INSTITUTIONAL INVESTOR ADVISORY SERVICES

IiAS VOTING GUIDELINES

2026–27

iiasadvisory.com

TABLE OF CONTENTS

ABOUT IiAS' VOTING GUIDELINES

This is the 13th edition of IiAS' voting guidelines.

IiAS voting guidelines outline our stance on key agenda items presented to shareholders for approval. Serving as the foundation of our voting recommendations, they provide a structured framework for analysis, disclosure requirements, and decision-making. While these guidelines set clear principles, they are not rigid rules—IiAS may, in certain cases, deviate based on contextual factors and its assessment of a company's governance quality.

Rooted in current regulations, best practices, and a market consultative process, IiAS Voting Guidelines support investors in shaping their stewardship policies and deciding how to vote on shareholder proposals. For companies, these guidelines establish expectations for disclosure and communication in shareholder resolutions, helping pre-empt investor queries.

At the core of all our voting recommendations is a commitment to the equitable treatment of stakeholders—board decisions must never favour one group at the expense of another.

Some of the underlying principles of our voting guidelines are outlined below:

(a) The voting guidelines are frameworks for our thinking, not rules

The voting guidelines serve as the foundation for our recommendations on shareholder resolutions. However, each resolution is unique to the company and its specific context, which may sometimes require deviations from these guidelines. Since voting guidelines cannot anticipate every type of resolution—especially as businesses evolve and seek shareholder approval on new issues—IiAS relies on the core principles of its guidelines to determine voting decisions. We also minimize the use of a rigid, checkbox-based approach, ensuring that each recommendation is thoughtfully considered.

(b) Protecting investors' rights while maintaining management flexibility

IiAS is committed to protecting investors' rights. In cases where company perspectives diverge from those of investors, IiAS prioritizes the investors' position. Consequently, shareholder resolutions should provide comprehensive information to enable informed decision-making. While many companies present resolutions that comply with minimum regulatory standards, these often remain overly broad (open-ended), granting excessive flexibility to the board and leaving investors uncertain about the resolution's scope. To address this, we recommend that companies not only incorporate flexibility into their resolutions but also clearly define the framework within which decisions will be executed, ensuring greater transparency for investors.

(c) Shareholders should be able to periodically review decisions

IiAS does not support resolutions that seek shareholder approvals in perpetuity. This includes approval of rolling limits (typically seen in resolutions borrowing limits, inter-corporate transactions, and office of profit). Because the investor pool keeps changing, we believe all decisions must be periodically reviewed by shareholders.

(d) It is for the board to explain its rationale

Boards must ensure they disclose sufficient information to enable investors to make informed decisions. For instance, in resolutions related to remuneration, the board should specify the companies and executive directors against whom compensation has been benchmarked, along with the rationale for selecting these benchmarks. Similarly, for office of profit positions, companies must transparently disclose how the candidate's education, qualifications, and remuneration compare to peers at the same designation level. However, companies often rely on a single parameter for comparability and benchmarking rather than adopting a holistic approach across multiple assessment criteria.

IiAS acknowledges that its ability to ensure meaningful comparability is constrained by the quality of publicly available information. Nevertheless, in the absence of adequate benchmarking disclosures from the board, IiAS will formulate its voting recommendations based on its own benchmarking methodology.

(e) Our recommendations are non-binding; investors make their own decisions

IiAS' recommendations are non-binding and largely advisory in nature, intended to serve as an input in the investors' decision-making. While we consider company responses to our voting recommendation reports, we expect companies to engage directly with their investors to seek support for a resolution.

(f) IiAS uses publicly available information to arrive at a voting recommendation

IiAS formulates its voting recommendations based on publicly available information. Therefore, we encourage companies to ensure transparency in the explanatory statements of shareholder notices, rather than simply fulfilling regulatory requirements. To ensure that there is uniform dissemination to all shareholders, we encourage companies to file material clarifications on the stock exchanges. If companies respond to our voting recommendations, we consider all information provided as publicly available and share it with subscribers to our reports. Any information submitted with restrictions on disclosure to investors (our subscribers) will not be factored into our voting recommendations.

(g) Changes to our voting guidelines go through a market consultative process

Our voting guidelines evolve through a market consultative process. Each year, we draw insights from past experiences, regulatory updates, and market feedback to propose refinements. These suggestions are published in a consultation paper, inviting stakeholders to share their perspectives. Based on the responses received, we carefully assess whether to implement the proposed changes fully, partially, or

not at all. We strongly encourage stakeholders in corporate India to participate in this process, as their input plays a crucial role in shaping practical and widely accepted voting guidelines.

To improve the quality of disclosures in shareholder resolutions, secretarial teams can use these voting guidelines as guidance. To see best practices on disclosures adopted by other listed Indian companies, users may subscribe to our web-based platform www.iiasadrian.com, which is our online repository of resolutions, voting outcomes, and IiAS recommendations. To know more about out platform, please write to sales@iias.in.

IiAS ADRIAN

About IiAS Voting Data Analytics - Adrian

- ✓ Adrian is a secure cloud-based analytical tool for **Boards, CFOs and Company Secretaries**
- ✓ It delivers powerful insights on shareholder voting and provides high-quality data on resolutions, voting patterns, and rationales, with advanced search capabilities
- ✓ It tracks investor reactions, market trends, and identifies critical institutional investors for engagement

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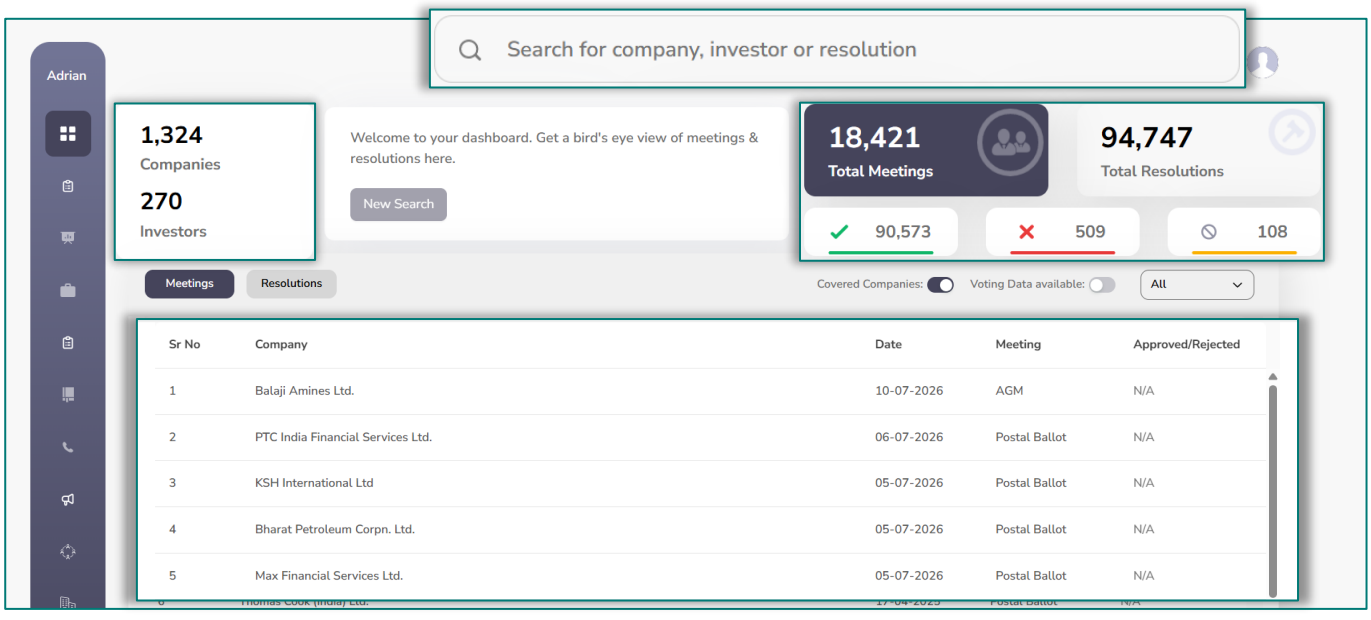

CHANGES IN THE 2026-27 VOTING GUIDELINES

Every year, our voting guidelines are revised based on a market consultative process. This year's voting guidelines incorporate the feedback from this annual consultation process. The significant changes are listed below.

1. **Relevant experience for independent directors**
   IiAS has always considered the experience and background of independent directors in its evaluations. While some professional diversity is welcome as it can help prevent groupthink, there are instances where a director's experience is at a significant variance with the company's business, for example, (re)appointing a homeopath to the board of an oil exploration or refining company. In such cases, we expect the board to clearly articulate the rationale for the (re)appointment and the relevance of the director's experience to the company's business in the shareholder notice. In the absence of such disclosures, IiAS may recommend voting against the (re)appointment.

2. **Conflict of interest: independent directors serving on competing company boards**
   IiAS has noted instances where independent directors simultaneously serve on the boards of companies in the same or closely related sectors, which raises potential concerns about conflict of interest and the sharing of commercially sensitive information.
   Based on market feedback, we understand that the Nomination and Remuneration Committee (NRC) usually satisfies itself regarding any potential conflicts and that these will have been identified, assessed, and addressed. As a good practice, we expect the shareholder notice to address such conflicts of interests.
   In instances where disclosures regarding the potential conflict of interests have not been made, IiAS will support such (re)appointments but may ask shareholders to engage with the board to understand how it has addressed these conflicts of interest.

3. **Over-boarding: attendance check across all boards**
   IiAS regards individuals holding full-time employment, whether as consultants, partners in audit or law firms, company secretaries in practice, or cost auditors, as equivalent to whole-time directors in terms of time commitments. Consequently, IiAS applies the same regulatory standards for assessing over-boarding among those who may not formally hold whole-time directorships, but still shoulder comparable full-time responsibilities. To evaluate whether such directors can effectively fulfil their board duties, IiAS reviews their attendance across all listed company boards on which they serve, including the company being voted on.
   IiAS clarifies that the attendance across listed company directorships will be checked for the preceding year. If the director's aggregate attendance across all companies in the year preceding the appointment/reappointment is at least 75%, IiAS will support their (re)appointment. If this aggregate attendance is lower than 75%, IiAS will not support the (re)appointment.

4. **Appointment of independent directors for shorter tenures**
   Regulations permit independent directors to be appointed for two terms of up to five years each. This allows independent directors to develop institutional memory and build effective working relationships with management. Where independent directors are frequently appointed for short terms, this continuity is disrupted, and board stability is weakened.
   Where IiAS identifies a pattern of appointing independent directors for terms of one to two years, it may consider voting against such appointments. IiAS will assess this on a case-by-case basis, considering the company's history of board tenures for Independent Directors and any specific rationale offered by the board for the shorter tenure.

5. **Board nomination rights: shareholding threshold for equity holding in banks**
   IiAS' guidelines currently require a minimum shareholding threshold of 10% for an investor to be accorded board nomination rights on companies. This 10% threshold is based on the regulatory requirements of a minimum 10% shareholding to call from an EGM, propose a resolution, or apply for oppression and mismanagement. In recognition of the regulatory and structural differences in the banking sector – where RBI classifies a more than 5% shareholding as a major shareholder, and approval is required for any shareholder to hold more than 5% equity in banks - IiAS proposes to apply a lower threshold of 5% shareholding for board nomination rights on banks. The existing 10% threshold will continue to apply to all other companies.

6. **Audit Committee composition in Public Sector Units (PSUs)**
   Several PSUs have audit committees (AC) that are not compliant with regulatory independence norms for a significant part of the year, given the nature of government nomination cycles. The audit committee's role extends well beyond the adoption of accounts, and IiAS will flag non-compliance as a concern in its analysis of the adoption of accounts resolution.
   Notwithstanding these structural constraints, IiAS expects the AC to be compliant with regulatory requirements. IiAS will not support the resolution on adoption of accounts, if the AC is not in compliance with composition norms at the time of finalizing the annual results.
   This is a deviation from our policy that states we will not support the adoption of accounts when the AC is not compliant with regulations. This carveout for PSUs has been made since their accounts are subject to scrutiny by the Comptroller and Auditor General (CAG), which provides an additional layer of oversight.

7. **Remuneration estimates in the absence of adequate disclosure**
   A recurring challenge in evaluating executive remuneration proposals is the absence of adequate disclosure on the components and quantum of proposed pay. Shareholder notices often set out broad parameters – usually the minimum required for regulatory compliance – without specifying caps, variable pay linkages, or the basis for benchmarking. The most common element usually not disclosed in shareholder notices is the quantum of proposed ESOPs to be granted to an executive director across the proposed term.

When there is a discernible historical track record for components of remuneration, IiAS will use the past as a guide to estimate future payouts. In the absence of a clear track record or granular disclosures, IiAS will be constrained to make an aggressive estimate including assuming the maximum possible payout under the proposed structure. This estimate will form the basis of IiAS' recommendation on executive remuneration. Irrespective of the estimation methodology, IiAS will continue to advocate for companies disclosing details on variable pay, including the stock options to be granted to executives over their tenure.

8. **Schemes with special rights: case-by-case assessment**

Transaction structures that form part of schemes of arrangement increasingly incorporate special rights for certain stakeholders – including non-compete arrangements, guaranteed board seats, quorum rights, membership of key board committees, protection against dilution, among others. IiAS has observed that these rights are often bundled into a single omnibus resolution, limiting shareholders' ability to express a differentiated view.

IiAS will evaluate schemes containing special rights based on the specific contours of those rights and their impact on minority shareholders. IiAS expects companies to present separate resolutions for shareholder approval—one for the main transaction and others for any special rights, compensation, or other distinct matters. For more on this, please see our Institutional EYE research: The All-or-Nothing Vote dated 25 May 2026.

