannot be ascertained or where IiAS believes the valuation is prejudicial to the interests of public shareholders.
	Other Risks	This symbol is used for operating decisions taken by the company management and IiAS will usually recommend voting FOR such resolutions. However, they carry an element of risk which may subsequently have a negative impact on the financials. Investors are therefore advised to review the risk factors highlighted by IiAS in its analysis before voting.

Indicator	Action required	Description
	Engagement	This icon is used for resolutions where IiAS believes that the shareholders should engage with the company.

Transparency Indicator	Quality of Disclosure	Description
	Leadership	Indicates that the disclosures on the resolution are significantly superior to other similar resolutions. IiAS encourages other companies to emulate such disclosure levels.
	Weak	Indicates lack of adequate disclosures supporting the resolution. Investors are advised to seek further clarifications from the company to make a more informed decision.

On occasions, IiAS' advisory reports may contain the following terms for specific resolutions:

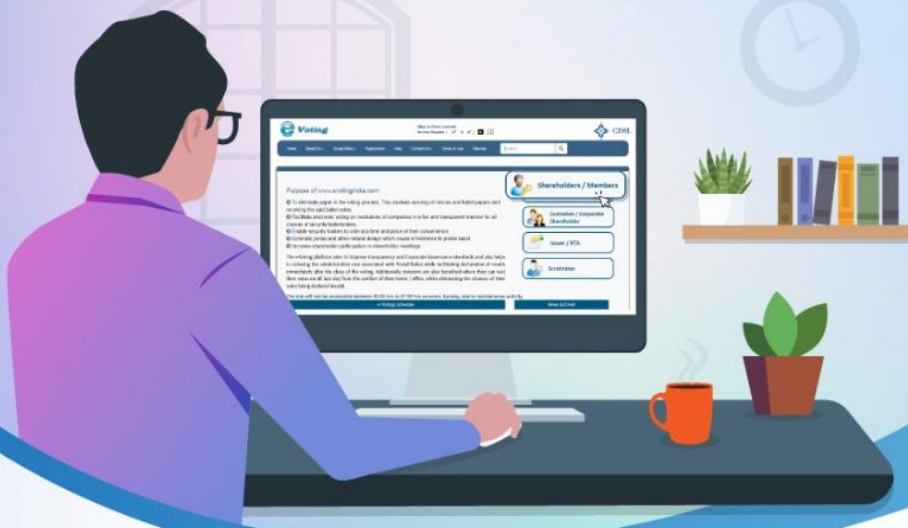
- **REVISED:** This implies that the IiAS recommendation has changed. IiAS may, on occasion, revise its voting recommendations based on incremental information. Such incremental information is usually filed by companies on the stock exchange websites. All changes are subject to a review by the Review and Oversight Committee (ROC).
- **MODIFIED:** This implies that the commentary and/or rationale for IiAS' analysis has changed, without any change in the voting recommendation. Such changes reflect minor corrections to language or text, for better communication of the voting recommendation and / or its rationale.
- **ADDENDUM/CORRIGENDUM:** This is used to highlight that the company has issued an addendum or made corrections to its initial shareholder notice and that IiAS' report has been updated to reflect the impact of the same.

Disclaimer

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About IiAS

[Institutional Investor Advisory Services India Limited](#) (IiAS) is an advisory firm, dedicated to providing participants in the Indian market with independent opinions, research and data on corporate governance and ESG issues as well as voting recommendations on shareholder resolutions for over 900 companies that account for over 95% of market capitalization.

IiAS provides bespoke research and assists institutions in their engagement with company managements and their boards. It runs two cloud-based platforms, SMART to help investors with reporting on their stewardship activities and ADRIAN, a repository of resolutions and institutional voting patterns.

IiAS with the International Finance Corporation (IFC) and BSE Limited, supported by the Government of Japan, has developed a Corporate Governance Scorecard for India. The company specific granular scores based on an evaluation of their governance practices, together with benchmarks, can be accessed by investors and companies. IiAS has extended this framework to ESG – Environment, Social and Governance. IiAS has worked with some of India’s largest hedge funds, alternate investment funds and PE Funds to guide them in their ESG assessments and integrate ESG into their investment decisions.

IiAS’ shareholders include Aditya Birla Sunlife AMC Limited, Axis Bank Limited, Fitch Group Inc., HDFC Investments Limited, ICICI Prudential Life Insurance Company Limited, Kotak Mahindra Bank Limited, RBL Bank Limited, Tata Investment Corporation Limited, UTI Asset Management Company Limited, and Yes Bank.

IiAS is a SEBI registered entity (proxy advisor registration number: INH000000024).

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