While companies may contend that NCLT-approved schemes bundle transactions with additional rights or provisions, IiAS expects that companies will have considered the impact of these rights on the remaining shareholders. Therefore, companies must consider seeking shareholder approval separately for the transaction and the special rights, and factor this into its NCLT approval process.

Where the special rights are disproportionate, lack a clear rationale, or may be prejudicial to public shareholders, IiAS may recommend voting against the scheme even where the underlying transaction rationale is sound. However, this will depend on IiAS' view on the nature of the rights vs the overall benefits of the scheme itself.

9. **Cash-pool arrangements: case-by-case assessment**

Cash-pool arrangements are structures through which a listed entity places surplus funds into, or borrows from, a centralised treasury pool managed by a group holding company or a special purpose entity. While such arrangements can offer operational efficiency, they give rise to concerns like those that apply to related party transactions – particularly where the terms of participation, the creditworthiness of the counterparty, and the security of the listed entity's funds are not transparent.

IiAS will analyse such resolutions on a case-by-case basis. It will factor in counterparty credit quality, credit support provided by the group and clarity on terms of the support. If IiAS believes that the arrangement does not carry adequate detail or may not be in the interest of minority shareholders, IiAS may not support it.

10. Support for administrative and regulatory changes to ESOP schemes

Companies periodically seek shareholder approval to make changes to existing share-based compensation schemes. These changes may be administrative in nature – such as updates to trustee arrangements – or may be driven by regulatory changes, including changes in the method of administration (for example, a shift from direct issuance to a trust-based structure, or accelerated vesting in case of death or retirement).

IiAS will support resolutions seeking approval for administrative changes and changes driven by regulation, even in cases where IiAS does not support the underlying scheme itself. We understand that such changes are largely operational and do not alter the scheme terms.

11. Disclosure thresholds for ESOP grants to mid-management

IiAS' expects a balance skew of distribution of ESOP grants across the employee pool. For schemes that are specifically for middle and lower management, IiAS has eased the disclosure burden for performance requirements for vesting, if the stock options are being granted at a discount to market price. In easing the disclosure burden, IiAS will also evaluate the per-employee cap on the quantum of grants to assess reasonableness. The expectation for meaningful disclosure of ESOP schemes where grants are to senior leadership remains unchanged.

12. Performance parameters for ESOP vesting

Where the exercise price is at a significant discount to market price, IiAS supports the use of performance-based vesting for ESOP grants and encourages companies to adopt robust and meaningful performance targets and disclose these clearly in the shareholder notice.

In several ESOP resolutions, while performance parameters are disclosed, the scheme contours allow the flexibility to the NRC to add or change parameters. We recognize the need for this flexibility – notwithstanding, we expect companies to cap the weightage of these undisclosed parameters to provide better contours to shareholders to assess the basis of vesting of grants. Where companies propose an exhaustive list of parameters without specifying the relative weight of each, or where the parameters are so broad as to give the Nomination and Remuneration Committee unfettered discretion, IiAS may not support the scheme.

13. Higher ESOP grants for newly appointed professional directors

IiAS recognises that companies may wish to award a higher initial ESOP grant to newly appointed professional executive directors or senior leadership as part of a competitive compensation package, particularly for external hires. Such grants are often designed to compensate for unvested entitlements forfeited at a previous employer.

Therefore, where the rationale for a higher initial grant is clearly articulated – including disclosure of the individual's forgone benefits, the basis for sizing the grant, and the exercise price/vesting conditions – IiAS may support grants to newly appointed professional directors that constitute a higher proportion of the scheme size. However, IiAS' final view on the executive's overall remuneration will be guided

by its voting guidelines on executive remuneration, and the grant will be assessed as part of the total compensation.

14. **Supporting resolutions that represent an improvement over the status quo**
    IiAS' voting recommendations are guided by its voting guidelines. Notwithstanding, where a resolution proposes a change that does not fully satisfy IiAS' guidelines but represents an improvement over the existing conditions - IiAS may consider supporting such an improvement. This "better-than-the-alternative" principle will be applied judiciously and will be disclosed in IiAS' report. IiAS will articulate its reasoning in each case and will not use this principle to support resolutions that are fundamentally at odds with minority shareholder interests.

15. **ESOPs to associate companies with strong business linkages**
    IiAS has generally not supported the extension of share-based compensation schemes to employees of associate companies. IiAS now proposes to support such extensions where there is a strong business linkage between the listed company and the associate — for example, joint ventures, associates of strategic importance to the listed company or associates that operate under a licence to use the listed company's trademark or brand. IiAS expects companies to disclose the names of such associates, the listed company's shareholding, and the strategic rationale for the extension. Further, any issuance must be subject to a cost reimbursement arrangement by the associate.

1 ADOPTION OF ACCOUNTS AND VALUATION REPORTS

1.1 Adoption of accounts

Resolution type
Ordinary; requires a simple majority to pass
All shareholders / unitholders can vote on the resolution

Applicable regulations
Under Sections 129(2) and Section 134 of the Companies Act 2013
Regulation 36 of SEBI LODR
Regulation 22(4)(a)(i) of SEBI (Real Estate Investment Trusts) Regulations, 2014
Reg 22(3)(b)(i) of SEBI (Infrastructure Investment Trusts) Regulations, 2014

About the resolution
Companies need to seek shareholder approval for the adoption of financial statements. There is a difference in practices adopted by corporate India: while some companies seek one approval for the approval of both standalone and consolidated financial statements, others separate the approval requirements into two separate resolutions.

IiAS Guidance or Opinion
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.
Further, given the audit committee's role in overseeing the financial statement audit process, IiAS expects the committee's composition to be compliant with regulatory requirements and its members to possess adequate financial expertise.

Disclosure expectations
IiAS will expect the company to publish a complete and comprehensive annual report. Under regulations, the companies are also required to disclose the financial statements of subsidiaries on their websites.

When will IiAS support the resolution?
IiAS will generally support the resolutions if there are no adverse comments raised by statutory auditors (or in the case of public sector enterprises, the Comptroller and Auditor General) in the auditors' report and in their review of the company's internal financial controls.

When will IiAS not support the resolution?
- The auditors have qualified their opinion
- The auditors have raised concerns over the company's internal financial controls

- The auditors have outlined significant emphasis of matters that may have an adverse impact on company financials
- For public sector enterprises, the Comptroller and Auditor General (CAG) has raised significant concerns over the quality of audit or the financial statements
- Where we believe the quality of the audit firm and / or the audit committee composition are a concern
- The audit committee has not been in compliance with norms on Independence as required under regulation. For public sector enterprises, where the audit committee is not in compliance with composition norms at the time of finalizing the annual results, IiAS will not support the adoption of accounts
- The disclosure is not complete – the annual report does not carry all financial statements and/or the auditors' reports
- In case the secretarial audit report carries concerns or qualifications that may have a material impact on the financial statements

1.2 Adoption of valuation reports

Resolution type
Ordinary; requires a simple majority
All unitholders can vote on the resolution

Applicable regulations
Regulation 22(4)(a)(iii) of SEBI (Real Estate Investment Trusts) Regulations, 2014
Regulations 21 and 22(3)(b)(i) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014

About the resolution
REIT and InVIT regulations require the latest valuation reports to be approved by the trust's unitholders. A full valuation of the assets of the REIT/InvIT shall be conducted at least once in every financial year. The valuation report provides a valuation of all the assets held by the trust and therefore, the calculation to the NAV.

IiAS Guidance or Opinion
IiAS believes that a comprehensive review of the valuation report is a critical exercise which often requires first-hand information and proper due diligence that IiAS is unable to undertake given the paucity of both, information and time. Therefore, IiAS will rely upon the experience of valuers appointed while making a recommendation on this resolution.

Disclosure expectations
IiAS expects the valuation reports to be available on the company's website.

When will IiAS support the resolution?
IiAS will generally support the resolution unless there are concerns with the experience of the valuer appointed. IiAS expects the REIT and InVIT to appoint registered valuers.

When will IiAS not support the resolution?

- Valuation report is not available or accessible
- The valuers are not registered with Insolvency and Bankruptcy Board of India (IBBI)
- There are concerns with the background and experience of the valuers appointed.

2 DIVIDENDS AND BUYBACKS

2.1 Dividend declaration

Resolution type
Ordinary; requires a simple majority
All shareholders can vote on the resolution

Applicable regulations
Section 123 of the Companies Act 2013
Regulation 43A of SEBI LODR
Secretarial Standard 3

About the resolution
- Effective 5 May 2021, SEBI has mandated the top 1,000 listed companies (by 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. Companies other than those mandated by SEBI, may voluntarily adopt and publish a dividend policy.
- Under the Revised Guidelines on Capital Restructuring of CPSEs published in 2024, CPSEs are required to pay minimum annual dividend to be higher of 30% of post-tax profits or 4% of networth. Financial sector CPSEs like NBFCs may pay minimum annual dividend of 30% of post-tax profits (many NBFCs are unable to meet the 5% net worth criteria due to nature of the business requiring their high net worth and high capital requirements).
- RBI has specified dividend payment threshold for banks, which is capped at 50% of profits subject to the banks meeting net NPA ratios.

IiAS Guidance or Opinion
- IiAS believes that dividend declaration should not favour a specific class of shareholders (e.g., promoters/controlling shareholders).
- 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 post-tax profits to analyse the pay-out for the year.

Disclosure expectations
- IiAS will highlight where the dividend policy does not have a defined target dividend payout ratio, and/or communicate a strategy for cash retention.
- In cases where companies have specified a target dividend payout ratio in their dividend distribution policy but have deviated from the policy, the reason for the deviation must be explained in the shareholder notice or the annual report.

- IIAS expects all policies to be reviewed periodically by the board. Therefore, IiAS will highlight in its report, if the dividend policy has not been reviewed for five years or more.

When will IiAS support the resolution?
IiAS will generally support 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

When will IiAS not support the resolution?
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.

2.2 Buyback of shares

Resolution type
Special; requires a 75% majority to pass | All shareholders can vote.
Majority of minority vote if the scheme involves promoter entities

Applicable regulations
Section 68 of the Companies Act 2013
SEBI (Buyback of Securities) Regulations, 2018

About the resolution
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.

As per the Revised Guidelines on Capital Restructuring of CPSEs published in 2024, CPSEs whose market price of the share is less than the book value consistently for the last six months, and having net-worth of at least Rs. 30.0 bn and cash and bank balances of over Rs. 15.0 bn may consider the option to buy-back their shares.

As per the 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 a period of six months 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 50% of the amount earmarked for buy-back is utilized

IiAS Guidance or Opinion

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.

When will IiAS support the resolution?

IiAS will generally support all buyback resolutions.

When will IiAS not support the resolution?

IiAS may not support buyback resolutions in rare instances, if it negatively impacts the long-term interests of the company's stakeholders or the company's financial profile.

3 AUDITOR AND VALUER (RE)APPOINTMENTS

3.1 (Re)Appointment of statutory auditors

Resolution type
Ordinary; requires a simple majority
All shareholders can vote on the resolution

Applicable regulations
Sections 139, 142, and 144 of the Companies Act 2013
Regulations 22(3)(b)(i) and 10(6A) of SEBI (Infrastructure Investment Trusts) Regulations, 2014
Regulations 22(4)(a)(ii) and 10(6A) of SEBI (Real Estate Investment Trusts) Regulations, 2014

About the resolution
- Section 139 of the Companies Act 2013 (the Act) mandates that auditor (re)appointments require shareholder approval. Statutory auditors' remuneration also needs shareholder approval under Section 142 of the Act. The Act also limits the statutory auditors' scope of work and does not allow for non-audit services to be provided under section 144 of the Companies Act 2013.
- The Act mandates auditor rotation – a proprietorship can hold a maximum five-year term while a firm can be appointed for two consecutive terms of five-years each. A cooling period of five years must be implemented before reappointing these firms once again.
- Under RBI guidelines, 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. An audit firm would not be eligible for reappointment with 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 audits 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.
- 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 auditors, 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.

- 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 PSB's size. In PSUs/PSBs, shareholder approval is only required to approve the remuneration of the statutory auditors: shareholders do not have a say in the firm that is being (re)appointed as statutory auditors.
- For REITs and InVITs, regulations allow the appointment of an individual auditor for one five-year term, and the appointment of an audit firm for two consecutive terms of five years each. Following the completion of these terms, a cooling period of five years is to be maintained.

IiAS Guidance or Opinion

- IiAS is largely aligned with the principles underlying regulations with respect to the (re)appointment of statutory auditors.
- The experience and size of the audit firm should be commensurate with the size and complexity of the business. IiAS believes audit partners must have post-qualifications experience of about 10 years before being appointed as statutory auditors of a listed company.
- In case of (re)appointment of vintage statutory auditors in case of spin-offs from a larger company, IiAS construes tenure to include the period during which 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.

Disclosure expectations

- 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 AGM notice.
- In line with the regulatory mandate, IiAS expects companies to disclose the proposed statutory audit fees, including a cap on other fees that include certification, and tax audit fees.
- In case of PSUs, where shareholder approval is sought for statutory audit fees (and not for auditor (re)appointment), IiAS expects companies to seek shareholder approval only after the CAG has decided on the name of the firm to be appointed: we also expect PSUs to disclose a brief profile of such firms being appointed.
- 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).

When will IiAS support the resolution?

- IiAS will generally support the resolutions for the (re)appointment of statutory auditors if the necessary disclosures have been made and the (re)appointment aligns with the underlying principles of the regulations.
- Some resolutions do not carry the fees proposed to be paid to statutory auditors, despite it being a regulatory requirement. Such resolutions require shareholders to delegate the decision-making to the audit committee or the board. In such instances,

IiAS will continue to support such resolutions while highlighting the disclosure gaps, if it is reasonable to estimate that the remuneration of statutory auditors is unlikely to deviate materially from past levels.
- In case of PSUs, despite the generally limited disclosures, IiAS generally supports such resolutions because the auditors are appointed by the CAG and shareholder approval is only required to approve their remuneration.

When will IiAS not support the resolution?

IiAS will generally not support resolutions for the (re)appointment of statutory auditors under any of the following circumstances:
- Tenure of audit firm/network is more than 10 years for companies and 3 years for banks;
- The proposed tenure of (re)appointment of the statutory auditors in companies (other than RBI-regulated entities) is less than five years;
- The size of the audit firm is small relative to the size of the company and / or the audit partner does not have sufficient post-qualification experience
- 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, on a case-to-case basis;
- There is no peer review conducted for the audit firm;
- No information on the audit firm and the audit partner experience are available publicly;
- The cooling period between appointments, as required under regulations, has not been fully observed. IiAS considers cooling period as a complete break-away from the company/group: therefore, firms that have either become internal auditors or remained auditors of subsidiaries / associate companies between the two appointments as statutory auditors will not be considered as having completed the cooling period.
- The audit fees are decided by a single individual and not the audit committee or the board.
- The audit fees are low, which raises concerns about the quality of audit likely to be undertaken.

Other concerns that IiAS may raise and consider in its voting recommendations:
- 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

Other observations and comments

In August 2024, ICAI introduced Audit Quality Maturity Model Version 2.0 (AQMM v2.0) that assesses firms across three key areas – practice management - Assurance, Human Resource Management, and Digital Competency. AQMM v2.0 continues to apply to firms

auditing listed entities, banks (excluding cooperative banks, except multi-state ones), and insurance companies, excluding those conducting only branch audits. Its applicability begins for firms submitting their peer review applications on or after 1 April 2025.

3.2 Resignation of statutory 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.

3.3 Removal of statutory auditors

Resolution type
Special; requires a 75% majority
For REITs and InVITs – requires a 60% majority
All shareholders / unitholders can vote on the resolution

Applicable regulations
Section 140 of the Companies Act 2013
Regulation 22 of the SEBI (Infrastructure Investment Trust) Regulations, 2014
Regulations 22 and 26ZM of the SEBI (Real Estate Investment Trust) Regulations, 2014

About the resolution

- Under the present regulations, statutory auditors are required to be appointed for a fixed five-year term. In case boards seek to change auditors before the completion of the five-year term, they will need to seek shareholder approval for their removal.
- 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).
- Unitholders can remove statutory auditors by passing a resolution where votes cast in favour of the resolution shall be at least 60% of total votes cast for the resolution.

Disclosure expectations
The board must provide a clear rationale for seeking to remove the statutory auditors. IiAS will also wait, to the extent possible, for statutory auditors to state their case before shareholders, before making a voting recommendation.

When will IiAS support the resolution?
Because each instance of auditor removal is unique in its circumstances, IiAS will make its decision on a case-by-case basis.

When will IiAS not support the resolution?
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

3.4 Appointment of branch auditors

Resolution type
Ordinary; requires a simple majority
All shareholders can vote on the resolution

Applicable regulations
Section 143 of the Companies Act 2013

About the resolution
Where a company has a branch office, the accounts of that office shall be audited either by the auditor appointed for the company (i.e., the statutory auditor) or by any other person qualified for appointment as an auditor of the company and appointed under Section 139. In case the branch office is situated in a country outside India, the accounts of the branch office shall be audited either by the statutory auditor or by an accountant or by any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of that country, provided that the branch auditors shall prepare a report on the accounts of the branch examined by them and send it to the auditors of the company who shall deal with it in their report in such manner as they considers necessary.

IiAS Guidance or Observations
IiAS will use the same yardstick to assess branch auditor appointments, as it does for statutory auditors.

Disclosure expectations

- Size and locations of the branches where branch auditors are being appointed
- Details of the branch auditor being appointed
- Aggregate audit fees to be paid to branch auditors

When will IiAS support the resolution?

- IiAS will support the resolution where there is requisite clarity with respect to branch auditor appointments,

- Where the disclosure expectations are not met, IiAS may continue to support the resolution if the number and size of branches in minimal compared to the size of the company.

When will IiAS not support the resolution?

- IiAS will use the same yardstick to assess branch auditor appointments, as it does for statutory auditors. Therefore, if the firm or the audit partner being appointed as branch auditor does not meet the requirements of IiAS voting guidelines, we may not support the resolution.
- Disclosure standards are not met.

3.5 Payment of remuneration to cost auditors

Under Section 148 of the Companies Act, 2013, 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 and is usually not material. Therefore, IiAS generally supports such resolutions.

3.6 Appointment of secretarial auditors

Resolution type

- Ordinary; requires a simple majority
- All shareholders can vote on the resolution

Applicable regulations

Regulation 24A of SEBI LODR; effective 1 April 2025

About the resolution

- The recent LODR amendments mandate, effective April 1, 2025, approval of shareholders for (re)appointment of a secretarial auditor for a listed entity. Such an auditor should be peer reviewed.
- The SEBI Circular dated 31 December, 2024 prescribes the disqualifications for a person to be a appointed as a secretarial auditor. It also prescribes the prohibited services not to be rendered by the auditor directly/indirectly.
- Moreover, rotation of individual auditors every five years and of an audit firm after a maximum period of ten years (i.e., after two terms of five years each) is prescribed. A cooling-off period of five years is required, to be considered eligible for re-appointment.
- In case of a casual vacancy due to resignation, death or disqualification, the same needs to be filled within three months and the auditor should hold office till the conclusion of the next annual general meeting.
- The listed entity is entitled to remove the auditor with the approval of shareholders in the annual general meeting.

IiAS Guidance or Opinion

- IiAS prefers firms being appointed as secretarial auditors – nevertheless, given the state of the industry at this stage, IiAS will support the appointment of individuals or proprietorships as secretarial auditors.
- IiAS may raise concerns regarding the past association with the listed company or the group wherever applicable, and / or any other factors that IiAS believes may impact the secretarial auditor's independence

Disclosure expectation

As per Regulation 36 of SEBI (LODR), the notice to shareholders for auditor (re)appointment should include basis of recommendation for appointment along with details regarding fees proposed.

When will IiAS support the resolution?

- IiAS will generally support resolutions relating to the (re)appointment of secretarial auditors. IiAS expects companies to outline the experience and independence of the secretarial auditor, the length of past association with the company and / or the business group, and state the proposed audit fees.
- Some resolutions may not carry the fees proposed to be paid to secretarial auditors, despite it being a regulatory requirement. Such resolutions require shareholders to delegate the decision-making to the audit committee or the board. In such instances, IiAS will continue to support such resolutions while highlighting the disclosure gaps. We note that remuneration to secretarial auditors is generally not high.

When will IiAS not support the resolution?

IiAS may not support the (re)appointment of secretarial auditors where there are concerns over past performance – either with the company to which the (re)appointment is being proposed or in any other company.

3.7 Appointment of valuers

Resolution type

Ordinary; requires a simple majority
All unitholders can vote on the resolution

Applicable regulations

Regulations 13(1), 21 & 22(3)(b)(i) of SEBI (Infrastructure Investment Trusts) Regulations, 2014
Regulations 12, 21 and 22 of SEBI (Real Estate Investment Trusts) Regulations, 2014

About the resolution

SEBI REIT and InVIT regulations require the trusts to appoint persons registered as registered valuers under Section 247 of the Companies Act 2013, as their valuer. The valuer shall not be an associate of the sponsor(s) or manager or trustee and shall have not less than 5 years of experience in valuation of the relevant assets. Further, no valuer

shall undertake valuation of the same property for more than four years consecutively, with a cooling period of two years between the terms (of four years).

IiAS Guidance or Opinion
There is an inherent conflict of interest in the business models of REITs and InVITs: most of the assets are acquired from the sponsors who are also the investment managers. There is potential for the situation to be misused. However, at this stage of the industry, the REITs and InVITs have institutional players with a reasonable track record. IiAS will assess if the valuers have been appointed in accordance with regulations.

Disclosure expectations
The background and track record of the valuer and the proposed remuneration.

When will IiAS support the resolution?
IiAS will generally support the resolution if the appointment is within the confines of regulation.

When will IiAS not support the resolution?
- There are concerns with the quality of services provided by the valuer in other entities
- The valuers are not registered with Insolvency and Bankruptcy Board of India (IBBI)
- Cooling period has not been observed
- The appointment is not in line with regulations

4 BOARD COMPOSITION AND BOARD CHANGES

4.1 Board and board committee composition

BOARD COMPOSITION

A board must have an adequate number of independent directors. Under regulations, one-third of the board must comprise independent directors if the Chairperson is independent. If the board does not have a designated Chairperson or 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 1,000 listed companies must have at least one independent woman director.

If the Chairperson is a family member who is not strictly classified as being a relative of the promoter or is a representative of the ultimate promoter (in case of multinational companies, PSUs, and subsidiaries of PSUs) who is not classified as such, IiAS will require boards to have a 50% board independence. IiAS will apply a common sense understanding of family members while testing for the relationship of the Chairperson with the promoters.

Under Section 36(AB) of the Banking Regulation Act, 2013, RBI nominees on the board of banks are not required to be counted while computing board independence and assessing board composition. IiAS' assessment on board composition will factor this in while assessing both, board and committee composition for banks.

GENDER DIVERSITY ON BOARDS

IiAS advocates for gender diversity on boards recognizing its critical role in enhancing decision-making. Indian regulators have supported this initiative by mandating that the top 1,000 listed companies appoint at least one Woman Independent Director and disclose board members' skills.

Research consistently links greater board diversity to stronger financial oversight. Women bring unique perspectives, sharper intuition, and a more collaborative leadership style, making their inclusion on boards not just a regulatory requirement but a business imperative. As of 30 November 2025, women occupied 20% of board seats in BSE 100 companies, unchanged from December 2024. Notably, 74% of these women served as Independent Directors. Leadership representation remains particularly weak, with only five out of the top 100 companies having women as Chairpersons. For gender diversity to be truly meaningful, women should comprise at least 30% of boards.

BOARD SKILLS

Having a diverse set of skills at the board level, that are relevant to the company's business and growth aspirations is critical for board deliberations to be meaningful. IiAS expects boards to possess a broad range of expertise. A key focus is the inclusion of technology and IT skills as essential components of board competency. Additionally, at least one independent director should have a deep understanding of the company's

core business – a lesson drawn from past governance failures. Even so, IiAS may raise concern where directors being (re)appointed have skills that are completely unrelated to the business.

AUDIT COMMITTEE COMPOSITION

IiAS believes the membership of promoters and executive directors in the Audit Committee presents possible conflict of interest. To that extent, IiAS does not support their membership in audit committees and may raise this concern in its discussion on board and board committee compositions. IiAS may also raise concern if there is lack of clarity with respect to the degree of financial literacy levels of audit committee members.

NOMINATION AND REMUNERATION COMMITTEE COMPOSITION

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.

4.2 Changes to board size

Resolution type
Special; requires 75% majority
All shareholders can vote on the resolution

Applicable regulations
Section 149(1) of the Companies Act 2013
Regulation 17(1) of SEBI LODR

About the resolution

- 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 2,000 companies must have at least six directors.

IiAS Guidance or Opinion
IiAS expects listed companies to maintain a minimum board size of 6 directors. We do not generally support the increase in board size to over 15 members, because we believe consensus on many critical issues may be difficult to achieve with a large board size

Disclosure expectations

- The board must disclose the rationale for seeking an increase in board size over 15 directors, in the context of the company’s size. This rationale must include how it has assessed the skill gaps of the board

When will IiAS support the resolution?
IiAS may support the resolution in exceptional cases, for companies facing financial/ liquidity/ stability/ capital crisis and where the board expansion is necessary to accommodate lenders, investors, and other stakeholders.

When will IiAS not support the resolution?
IiAS will generally not support the increase in board size to over 15 members, because we believe consensus on many critical issues may be difficult to achieve with a large board size.

4.3 (Re)Appointment of Independent Directors

Resolution type
Appointment: Special; requires a 75% majority to pass, failing which a majority of minority vote
Reappointment: Special; requires a 75% majority to pass
All shareholders can vote on the resolution

Applicable regulations
Sections 149 and 150 of the Companies Act 2013
Regulation 25 of SEBI LODR

About the resolution
- Independent directors are entrusted with the role of enhancing and protecting the interests of public shareholders.
- Section 149 of the Companies Act 2013 and Regulation (16)(1)(b) of the SEBI (LODR) outline the qualifications and criteria for independent directors.
- 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, beginning 1 April 2014.

IiAS Guidance or Opinion
- IiAS considers Independent Directors critical to the objectivity in board deliberations. While the board is charged with protecting the interests of all stakeholders, IiAS believes Independent Directors play a crucial role in protecting the interests of minority shareholders.
- In banks, IiAS considers shareholder directors as independent directors. Similarly, in Market Infrastructure Institutions (MIIs), IiAS considers public interest shareholders as independent directors.
- Further, IiAS notes that RBI nominee directors on bank boards are not counted towards the regulatory independence threshold. IiAS will apply this understanding while assessing board and committee composition in banks.

- In recommending on (re)appointment of Independent Directors, IiAS applies its distinct tests for independence, tenure, and over-boarding, that may not align with regulatory thresholds.

  IiAS' criteria for independence and tenure

  IiAS does not consider directors to be independent under the following circumstances:

  - Tenure with the company or the group exceeds 10 years:
    a) IiAS' count of tenure begins on the day of appointment (and not from 1 April 2014 as prescribed under regulations).
    b) The tenure extends to group companies. Therefore, if the director has been on the board of a fellow subsidiary, holding or subsidiary company, or any other company of the group, and the aggregate tenure across the group has exceeded 10 years.
    c) In case there is a change in control, IiAS will consider board tenure from the date of change in control to assess board tenure.
  - Directors who are simultaneously on the board of a large number/percentage of group companies
  - Directors who have cross linkages with each other across multiple boards (board interlock)
  - 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.
  - Former executives who are on the board along with their previous supervisors.
  - Representatives of large shareholders (holding >2% stake) or lenders, even if they are not appointed on the board as a nominee.
  - Directors who may have business ties with the company / group, with their firms' providing services to the company, the group, and/ or the promoter 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.
  - Relatives of former independent directors being appointed as independent directors without a cooling-off period
  - Directors with political associations when appointed on the board of a public sector enterprises because we believe the political affiliation may unnecessarily politicise the decisions of the company and distract the management from its core focus.

  IiAS' criteria for over-boarding

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

  - An individual can be a director in a maximum of 20 companies, including private limited companies

- An individual can be a director in a maximum of 10 public companies (maximum of 7 listed companies)
- An individual can be present as an independent director in a maximum of 7 listed companies
- 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 regards individuals holding full-time employment—whether as consultants, partners in audit or law firms, company secretaries in practice, or cost auditors—as equivalent to whole-time directors in terms of time commitments. Consequently, IiAS applies the same regulatory standards for assessing over-boarding among those who may not formally hold whole-time directorships but still shoulder comparable full-time responsibilities.

To evaluate whether such directors can effectively fulfil their board duties, IiAS will review their attendance across all listed company board positions for the preceding year. If the director's aggregate attendance across all these companies in the year preceding the appointment/reappointment is at least 75%, IiAS will support the appointment or reappointment of the director. If this aggregate attendance is lower than 75%, IiAS will not support the appointment/reappointment.

Although we may not support the (re)appointment of independent directors because their (re)appointment does not meet our independence, tenure, and / or overboard criteria, we will support their (re)appointment to the board in a non-executive non-independent capacity.

Disclosure expectations

- IiAS expects boards to disclose a detailed profile of independent directors being (re)appointed, which provides clarity with respect to the nature and depth of work experience. Boards must also articulate the skills that the directors being (re)appointed bring to board, the relevance of the directors' experience to the company's business and their impact on skill diversity.
- In the shareholder notice, boards must also disclose if the director being (re)appointed is, or is being inducted as, a member of any of the board committees.
- When an Independent Director sits on boards of companies in the same or related sector, the notice must disclose how the Nomination and Remuneration Committee identified, assessed, and addressed the resulting conflict of interest.
- If the director is being appointed for shorter terms of just one to two years, the shareholder notice must clarify the rationale for appointment for such a short tenure.
- Regulations require companies to seek shareholder approval for independent director appointments within three months. IiAS will raise concerns if the company seeks shareholder after three months from the date of appointment.
- 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.
- The directors' performance on the most recent board evaluation undertaken.

When will IiAS support the resolution?

- IiAS will generally support (re)appointment of independent directors if they meet the regulatory thresholds, and there is sufficient disclosure in the shareholder notice for shareholders to make an informed decision with respect to the directors' experience and skill sets, and subject to the director being (re)appointed meeting IiAS criteria for independent, tenure, and over-boarding, and the hygiene factors listed in 4.6 below.
- IiAS will also support board (re)appointment as independent directors under the following circumstances:
  a) Retired IAS officers / civil servants will be considered as independent on the board of Public Sector Enterprises.
  b) Relatives of former independent directors if there is a cooling period of five years between the two appointments.
  c) Former employees of large shareholders (holding >2% stake) or lenders that continue to remain on the board (even after they move on from their employment) may be considered independent.
  d) Directors that were earlier on the board as nominees may be considered independent once the investor has sold its stake. However, if such directors have completed an aggregate board tenure of 10 years, IiAS may not support their (re)appointment as independent director, but may support their (re)appointment as non-executive non-independent director.
  e) In case there is a change in control at the company, the board tenure from the date of change in control is less than 10 years.
  f) Former executives who are on the board along with their previous supervisors that 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.

When will IiAS not support the resolution?

- The director being (re)appointed does not satisfy the eligibility criteria laid down in Section 149(6) of the Act and Regulation (16)(1)(b) of the SEBI (LODR)
- The proposed director (re)appointment does not meet IiAS' criteria on independence, tenure or over-boarding.
- The proposed director (re)appointment does not meet the hygiene factors listed in 4.6 below.
- The disclosure with respect to the directors' work experience is inadequate, thus limiting shareholders' ability to make an informed decision.
- The directors' experience is at significant variance with the company's business, and the shareholder notice has not provided sufficient reasoning for the (re)appointment.
- 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.
- In instances where IiAS believes that independent directors on the board/board committees have not exercised balanced or prudent judgement.

- There is a consistent pattern of (re)appointing Independent Directors for short terms of one to two years.
- The company seeks to extend the term of an independent director already re(appointed), regardless of whether the director's overall board tenure is within ten years.
- The company seeks a third term for an independent director who has completed two terms, regardless of whether the director's overall board tenure is within ten years.
- Politically affiliated individuals seeking to be (re)appointed as independent directors in government owned or controlled enterprises.

4.4 (Re)Appointment of Non-Executive Directors

Resolution type
Ordinary; required a simple majority
All shareholders can vote on the resolution
Applicable regulations
Sections 149, 152, and 161 of the Companies Act 2013
Regulation 17 of SEBI LODR

About the resolution
Non-executive directors typically are in the nature of nominee directors (investors, lenders, or parent companies representatives), non-executive promoter directors, directors with whom the company has a pecuniary or business relationship (like consulting services, supplier or customer relationships, creditors), ex-employees that have not completed the mandatory three-year cooling period, or independent directors continuing on the board after having completed two consecutive tenures of five years each.

IiAS Guidance or Opinion
- IiAS recognizes the vital role of non-executive promoters and promoter representatives in board composition. However, concerns arise when multiple representatives hold positions simultaneously. While IiAS typically does not object to the presence of non-executive directors, its stance is also shaped by the board's size relative to the company's overall scale.
- IiAS acknowledges that boards may seek to retain certain members even after they have completed their two terms as Independent Directors. In such cases, IiAS supports their reappointment as Non-Executive Non-Independent Directors. IiAS does not mandate a cooling-off period between transitioning from an Independent Director to a Non-Executive, Non-Independent role.

Disclosure expectations
- IiAS expects boards to disclose a detailed profile of directors being (re)appointed, which provides clarity with respect to the nature and depth of past experience. Boards must also articulate the skills that the directors being (re)appointed bring to board and their impact on skill diversity.

- In the shareholder notice, boards must also disclose if the director being (re)appointed is, or is being inducted as, a member of any of the board committees.
- The shareholder notice must also clearly specify the nature of the relationship between the director and the company because of which the director is being classified as a non-independent director.
- The shareholder notice must also clearly specify if the director is eligible to retire by rotation. In the absence of such disclosures, IiAS will consider the director to not be liable to retire by rotation.

When will IiAS support the resolution?
Subject to the requirements of hygiene factors listed in 4.6 below, IiAS will generally support the (re)appointment of non-executive directors.

When will IiAS not support the resolution?
- If the board's composition does not meet regulations or adding another non-executive director will lead to non-compliance with regulatory requirements.
- There are multiple promoter family representatives or investor representatives (usually private equity investors) on the board which increases the board size beyond the NIFTY 500 median of 9-10 members. In case of promoter-led companies, IiAS believes multiple number of promoter representatives on the board – and in office of profit positions – may deter the company from attracting quality professional talent.
- The resolution does not meet any of the requirements listed in 4.6 below.

4.5 (Re)Appointment of executive directors

Resolution type
Special in case the director is over 70 years of age; requires a 75% passing threshold | In all other instances, Ordinary; requires a simple majority
All shareholders can vote on the resolution

Applicable regulations
Sections 196 and 203 of the Companies Act 2013
Regulations 17(6) of SEBI LODR

About the resolution
- Executive directors may or may not retire by rotation, but their term is capped at five years under Indian regulations. While we recommend that the appointment of executive directors and the proposal for their remuneration are brought to a shareholder vote separately, we recognize that it is common practice for both the agenda issues to be clubbed into a single resolution.
- Whole-time directors may hold an executive role in more than one company. While a director cannot be appointed as a wholetime director in two companies, other than its subsidiary, at the same time; in practice, executive directors are being appointed

in other positions such as managing director, executive chairperson, etc. in multiple companies simultaneously.

IiAS Guidance or Opinion

IiAS generally supports executive directors' (re)appointments and proposes that the resolution for appointment and remuneration be separated, allowing shareholders to voice their assent on each of these agenda items separately.

Disclosure expectations

- Beyond the regulatory disclosures, IiAS expects companies to disclose the roles and responsibilities of the executive directors being (re)appointed. IiAS expects boards to disclose a detailed profile of executive directors being (re)appointed, which provides clarity with respect to the nature and depth of work experience.
- In instances where the proposed remuneration is being clubbed with executive director (re)appointments into a single resolution, the disclosure requirements for remuneration of executive directors in Section 5.1 will also apply.
- Where directors hold more than one executive position, the shareholder notice must carry details of this other position along with the terms of remuneration that the director will receive from the other role during the proposed (re)appointment. The shareholder notice must also clarify the basis of the time devoted by the executive director to each of the multiple roles.

When will IiAS support the resolution?

- Subject to the requirements of Section 4.6 below, IiAS will generally support the (re)appointment of executive directors.
- Professionals holding multiple executive positions and where there are parent-subsidiary relationships.
- Given their ownership over the group and level of accountability, IiAS will generally support promoters holding executive positions in two listed entities of the group. For details on how we will assess remuneration from multiple sources, please refer to section 5.1.

When will IiAS not support the resolution?

- IiAS may consider voting against the (re)appointment of executive directors in instances where there is no role clarity, or the size and responsibilities of the role is not sufficient to warrant a board position. These issues are often present in instances of multiple members of the promoter family on the board.
- The resolution does not meet any of the requirements listed in 4.6 below.
- IiAS may vote against professionals holding multiple executive positions unless there is a parent-subsidiary relationship between the companies.

4.6 Hygiene factors

These factors are applicable to IiAS voting recommendations on the (re)appointment of all board members.

(a) ATTENDANCE AT BOARD MEETINGS

- IiAS believes that, from a governance perspective, board members must attend all meetings to fulfill their responsibilities with due care and diligence. Directors' attendance at board, committee, and shareholder meetings a key measure of their commitment to the company. Ideally, directors should be present at all board meetings and the annual general meeting (AGM). While regulations recognize attendance only if directors join via video calls, IiAS extends its assessment to include participation through telecalls as well.
- Regulations specify removal as a consequence of non-attendance over a 12-month period.
- In case directors are unable to attend any of the board meetings, as a good practice, companies must disclose their reason for not attending these meetings, as is often done in the case of AGMs.
- IiAS does not factor in the attendance levels of alternate directors, largely because the sophistication of technology today allows directors to attend board meetings from almost everywhere.

Impact of board meeting attendance levels on IiAS' voting recommendations on director reappointments

- Directors are expected to attend all board meetings. At a minimum, they should have participated in at least 75% of meetings in the year of their reappointment. If their attendance falls below this threshold, they must have maintained at least 75% attendance over a consecutive three-year period. Failure to meet either of these requirements will result in IiAS not supporting the director's proposed reappointment.
- In instances where directors have not completed a three-year term and board meeting attendance levels in the year of reappointment are below 75%, IiAS may not support the director's proposed reappointment, especially if attendance levels are unlikely to meet IiAS' three-year average attendance threshold of 75% after completion of three years.
- IiAS may not support director reappointments in case the past track record shows that board meeting attendance levels shore up largely in the year of reappointment (but attendance levels through the rest of the term remain below IiAS' thresholds).
- Where there are concerns over overboarding, IiAS will assess attendance levels across all board positions and expect the directors to have averaged at least 75% attendance across all board positions.
- IiAS may make exceptions where a promoter, promoter-representative, or promoters holding executive positions play a pivotal role in the business, signalling its importance within the group or ensuring critical support. If promoters or their representatives are actively engaged, IiAS may still support their reappointment despite attendance below 75%. This exception also applies to the sole or dominant promoter representative on the board. Additionally, for global heads or CEOs of multinational corporations (MNCs) appointed in a non-executive capacity in the Indian listed entity, IiAS may waive the attendance

requirement if their presence reinforces the company's significance within the group and facilitates access to global resources.

(b) EXPERIENCE AND AGE OF BOARD MEMBERS

- On 31 March 2026, the average age of board members of the NIFTY 500 companies was almost 61 years. IiAS recognizes that need to bring in younger directors into the boardroom: we expect directors being inducted into listed company boardrooms to have reasonable work experience and maturity to add value to board deliberations. In deciding on our voting recommendations, IiAS will consider the quality and relevance of the work experience while evaluating the appointment.
- Regulations today allow individuals to join boards at 21 years of age. However, if executive directors cross the age of 70 years and Independent Directors cross the age of 75 years, their continuation on the board requires shareholder approval via a special majority.

Disclosure expectations

IiAS expects boards to disclose a detailed profile of directors being (re)appointed, which provides clarity with respect to the nature and depth of past experience. Boards must also articulate the skills that the directors being (re)appointed bring to board and their impact on skill diversity.

Impact of age on IiAS' voting recommendations on director (re)appointments

- For executive directors (including promoter executive directors), IiAS requires individuals to have at least 10 years of relevant, post-qualification work-experience and / or are 35 years of age.
- For the (re)appointment of non-executive directors (including independent directors), IiAS expects them to have at least 10 years of relevant, post-qualification work-experience and / or be at least 30 years of age to be appointed as director.
- IiAS will make exceptions to the rules on age and work experience (listed above) when the director is a first-generation entrepreneur (whether classified as a promoter or founder or a public shareholder).
- Where shareholder approval is being sought for directors' age crossing regulatory thresholds – 70 years for executive directors and 75 years for independent directors – IiAS will support the director (re)appointment, if all other conditions meeting IiAS voting guidelines. IiAS may raise concerns if this approval has not been taken prior to the director attaining the age for which regulations mandate a special resolution.

(c) PERFORMANCE AND / OR GOVERNANCE FAILURES IN THE PAST

- IiAS may not support the (re)appointment of promoter directors / representatives where company performance has been consistently deteriorating on account of poor capital allocation decisions.

- IiAS may not also support the (re)appointment members of the audit committee in cases of concerns over the company's own quality of financial statements or failures of internal financial controls. Additionally, IiAS may not support the (re)appointment of members of the Nomination and Remuneration Committee, in cases where there are severe concerns with respect to director remuneration.
- For independent directors, we will not support their (re)appointments to the board if, in the past, there have been two or more governance failures of companies on which they were a board member.
- In unusual instances, where there has been severe regulatory action and / or significant shareholder wealth destruction, IiAS may consider not supporting the (re)appointment of directors – promoters, executive directors and non-executive directors – even for failure in a single instance, depending upon the gravity of the performance and / or governance failure.
- IiAS may also not support the (re)appointment of certain directors if we believe the board has not heeded investor concerns. One of the ways this may be evidenced is in repeated push back from investors regarding certain board decisions that are carried through with promoter votes.

(d) On-going regulatory action or litigations against the director, or actions that result in reputation loss or involving moral turpitude

There may be instances where there are significant regulatory actions or litigations against a director – which may include investigations by government agencies. IiAS believe these may act as distractions for directors in discharging their responsibilities towards the company. To this effect, IiAS will recommend that the director step down from the board position until the issues have been resolved and subsequently seek (re)appointment.

IiAS may also not support director (re)appointments where the director may have been accused (not necessarily convicted) of actions involving moral turpitude, or actions that may cause a reputation risk or damage – for the company and / or the director. Based on the severity of the issue, IiAS will determine the look-back period for this assessment.

(e) Intra-promoter group disputes

In instances where listed companies or their boards are getting embroiled in disputes within the promoter group, IiAS will generally not support the (re)appointment of all members of all the disputing promoter factions. The underlying philosophy is to separate and protect the company from the dispute. During the interim, we expect the independent directors to appoint an interim CEO that can manage the business and operations. In not being voted back on the board, we expect it will hasten the dispute resolution process. Once the dispute has been resolved, IiAS will support the reinstatement of the promoter groups on the board.

(f) NON-ROTATIONAL BOARD SEATS

With effect from 1 April 2024, shareholders' approval will be required for a directors' continuation on the board at least once every five years from the date of their (re)appointment. This provision does not apply to directors appointed by a Court or a Tribunal or to a nominee director of the Government or RBI or of a financial institution / lender.

Principally, IiAS does not support board permanency, and in the past, generally did not support directorships that neither retired by rotation nor carried a fixed term. However, regulations have since changed and all directors are now required to seek shareholder approval for their continuation on the board at least once every five years, with the exception of government nominees on non-government companies. Given the change in regulation, IiAS will now support these (re)appointments, but raise concern over seeking periodic approval only because it is mandated by regulation.

(g) ALTERNATE DIRECTORS

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 not support the (re)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.

(h) COOLING PERIOD DEFINITION

IiAS defines cooling period as a complete disassociation / break-away between the director, and the company and/or the business group. Therefore:

- Retired employees that continue on the board as non-executive directors for three years and are then proposed to be appointed as Independent Director will not be considered to have completed the cooling period;
- Directors that have been on group company boards – including unlisted group company boards – between the appointments as Independent Director will not be considered to have completed the cooling period

(i) CHAIRPERSON EMERITUS

Chairperson Emeritus is a position usually afforded the key promoter after a certain age: it is essentially a close-to-retirement position. The position of Chairperson Emeritus is not defined under Indian regulations. The Chairperson Emeritus is expected to provide mentorship and not be actively involved in the business. Even so, we support the designation of Chairperson Emeritus so long as it is not a board position (neither executive nor non-executive): having the Chairperson Emeritus on the board may create dual power centres and consequent ambiguity regarding the

chain of command. Our position on remuneration for Chairperson Emeritus is detailed in Section 5.8.

(j) NOT FILLING CASUAL VACANCIES ON THE BOARD

A casual vacancy is created on the board due to the resignation, 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 support such a resolution because, if the resolution is defeated, the AGM stands adjourned: which poses its own set of challenges for the investors and the company.

4.7 Removal of directors

Resolution type

Special (requiring 75% majority) for independent directors
Ordinary (requiring a simple majority) for all other directors
All shareholders can vote on this resolution

Applicable regulations

Section 169 of the Companies Act 2013
Regulation 25(6) of SEBI LODR

About the resolution

For shareholders to propose the removal of a director, they must collectively own 10% of the company's share capital 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.

Disclosure expectations

- 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.
- 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.

When will IiAS support the resolution?

- Since every instance of director removal is unique, IiAS may support the resolution on case-to-case basis and where it believes the director's removal is in the long-term interest of the company.
- IiAS 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.

When will IiAS not support the resolution?

IiAS may not support the removal of independent directors solely at the request of controlling shareholders unless their continued presence risks board dysfunction or causes materially negative consequences for the company. As independent directors serve to protect non-promoter shareholders' interests as part of their fiduciary duties, their removal by controlling shareholders could set a troubling precedent – potentially making them overly reliant on those in control.

5 REMUNERATION AND SHARE-BASED COMPENSATION

5.1 Remuneration of executive directors

Resolution type
Ordinary; requires a simple majority – if the remuneration levels are within the thresholds prescribed under Companies Act 2013
Special; requires 75% passing – under SEBI LODR for remuneration to a single promoter that crosses Rs. 50mn or 2.5% of profits, whichever is higher
All shareholders can vote on the resolution

Applicable regulations
Section 197 and Schedule V of the Companies Act 2013
Regulation 17(6) of SEBI LODR

About the resolution
- The regulatory limits for remuneration under the Companies Act 2013 are as follows:
  a) Total managerial remuneration must not exceed 11% of net profits
  b) One executive director can be paid upto 5% of net profits. If the board comprises more than one executive director, then aggregate executive compensation to be limited to 10% of net profits.
- Under SEBI LODR for remuneration to a single promoter that crosses Rs. 50 mn or 2.5% of profits, whichever is higher, companies need to seek shareholder approval via a special majority.
- IiAS' estimation of remuneration differs from the reporting requirements under regulations. IiAS considers fair value of stock option in the year of the grant – unlike regulations that capture the perquisite value of stock options on exercise. In instances where stock options are not granted every year, IiAS may consider spreading the fair value of stock option grants over the interval of stock option grants.

IiAS Guidance or Opinion
- IiAS expects companies to provide sufficient disclosures for investors to estimate the proposed levels of remuneration. The disclosures are not just about past payouts – but about proposed payout over the term of (re)appointment.
- IiAS assesses executive compensation based on the following:

  (a) Alignment of pay with performance:

  IiAS assesses the linkages between past pay and performance, and the degree of alignment to performance based on the remuneration structure. Variable pay (both long-term and short-term) must comprise at least 50% of the total pay.

  IiAS does not support remuneration structures that have a large component linked to the performance of stock price or market capitalization. Instead, IiAS may support performance measures linked to relative changes to stock price or capitalization.

(b) Benchmarking with industry peers

We believe it is for the NRC to disclose how it has benchmarked the CEO compensation. In the absence of such disclosure, IiAS will benchmark the proposed compensation against companies of the same industry and / or similar size, on a best fit basis.

(c) Pay fairness

To assess pay fairness, IiAS will assess the trends in percentage increase in executive compensation vs median employee compensation, the executive compensation as a multiple to median employee compensation, executive pay as a share of profits and of aggregate employee benefit costs, changes in headcount.

(d) Total promoter family compensation

Where there are multiple family members holding executive capacities, IiAS will assess aggregate promoter family compensation in the context of the company's size and performance.

- IiAS does not support personal expenses of the promoter being paid by the company. One of these is medical expenses over and above insurance cover, that are uncapped in absolute amounts. Several promoters also have companies paying for, family members and / or attendants accompanying the director on business travel (both foreign and domestic). We believe such expenses are personal in nature and should be borne by the directors themselves. IiAS may consider supporting such personal expenses of promoters as part of their remuneration structures if the company either (a) caps the amount in absolute terms; or (b) confirms that the same privileges are afforded to the rest of the employee pool.
- When there is a discernible historical track record for components of remuneration, IiAS will use the past as a guide to estimate future payouts. In the absence of a clear track record or detailed disclosures, IiAS may be constrained to assume the maximum possible payout, which will form the basis of its recommendation.
- IiAS expects the entire remuneration of executive directors to be put to shareholder approval. To this extent, IiAS will not support structures that allow remuneration to be paid from subsidiaries, group companies, and / or parent companies, without a shareholder vote of the listed company.
- An executive director may receive remuneration from external arrangements including from private equity investors or other unlisted companies of the same promoter group. Such arrangements do not result in distribution of company's profit but are likely to create a conflict of interest. IiAS generally does not support such arrangements because we believe that executive directors must be paid by the company itself, thus ensuring alignment of interests between the executive directors and the long-term interests of the company.

Disclosure expectations

- We expect shareholder notices to carry the following disclosures on the proposed remuneration structures for executive directors:
  1. Clarity on pay structures, with break-ups for fixed pay, variable pay, long-term incentives, stock options and any other elements as applicable. In this context, we expect companies to disclose the maximum amount of stock options / RSUs /

any other stock-based instrument expected to be granted over the proposed tenure of the (re)appointment – whether from the company or its global parent.

2. Basis of paying out variable pay, which includes metrics on which the executive's performance will be evaluated. IiAS will recognize performance metrics that include both financial and non-financial assessment parameters, including (but not limited to) achieving pre-defined ESG targets.
3. A cap on the level of pay or the range of maximum pay – in absolute terms, and not as a share of profits. Therefore, boards must cap the commission, variable pay, and long-term incentive components of the structure, or disclose a cap in absolute terms for the aggregate compensation.
4. Malus and clawback provisions, if any, and severance terms.
5. Past year's aggregate remuneration, including grant of stock options. For appointments of external candidates, the board must disclose the candidates' last remuneration from the previous employer.
6. Companies or individuals against which the proposed remuneration terms have been benchmarked by the NRC.

- In instances where executive directors receive compensation from sources other than the company – including, but not limited to, group companies, subsidiaries, associate companies, investors, and other stakeholders – we expect the shareholder notice to carry the terms of remuneration from all other sources, including a disclosure of past remuneration received from such other sources.

When will IiAS support the resolution?

- IiAS will generally support executive remuneration resolutions where there is reasonable clarity with respect to the proposed remuneration and it is aligned with company performance, comparable to industry peers, and commensurate for the size of the company.
- Where remuneration structures of promoters require the company to bear personal expenses, IiAS may consider supporting the resolution if:
  a) The amounts of such spends are capped in absolute amounts; or
  b) The company confirms that the same privileges are also afforded to other employees
- In rare instances, companies may choose to hire external talent – either from the domestic market or global markets – and such executives may be at higher remuneration levels. In such circumstances, IiAS may make an exception and support the remuneration levels on appointment.

When will IiAS not support the resolution?

IiAS will generally not support the resolution under the following circumstances:

- The disclosures are not sufficient to estimate the proposed remuneration accurately. Boards must cap, in absolute terms, the quantum of maximum remuneration that will be paid to the executive director.
- The proposed remuneration is high for the size of the company, or not comparable to industry peers. In case of multiple family members on the board, promoter family remuneration is high and not commensurate with the size of the company.

- The remuneration trajectory does not align with company performance (revenues and profits of the company or the segment for which the executive director is responsible), and / or the proposed remuneration structure has a limited alignment with company performance. In such circumstances, variable pay may be less than 50% of aggregate pay.
- Part or all of the remuneration is not being put to the shareholder vote of the listed company. This would be in cases where the executive director receives remuneration from other (than the company) sources.
- Pay fairness is a concern.
- Personal expenses of the director are being borne by the company.
- A large component of the remuneration is linked to changes in the absolute stock price or market capitalization.

5.2 Remuneration of executive directors in case of inadequate profits

Resolution type
Special; requires for 75% majority
All shareholders can vote on the resolution

Applicable regulations
Section 197 and Schedule V of the Companies Act 2013

About the resolution
Profits are considered inadequate when the proposed remuneration is likely to exceed the regulatory thresholds stated under Section 197 of the Companies Act 2013. There are essentially two types of resolutions that companies present to shareholders under the circumstances:

1. Approval for minimum remuneration that will be paid independent of the company's performance and the adequacy of profits;
2. Waiver of excess remuneration paid – in case companies have already paid the remuneration to the executive director and year-end profits are not sufficient, shareholder approval is required to waive the excess remuneration paid. In case this waiver is not approved by shareholders, the company will have to recover the excess amount paid from its executive director.

IiAS Guidance or Opinion
IiAS believes the regulatory thresholds are artificial barriers created to protect investors and rein in remuneration levels. IiAS will assess the proposed compensation – even if profits are inadequate – similar to how it assesses executive compensation in general.

Disclosure expectations
The company must articulate the reasons for the inadequacy of profits to absorb executive remuneration. It must articulate whether it seeks approval for a single year or a set of consecutive years.

When will IiAS support the resolution?
- IiAS will support the resolution when the pay levels have been reasonable for the size of the company and / or the inadequacy of profits is on account of a one-time or extra-ordinary issue.
- In case companies seek a waiver of remuneration on account of the perquisite value upon exercise of stock-based pay, IiAS will generally support the resolution. This is because IiAS considers the perquisite value of the stock-based pay as outcome-based since it depends on the company's stock price performance – it is neither in the direct control of the company nor the executive director.
- In rare instances, companies may choose to hire external talent – either from the domestic market or global markets – and such executives may be at higher remuneration levels. In such circumstances, IiAS may make an exception and support the remuneration levels on appointment.

When will IiAS not support the resolution?
IiAS may not support the resolution, if it does not inherently support the proposed remuneration.

5.3 Remuneration to executive directors in excess of regulatory thresholds

Resolution type
Special; requires a 75% majority
All shareholders can vote on the resolution

About the resolution
Companies can seek shareholder approval to pay remuneration in excess of regulatory thresholds. They can also seek removal of the regulatory caps altogether through a special resolution.

IiAS Guidance or Opinion
IiAS believes the regulatory thresholds are artificial barriers created to protect investors and rein in remuneration levels. IiAS will assess the proposed compensation similar to how it assesses executive compensation in general.

Disclosure expectations
The company must articulate reasons why it proposes to breach the regulatory thresholds. It must also articulate the period for which such an approval is being sought.

When will IiAS support the resolution?
- IiAS will support the resolution when the pay levels have been reasonable for the size of the company.

- In case companies seek approval to breach regulatory thresholds on account of the perquisite value upon exercise of stock-based pay, IiAS will generally support the resolution. This is because IiAS considers the perquisite value of the stock-based pay as outcome-based since it depends on the company's stock price performance – it is neither in the direct control of the company nor the executive director.
- In rare instances, companies may choose to hire external talent – either from the domestic market or global markets – and such executives may be at higher remuneration levels. In such circumstances, IiAS may make an exception and support the remuneration levels on appointment.

When will IiAS not support the resolution?

- IiAS may not support the resolution, if it does not inherently support the proposed remuneration.
- IiAS will not support the removal of all thresholds on remuneration. In case the company proposes to exceed the regulatory thresholds, it must specify by how much and for how long – and not leave the resolution open-ended.

5.4 Share-based compensation schemes

Resolution type

Special; requires a 75% majority
All shareholders can vote on the resolution

Applicable regulations

Sections 42 and 62 of the Companies Act 2013
SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

About the resolution

- Employee stock option plans or schemes (ESOP), Employee Stock Purchase Schemes, and equity-settled stock appreciation rights are governed by the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (SBEB Regulations) in addition to the Companies Act, 2013. Phantom stock and / or cash-settled stock appreciation rights are not regulated under the SBEB Regulations.
- ESOP plans can be executed by the issue of fresh equity, or through the purchase of the company's shares from the secondary market. Companies may choose to use the trust route to execute the ESOP plan (typical in case of secondary market purchases) or execute it directly (typical for fresh issuances).
- All share-based compensation schemes need to be approved by shareholders and the extension of the scheme to employees of subsidiaries, associates and holding companies needs a separate shareholder approval. Funds used to support the execution of the share-based compensation scheme – usually for the trust to purchase shares from the secondary market – also require shareholder approval.
- Companies need shareholder approval to ratify pre-IPO schemes if the company proposes to incrementally grant options post-listing from that scheme.

IiAS Guidance or Opinion

- We recognize that companies view share-based compensation as deferred compensation and a retention tool, nevertheless, our vantage point is that of investors: therefore, there is a difference in our approach to share-based compensation. The underlying principle of our voting recommendations on share-based compensation is the alignment of employee interests with that of shareholder interests. Share-based compensation schemes are essential 'pay-at-risk' schemes and therefore we believe these schemes must not provide a down-side risk protection to employees, since this is not afforded to shareholders. In our assessment, the alignment of interests is best when the exercise price is the market price (or a function of the market price) on the date of grant. Where the exercise price is at a significant discount to market price (generally of more than 20%), we expect vesting of stock-based grants to be based on certain pre-defined performance targets that must be disclosed.
- In addition to exercise price, IiAS' assessment of share-based compensation includes an assessment of dilution, exercise period and vesting period. IiAS expects the dilution to be restricted to less than 5%. We generally support a staggered vesting schedule and overall vesting periods to be between one to five years. Exercise period should not stretch to more than five years from date of vesting.
- IiAS will generally not support schemes that carry share-price-based performance measures (including, but not limited to, market capitalization levels, total shareholder returns, and targeted share price), unless the company has disclosed the listed peers or the index against which the company's share-price-based performance will be measured. This is largely because such achievements may be a culmination of several market level issues and is not singularly limited to the company performance. Therefore, a relative share-price-based performance, as measured against peers or an index, is more likely to reflect the performance of the company, independent of macro variables.
- IiAS may not support schemes that carry unquantifiable or soft targets for vesting, such as *behavioural maturity* and *track record of displaying corporate values*. Such metrics are core leadership capabilities that form basic requirements of the role and need not be incentivized.
- IiAS expects share-based schemes to be well-distributed within the employee pool. Therefore, we may not support ESOP schemes where the distribution of the majority options is largely to senior management (board and one level below board) or formulated to reward one single employee. IiAS may also not support ESOP schemes where the majority of the RSUs are granted to senior management and stock options are granted to other employees. For newly appointed executive directors or senior managers, IiAS may support a higher initial grant, provided the rationale is clearly disclosed, including details of any forgone benefits, the basis for determining the grant size, and the exercise price and vesting conditions.
- IiAS does not generally support the extension of stock option schemes to associate companies, group companies, listed holding companies, and listed subsidiaries. However, IiAS will support extensions to unlisted associate companies where there is a strong business linkage with the listed company — for example, joint ventures, associates of strategic importance, or associates operating under a licence to use the

listed company's trademark or brand. IiAS expects companies to disclose the names of such associates, the listed company's shareholding, and the strategic rationale for the extension; any issuance must be subject to a cost reimbursement arrangement by the associate.

- IiAS will generally not support enabling resolutions that seek blanket shareholder approval to extend the scheme to future associates and group companies.
- IiAS will support administrative changes and changes driven by regulation, even in cases where it does not support the underlying scheme itself – such changes are generally operational and do not alter the scheme terms.

Disclosure expectations

- Beyond complying with regulatory requirements for disclosures on share-based compensation schemes, IiAS expect companies to provide specific clarity with respect to the following:
  (a) Exercise price: Regulations allow the range of exercise price from face value to market price. Nevertheless, we expect boards to make unambiguous disclosure with respect to exercise price, rather than leave themselves this wide flexibility. In instances where the disclosure is ambiguous, IiAS will assume the exercise price will be the face value of the share.
  (b) Vesting criteria: Shareholder notices often build flexibility for the NRC to decide whether the stock-options will carry time-based or performance-based vesting. In instances where the disclosure is ambiguous, IiAS will assume that the stock-options will carry time-based vesting.
  (c) Performance-based vesting: Where stock-option grants are at discount to market price, and vesting is performance-based, we expect companies to either:
    - disclose specific corporate-level targets, along with an indicative range of weightages for each of the parameters. While IiAS will support some flexibility to the Nomination and Remuneration Committee to add or change parameters, it expects companies to cap the weightage of these undisclosed parameters. Generic disclosures on performance targets such as revenues and EBITDA or stating that it will be a combination of corporate and individual goals, will not be sufficient. OR
    - In case the company chooses not to disclose these corporate-level targets at the time of proposing the resolution, IiAS will expect companies to disclose, in the subsequent annual reports, the basis of vesting of these deeply discounted stock options with specific disclosures on the corporate-level performance parameters, the target achievement on these performance parameters, and the achievement during the year, basis which the vesting of stock options was allowed. The company must clearly articulate its intention to disclose this information in subsequent annual reports, in the shareholder notice/resolution or in a filing on the stock exchanges.
    - Notwithstanding this, if scheme participation is limited to middle and lower management (no grants to senior leadership), IiAS may accept a lower level of disclosure on performance parameters for vesting. In these cases, IiAS will

also evaluate the per-employee cap on the quantum of grants to assess reasonableness.

For stock options that will vest partly on individual targets, IiAS expects companies to disclose the aggregate threshold performance achievement required by the employee on their individual performance KPIs (e.g., internal scorecards or performance ratings). We do not expect companies to disclose targets that are to be achieved at an individual levels, since these will vary depending upon the employee's role and department function.

(d) Vesting and exercise period: In case either the vesting period or the exercise period is more than five years, we expect companies to provide a rationale for the longer-than-usual vesting or exercise period.

(e) Distribution skew: Companies must disclose the distribution of the scheme – essentially the employee grades to which the scheme will be applicable. We expect schemes to be well-distributed and do not generally support a skew towards senior leadership. In the absence of disclosure on the distribution of the proposed ESOP scheme, IiAS base its distribution based on the track record of past schemes, if any.

- IiAS will not support the extension of stock option schemes to employees of subsidiary, holding or other group companies that are listed or expected to be listed in the next 12 months. Such an extension could lead to employees receiving remuneration from multiple entities, potentially creating conflicts of interest and dividing their loyalties.
- In case the company propose to extend the share-based compensation scheme to employees of unlisted associate companies, IiAS expects companies to disclose the names of such associates, the listed company's shareholding, and the strategic rationale for the extension; any issuance must be subject to a cost reimbursement arrangement by the associate.

When will IiAS support the resolution?

- The exercise price is at market price, or upto a 20% discount to market price, independent of vesting criteria (time-based or performance-based).
- The exercise price is at a more than 20% discount to market price, vesting is unambiguously performance-based, and disclosures of performance targets meet our disclosure expectations listed above.
- Stock option schemes are extended to unlisted subsidiaries, unlisted associate companies with a clear strategic rationale; and holding companies, but not to group companies.
- IiAS will support all resolutions relating to the execution or operationalization of the scheme once it supports the scheme contours itself.

When will IiAS not support the resolution?

- There is ambiguity (or significant flexibility is afforded to the NRC) with respect to the exercise price and / or the vesting criteria.
- The grants are at deep discount to market price (more than 20% discount) and vesting is time-based.

- The grants are at deep discount to market price (more than 20% discount), vesting is performance-based, but performance target disclosures do not meet our expectations (as stated above).
- Performance targets is a share-price based relevant metric in absolute terms, and not in relative performance to peers or an index.
- Dilution is high.
- The scheme distribution is skewed towards senior leadership or is for one individual alone.
- There is differential treatment in the employee pool, where senior leadership is granted RSUs while the rest of the employee pool is granted stock options exercisable at market price.
- The stock options are being extended to subsidiary, holding or other group companies that are listed or expected to be listed in the next 12 months.
- Where the stock option scheme extends to associate and group companies, without a clear rationale for such an extension.
- IiAS will not support all resolutions relating to the execution or operationalization of the scheme if it does not support the scheme contours itself.
- The vesting period and / or the exercise period of the scheme is unusually long.

5.5 Issue of stock options in excess of 1% of issued capital to individual employees

Resolution type
Special; requires a 75% majority
All shareholders can vote on the resolution

Applicable regulations
Section 62 of the Companies Act 2013
Regulation 6(3)(d) of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

About the resolution
Under SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, approval of shareholders by way of a separate resolution in the general meeting shall be obtained by the company in case of grant of stock options to identified employees, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of such options.

IiAS Guidance of Opinion
IiAS will take a case-to-case view on such grants to employees in excess of these thresholds. IiAS will generally support such resolutions if the employees to be granted stock options of more than 1% of the issued capital have been clearly identified and their overall remuneration levels (inclusive of fair value of stock options) is reasonable. IiAS does not support a high degree of concentration of stock options if remuneration levels

for the executive are already high or inclusion of the stock options will increase remuneration to high levels. While IiAS acknowledges the critical role of senior leadership in driving performance, it emphasizes that overall executive remuneration must be carefully considered before approving excess stock option grants.

Disclosure expectations
Names of individuals that are eligible to receive stock-option grants in excess of 1% of paid-up capital, rationale for such grants, their designation and remuneration terms.

When will IiAS support the resolution?
IiAS will support the resolution where the aggregate remuneration of the employees receiving the stock option is reasonable.

When will IiAS not support the resolution?
- The names of the employees receiving the stock options in excess of 1% of paid-up capital are not disclosed.
- The distribution of the scheme is skewed in favour of a certain set of employees.
- The aggregate remuneration for the employee, after the stock options, is high when compared to peers and not commensurate with the size of the company

5.6 Modifications to share-based compensation schemes

Resolution type
Special; requires a 75% majority
All shareholders can vote on the resolution

Applicable regulations
Sections 42 and 62 of the Companies Act 2013
SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

About the resolution
To make any changes to shareholder approved share-based compensation schemes, companies need to seek shareholder approval once again. Usually, these changes are administrative in nature. However, sometimes, companies seek changes to the contours of the scheme – either the exercise price, the vesting or exercise period, or the scheme size. Regulations require that all modifications to schemes must not be detrimental to the interests of the employees.

IiAS Guidance or Opinion
In case of administrative changes, IiAS will be guided by its opinion or support of the scheme. In case of changes to the scheme contours, IiAS will be guided, initially, but its opinion of the scheme, and then by the impact of the proposed changes to shareholder interest.

When will IiAS support the resolution?

- In case of administrative changes – which do not impact the scheme contours materially, IiAS will generally support the resolution even if it does not support the scheme itself.
- In instances where the company proposes to align the scheme with the extant regulations, IiAS will support the resolution even if it does not support the scheme itself.
- In case of changes to exercise and vesting periods, IiAS will support the changes if it supports the scheme and the proposed changes are not detrimental to the interests of shareholders.
- IiAS will support a downward revision to the exercise price only in rare and force majeure circumstances or is being compelled by regulatory changes. In such circumstances, we expect the re-priced stock options to follow a life cycle like that of new stock options.

When will IiAS not support the resolution?

- IiAS will not support any modifications to the scheme if it does not approve of the scheme itself.
- IiAS will not support a downward revision in exercise price, unless there are force majeure circumstances or the revision has been compelled by changes to regulations.

5.7 Remuneration of non-executive directors, including independent directors

Resolution type

Ordinary; requires a simple majority – for the following:

- payment of remuneration or commission within regulatory thresholds, which is 1% of profits and 3% of profits where are no executive directors on the board
- Payment of remuneration prescribed under Schedule V of the Companies Act 2013 for companies that are not reporting sufficient profits

Special; requires a 75% majority – for the following:

- Payment in excess of regulatory thresholds;
- Payment of remuneration to a single non-executive director in excess of 50% of the total remuneration to all non-executive directors
- Payment of remuneration / commission in case of inadequate profits

All shareholders can vote on the resolution

Applicable regulations

Section 197 of the Companies Act 2013
Regulation 17(6) of SEBI LODR

About the resolution

- Non-executive directors can be paid commission / remuneration up to 1% of the net profits (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.

- Under SEBI's LODR, shareholder approval via special resolution must be obtained if annual remuneration to 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 for three years, if members' approval through special resolution.

IiAS Guidance or Opinion

Compensation to non-executive directors has become a focus point on voting outcomes in the past year. In our assessment of 343 resolutions relating to non-promoter, non-executive director compensation over the 21-months ended 30 September 2024, 5 resolutions were defeated and another 28 (8%), passed only because promoters voted their shares.

IiAS' opinion on remuneration for non-executive directors depends on the quantum of remuneration in absolute terms and comparability with peers.

(a) **For promoter non-executive directors**: In companies led by professional CEOs, promoter directors can play a significant role in shaping strategic direction, even in a non-executive capacity. When accountability and control are closely tied to a single non-executive promoter director, IiAS will consider that individual as part of the leadership team and assess the remuneration proposal accordingly.

(b) **For non-promoter non-executive directors:** Pay structures that make non-executive roles appear more executive in nature, or offer remuneration exceeding that of senior leadership, may have significant implications for organizational hierarchy and governance. In such cases, IiAS will generally not support such levels of non-executive director remuneration. Additionally, when non-executive directors are eligible for stock options, IiAS may recommend voting against resolutions that fail to disclose either the expected number of stock options to be granted or their aggregate fair value.

(c) **For Independent Directors:** IiAS benchmarks Independent Director remuneration against the median compensation of Independent Directors serving on boards of similarly sized companies. While most companies distribute commission equally among all independent directors, some apply differential compensation—either through flat remuneration or a larger commission share for certain directors. IiAS acknowledges the diverse skills and experience that Independent Directors bring, but recognizes that varying compensation may impact their independence. IiAS

supports differentiated payments if the overall amounts remain reasonable; however, if a director receives significantly higher remuneration that others, IiAS expects companies to provide a clear rationale for this in the shareholder notice.

Disclosure expectation

- Resolutions on remuneration to Non-Executive Directors must have a defined timeline: shareholders must have the ability to periodically review the resolutions.
- As a best practice, IiAS expects companies to set an absolute cap on remuneration for Non-Executive Directors. In cases where no such cap exists, IiAS will rely on past trends to estimate remuneration. However, if there are no past trends—such as when a company is newly listed or initiating commission payments to Non-Executive Directors for the first time—IiAS will assume the full 1% of profits as the payout and benchmark the remuneration accordingly.
- IiAS expects the company to disclose how the Nomination and Remuneration Committee (NRC) has benchmarked the payments to Non-Executive Directors, against the company's peers.
- For resolutions seeking to pay a single Independent Director higher than the rest, companies must articulate the rationale for the differential payment structure. This is also applicable when a single Non-Executive Director is sought to be paid more than 50% of the aggregate remuneration to all Non-Executive Directors.

When will IiAS support the resolution?

- Remuneration for Independent Directors that is consistent with peers of similar size.
- Remuneration is sought for a fixed time period, after which shareholder approval will be sought again.
- Remuneration structures to Non-Executive directors which are lower than senior leadership pay and reasonable in absolute terms.
- Differential compensation to Independent Directors is acceptable if the amounts are reasonable and justified in the shareholder notice.
- IiAS expects remuneration to Non-Executive Directors to be within the regulatory limit of 1% of net profit – however, IiAS may make exceptions on a case-to-case basis.
- As good practice, IiAS expects remuneration to Non-Executive Directors to be capped in absolute terms.

When will IiAS not support the resolution?

- Remuneration to Independent Directors is sought in perpetuity, even if capped in absolute terms (except in banks and insurance companies).
- Remuneration for Independent Directors is higher than peers of similar size.
- The company seeks to exceed the regulatory thresholds without a clear rationale.
- Remuneration structures to Non-promoter Non-Executive directors which are higher than or comparable to senior leadership pay.
- When remuneration structures to promoter Non-Executive Directors include medical reimbursements (not covered by insurance and uncapped) or other personal expenses (such as payments for spouse/attendants on business travel).

5.8 Remuneration to Chairperson Emeritus

Resolution type
Ordinary; requires a simple majority
All shareholders can vote on the resolution
Majority of minority in case of a promoter

About the resolution
IiAS understands that companies may wish to pay remuneration or commission to the Chairperson Emeritus: these are generally founders/promoters or long-standing CEOs that have played a significant part in the company's journey and may add value to the company's strategic decisions.

Disclosure requirements
- IiAS expects companies to disclose the proposed honorarium / remuneration to the Chairperson Emeritus. Such remuneration must be capped in absolute amounts.
- IiAS expects shareholders to be able to periodically review the proposed remuneration. While we recognize that Chairperson Emeritus is a life-long position, we expect the resolution for the proposed remuneration to carry a specified term.

When will IiAS support the resolution?
IiAS generally supports payment of remuneration / honorarium to Chairperson Emeritus, where the absolute level of proposed remuneration is reasonable, and shareholders have an opportunity to periodically review the proposed remuneration.

When will IiAS not support the resolution?
- Where the remuneration levels are high, particularly when compared to those of executive directors.
- The proposed remuneration includes personal expenses (travel, medical) that will be borne by the company
- The resolution seeks shareholder approval for remuneration in perpetuity.

6 ISSUE OF SHARES

6.1 Bonus shares

Resolution type
Ordinary; requires a simple majority to pass
All shareholders can vote on the resolution

Applicable regulations
Section 63 of Companies Act 2013
Regulations 28 and 29 of SEBI LODR

About the resolution
- 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.
- Under the Revised Guidelines on Capital Restructuring of CPSEs published in 2024, CPSEs may consider the issue of bonus shares when their defined reserves and surplus are equal to, or more than 20 times of its paid-up equity share capital.
- Issue of bonus shares increases liquidity in the market but lowers the share price and the earnings per share.

Disclosure expectations
- The ratio in which the bonus shares will be given and the amount that will be capitalised from reserves.

When will IiAS support the resolution?
IiAS will generally support all resolution with respect to bonus issues.

6.2 Preferential issue of equity shares

Resolution type
Special; requires a 75% majority to pass
All shareholders can vote on the resolution

Applicable regulations
Section 62 of the Companies Act 2013
Regulations 28 and 29 of SEBI LODR

About the resolution
- 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. Such approvals are valid for a period of one year.

- Preferential issues made to select investors, including promoters, and can be completed within shorter timeframes. The floor price for such an equity infusion is calculated as per the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR).

IiAS Opinion or Guidance
IiAS believes companies periodically need to raise capital to support growth aspirations. However, IiAS will assess the impact of such capital raise on dilution for existing shareholders.

Disclosure expectations
Beyond the regulatory disclosure requirements, IiAS expects companies to disclose the following:
- Business case for raising funds, with specific needs, if any, including the rationale for not raising capital through a rights issue / public issue
- Details of the investor and it is a strategic or financial partner of the company
- Extent of dilution on the expanded capital base
- Current debt levels (standalone and consolidated), both short-term and long-term

When will IiAS support the resolution?
- IiAS will generally support equity raises by companies, especially those in the financial sector, since it provides growth capital.
- IiAS will support significant dilution levels in case of a preferential allotment when companies are in financial distress.

When will IiAS not support the resolution?
- There is a significant dilution of existing shareholders (more than 20%), without a business case for raising the capital.
- Any other instance that is prejudicial to the interests of minority shareholders.

6.3 Preferential issue of warrants

Resolution type
Special; requires a 75% majority to pass
All shareholders can vote on the resolution

Applicable regulations
Section 62 of the Companies Act 2013
Regulations 28 and 29 of SEBI LODR

About the resolution
- Warrants are financial instruments that give the holder the right to purchase a company's shares at a pre-determined price within a specific time frame.
- Companies tend to use warrants to raise equity when the need for funding is staggered. This can be when the company is undertaking capital expenditure and funding is required at achievement of milestones.

- Under Indian regulations, 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 Guidance or Opinion

- Warrants carry a risk of forfeiture. In case the investors decide not to pay up the remaining 75%, it could impact the company's capital raising plans.
- As an instrument, warrants allow the holders to ride the stock price.

Disclosure expectation

- The rationale for choosing a warrants issue, instead of a public issue or a preferential allotment.
- Where the warrants are being used for funding of capex or an acquisition, the company must provide details of such capex / acquisition.

When will IiAS support the resolution?

- Warrants are being issued to outside investors.
- The warrants are being issued to promoters and non-promoters, and the promoters' participation compensates for their equity dilution.
- The warrants are being issued towards a defined capex plan.
- The company is in financial distress and there is an urgent need for fund infusion.
- The promoters have a track record of subscribing fully to warrant issues.
- The warrants are issued to a government-controlled entity (in case of PSUs), or granted to an institution or listed company
- Made to technical collaborators, wherein the preferential allotment may be required to bring in technical expertise
- The warrants have more stringent contours, like accelerated exercise period (less than 18 months), or issue price at a significant premium to the market price, or the upfront payment is more than 25%.

When will IiAS not support the resolution?

- Since promoters are the ultimate insiders, we generally do not support the issue of warrants to promoters. We believe promoters must consider an equity infusion instead of using the warrants issue.

6.4 Issue of convertible instruments

Resolution type
Special; requires a 75% majority to pass
All shareholders can vote on the resolution

Applicable regulations
Sections 62 and 71 of the Companies Act 2013

About the resolution
Convertible securities are instruments which are convertible into equity shares of the company on a future date, at a predetermined price. Therefore, they are both debt-like and equity-like instruments.

IiAS Guidance or Opinion
- IiAS will analyse the instrument based on the substance of the transaction. In case the instrument predominantly satisfies conditions of equity, we will treat it as an equity issuance and if the instrument predominantly satisfies conditions of debt, we will treat it as a borrowing resolution.
- IiAS analysis will include, among other factors, an assessment of the company's capital structure and credit protection measures.

Disclosure expectations
- Details of the instruments, including any covenants
- Rationale for raising capital and using a convertible instrument

When will IiAS support the resolution?
- IiAS will generally support the resolution if the instrument is equity-like.
- IiAS will generally support the resolution if the instrument is debt-like, and credit protection measures are reasonable or the company has an investment grade credit rating.

When will IiAS not support the resolution?
- IiAS may not support the resolution if the instrument results in deterioration of credit protection measures or in case there is excessive dilution without a reasonable business case.

6.5 Shares with differential voting rights

Resolution type
Special; requires a 75% majority to pass
All shareholders can vote on the resolution

Applicable regulations
Section 48 of the Companies Act 2013

About the resolution
- As per Section 48 of the Companies Act 2013, the voting rights attached to any class of shares may be varied.
- Under SEBI LODR and SEBI ICDR, companies can issue shares with differential voting rights (DVRs).

IiAS Guidance or Opinion
In the interest of shareholder democracy, IiAS believes one share must carry one vote. IiAS does not support differential voting rights.

When will IiAS support the resolution?
IiAS may consider supporting the resolution if the company is in deep financial distress, and the shares with differential voting rights carry a sunset clause.

When will IiAS not support the resolution?
IiAS will generally not support the resolution since we believe in the one share one vote philosophy that underlines shareholder democracy.

6.6 Change in the use of IPO / FPO proceeds

Resolution type
Special; requires a 75% majority
All shareholders can vote on the resolution

Applicable regulations
Sections 13(8) and 27 of the Companies Act 2013
Regulation 32 of SEBI LODR

About the resolution
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). 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 Guidance or Opinion
Given the dynamic environment within which companies are required to operate, IiAS recognizes that there may be on-ground changes to the fund requirements of companies.

Disclosure requirements
The company must provide adequate disclosure regarding the use of IPO / FPO proceeds and the reason for it seeking approval for a change in the proceeds.

When will IiAS support the resolution?
IiAS will generally support the resolution if the company has provided sufficient justification for the need to change the use of IPO / FPO proceeds.

When will IiAS not support the resolution?
- If the rationale for the change in utilization of proceeds is not clearly mentioned.
- If the company proposes to use the proceeds for unrelated businesses that may pose a high business risk.

6.7 Issue of units by REITs and InVITs

Resolution type
Special; requires a 60% majority
All unitholders can vote on the resolution

Applicable regulations
Regulation 22 of SEBI (Infrastructure Investment Trusts) Regulations, 2014
Regulation 22 of SEBI (Real Estate Investment Trusts) Regulations, 2014

About the resolution
The resolution covers any subsequent issue of units by REITs and InVITs in the form of bonus, preferential allotments, QIP, follow-on public offer, rights issue, offer for sale and any other mechanism.

IiAS Guidance or Opinion
REITs and InVITs will need to issue units as they acquire more assets into the trust. This is the nature of the business.

Disclosure expectations
- List of allottees
- Type of investor

- Objects of the issue
- Extent of dilution
- Urgency of funds
- Debt levels and available cash

When will IiAS support the resolution?
IiAS will generally support the issue of units to acquire assets, unless we believe that the valuation for acquiring the assets is high.

When will IiAS not support the resolution?
- Valuation of assets to be acquired is high
- Dilution is high without a clear rationale for the same

7 DELISTING OF SHARES

Resolution type
Special | Votes cast by the public shareholders in favour of the resolution must be at least two times the number of votes cast against it
All shareholders can vote on the resolution

Applicable regulations
SEBI (Delisting of Equity shares) Regulations, 2021

About the resolution

(a) Voluntary delisting of shares

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) the 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) the 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) the company to seek in-principal approval of the stock exchange(s).

The delisting will take place through a reverse book-building process. The acquirer may 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.

(b) 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.

(c) Delisting by way of merger or amalgamation

The delisting regulations further provide for delisting of equity shares of a listed subsidiary company 'in the same line of business as the holding company' pursuant to a scheme of arrangement, without following a cumbersome voluntary delisting process including a reverse book-building process to determine the delisting price. This shall be permitted subject to the following conditions amongst others which include,

- the holding company shall provide for the issue of its equity shares in lieu of cancellation of any equity shares in the delisting subsidiary company
- upon such delisting becoming effective, the subsidiary company shall become a wholly owned subsidiary of the listed holding company
- e-voting from shareholders of both listed companies wherein votes cast by public shareholders of the listed subsidiary in favour of the proposal are at least two times the number of votes cast against it and the votes cast by the public shareholders of the holding company in favour of the proposal are more than the number of votes cast by the public shareholders against it

IiAS Guidance or Opinion

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.

When will IiAS support the resolution?

IiAS will generally support all delisting resolutions that are compliant with these regulations. Where the delisting process is being undertaken outside of the reverse book-building process, IiAS will recommend voting on a case-to-case basis. In doing so, we will assess whether minority shareholders are being protected and that valuations are fair.

When will IiAS not support the resolution?

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 not support the resolution.

8 RAISING DEBT

8.1 Increase in borrowing limits

Resolution type

- For InVITs | To increase borrowing limits from the regulatory thresholds, simple majority (Ordinary resolution) in case the aggregate consolidated borrowings and deferred payments of the InvIT exceed 25% of the value of the InvIT assets and by special majority (i.e., seventy-five per cent of the unitholders) in case it exceeds 49% of the value of the InvIT assets.
- For REITs | To increase borrowing limits from the regulatory thresholds, simple majority (Ordinary resolution) in case the aggregate consolidated borrowings and deferred payments of the REIT, net of cash and cash equivalents exceed 25% of the value of the REIT assets.
- For all others | Special; requires a 75% majority
- All shareholders can vote on the resolution

Applicable regulations

- Section 180(1)(c) of the Companies Act 2013
- Regulations 20 and 22 of SEBI (Infrastructure Investment Trusts) Regulations, 2014
- Regulation 20 of SEBI (Real Estate Investment Trusts) Regulations, 2014

About the resolution

- As per Section 180 (1) (c) of 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.
- An InvIT whose units are listed on a recognized stock exchange, may issue debt securities subject to regulations. The aggregate consolidated borrowings and deferred payments of the InvIT, net of cash and cash equivalents shall not exceed 70% of the value of the InvIT assets. Credit rating shall be obtained from a credit rating agency registered with SEBI.
- A REIT, whose units are listed on a recognized stock exchange, may issue debt securities subject to regulations. The aggregate consolidated borrowings and deferred payments of the REIT, net of cash and cash equivalents shall never exceed 49% of the value of the REIT assets. Credit rating shall be obtained from a credit rating agency registered with SEBI.

IiAS Guidance or Opinion

- 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.

- 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 banks, NBFCs and housing finance companies, the minimum capital adequacy levels stipulated by their regulators – RBI and NHB – rein overall debt levels.
- For REITs and InVITs, the regulation has prescribed limits for leverage.

Disclosure expectations

- 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);
- Purpose of raising the debt and planned usage
- Details regarding current outstanding debt (both long-term and short-term), and utilization levels of non-fund-based limits at both, standalone and consolidated levels
- Average cost of debt during the year
- 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
- Define a tenure (IiAS recommends a three-year period), following which the company will seek shareholder approval once again for their borrowing limits

When will IiAS support the resolution?

- For manufacturing and services companies, where there is a business case to increase borrowing limits, or where the increase in debt has limited implications for the overall credit protection measures.
- For financial services companies, where the capital adequacy levels are within the levels stipulated by RBI's BASEL III capital regulations.

When will IiAS not support the resolution?

- The 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;
- The borrowing limit is a rolling limit linked to net-worth or any other financial parameters.

8.2 Creation of charges or mortgage on assets

Resolution type
- Special; requires a simple majority
- All shareholders can vote on the resolution

Applicable regulations
Section 180(1)(a) of the Companies Act 2013

About the resolution
Companies need to seek approval of shareholders for creation of charge on their assets to ratify security creation on funds already borrowed in the past or for securing their future borrowings. We recognize that secured borrowings carry better terms than unsecured borrowings. We also recognize that companies may need to secure assets held in the holding company for raising debt in subsidiaries and vice-versa. However, we raise concern when the listed company's assets are being secured against debt raised in promoter-controlled entities.

IiAS Guidance or Opinion
IiAS recognizes that secured borrowings carry better terms than unsecured borrowings. We also recognize that companies may need to secure assets held in the holding company for raising debt in subsidiaries and vice-versa.

Disclosure expectations
- The quantum of debt against which the asset charge is expected to be created. This may be to the full extent of borrowing limits – but it needs to clearly articulated in the shareholder notice.
- The nature of the debt being supported – whether it is for debt raised by the company, its subsidiaries, or group companies and third parties.

When will IiAS support the resolution?
- IiAS will generally support the resolution since secured borrowings have better terms than unsecured borrowings. In instances where IiAS may not have supported an increase in borrowing limits, IiAS may continue to support the resolution of to approve the creation of charge on assets since such resolutions typically encompass charges against assets for borrowings already raised.
- IiAS will generally support a resolution to create a charge on assets of the company for debt raised in subsidiaries, if these subsidiaries are dependent upon the listed company for financial support.
- In rare instances, companies seek to create charges on assets of subsidiaries for the purpose of borrowings in the listed company or any other subsidiary of the listed company. IiAS will support such resolutions since there is no incremental impact on the consolidated financial statements of company.

When will IiAS not support the resolution?
IiAS will not support the resolution if it seeks to create charge on assets of the company and / or its subsidiaries for debt raised by promoter-controlled companies, associate companies, and/or any third party.

8.3 Issue of non-convertible debentures

Resolution type
- Special; requires 75% majority
- All shareholders can vote on the resolution
- Section 42 and 71 of the Companies Act 2013

About the resolution
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. The shareholder approval is valid for a period of one year. The NCDs to be issued may be within the borrowing limits or over and above the borrowing limits.

IiAS Guidance or Opinion
We recognize that capital market instruments can have better terms and are tradeable as compared to other sources of raising debt. While making our recommendations on this resolution, we will assess if the instruments are within borrowing limits. IiAS recognizes that the debt raised against the issue of NCDs may be used to refinance existing debt – therefore, our view on issuing NCDs may be de-linked from our view on the resolution to approve borrowing limits.

Disclosure expectations
- Size of the issue, covenants, and the expected coupon rate
- If the NCD is being issued within borrowing limits, or over and above the borrowing limits
- Usage of funds raised through the NCD route
- Current outstanding debt (long-term, short-term, and non-fund-based limits), both standalone and consolidated
- Current approved borrowing limits
- List of outstanding credit ratings

When will IiAS support the resolution?
- IiAS will generally support the resolution since the NCD is an instrument of raising debt. Our concern is generally with overall borrowing levels and is not specific to the issue of NCDs as an instrument.
- The NCDs are being used to refinance existing debt.

When will IiAS not support the resolution?

- Where the company is already over-leveraged and / or has a recent track record of debt defaults.
- Where the credit worthiness – reflected in outstanding credit ratings – is weak (sub-investment grade).

8.4 Fixed Deposit Programmes

Resolution type

Ordinary for taking deposits from member (shareholders); requires a simple majority
Special for taking deposits from public (non-shareholders); requires 75% majority
All shareholders can vote on the resolution
Sections 73 to 76 of the Companies Act 2013

About the resolution

Under Sections 42 and 71, companies can raise debt through a fixed deposit programme 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 reserves 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.

IiAS Guidance or Opinion

Fixed deposit programmes are usually unsecured. IiAS expects fixed deposit programmes to carry interest rates that are aligned to the company's credit risk profile.

Disclosure expectations

- Size of the fixed deposit programme
- Interest rates offered based on the tenure of the deposit
- Outstanding credit rating of the fixed deposit programme

When will IiAS support the resolution?

IiAS will generally 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.

When will IiAS not support the resolution?

IiAS may not support fixed deposit programmes if it believes retail investors carry a significant risk in investing in such programmes.

8.5 Issue of preference shares

Resolution type
Special; requires a 75% majority to pass
All shareholders can vote on the resolution

Applicable regulations
Sections 42, 55, and 62 of the Companies Act 2013
Regulations 49 - 62 of SEBI LODR

About the resolution
- An issue of preference shares must be authorized by passing a special resolution in the general meeting of the company as per Section 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.
- 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. 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.

IiAS Guidance of Opinion
IiAS considers preference shares to be in the nature of debt.

Disclosure expectations
IiAS expects the following disclosures in the shareholder notice:
- nature of preference shares (convertible or non-convertible, cumulative or non-cumulative)
- rate of dividend
- tenure
- objects of the issue

When will IiAS support the resolution?
IiAS will generally support the issue of preference shares in profit making companies with a dividend track record.

When will IiAS not support the resolution?
IiAS may not support preference share issuances if it believes investors, especially retail investors, carry a risk in investing in such instruments.

9 INTER-CORPORATE TRANSACTIONS

Resolution type
Special; requires a 75% majority to pass
All shareholders can vote on the resolution

Applicable regulations
Sections 185 and 186 of the Companies Act 2013

About the resolution
Inter-corporate transactions can be clubbed into the following categories: loans, corporate guarantees or loan securities, and investments. These are allowed under Sections 185 and 186 of the Companies Act 2013, subject to the approval of shareholders via a special majority.

Section 185	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: (a) 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. (b) a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan. (c) 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. (d) 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.*
Section 186	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.

IiAS Guidance or Opinion

- Transactions with companies with common directorships (including promoter entities) 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 limits to be sought and full disclosure of the terms of the transactions will be factored into IiAS' decision on such resolutions.
- Some companies have interpreted the regulation to also cover treasury investments – like mutual funds.

Disclosure expectations

- Headroom available under current limits
- Disclosures about the recipient parties – names, financial snapshots, credit ratings (if any) relationship with the company and / or the promoters
- Absolute level of limits proposed to be extended
- Business case for such transactions

When will IiAS support the resolution?

- The transactions are with subsidiaries;
- The financial support (loans, guarantees) being extended is in the ratio of shareholding (if not, the company must provide a business case for support in excess of shareholding levels)
- There is a strong business case to undertake such transactions.
- The company has confirmed that the inter-corporate transactions will not be undertaken with companies in which the promoters have shareholding or control.

When will IiAS not support the resolution?

- IiAS does not support rolling limits – those that are linked to the automatic limit under regulations. IiAS will expect companies to cap, in absolute levels, the quantum of inter-corporate transactions limits' approval they seek.
- Provision of loans and guarantees to promoter group companies without a strong business case
- Lack of a clear rationale for seeking an increase in limits especially when there is sufficient headroom available.

10 CONFLICT OF INTEREST | RELATED PARTY TRANSACTIONS

10.1 Related party transactions

Resolution type
Ordinary; requires a simple majority
Related parties cannot vote in favour of the resolution

Applicable regulations
Section 188 of the Companies Act 2013
Regulation 23 of SEBI LODR
Regulation 19 of the SEBI (Infrastructure Investment Trusts) Regulations, 2014
Regulation 19 of the SEBI (Real Estate Investment Trusts) Regulations, 2014

About the resolution

- The Companies Act 2013 sets rules for when companies must get shareholder approval for related party transactions (RPTs), depending on the type and size of the transaction.
- SEBI's Listing Obligations and Disclosure Requirements (LODR) regulations prescribe stricter limits for shareholder approval – the lower of Rs. 10.0 bn or 10% of the company's annual consolidated turnover.
- Shareholder approval is also required for any material modification to an already approved transaction, transactions between a company or its subsidiaries and any related party of the company or its subsidiaries, and transactions between the company and any person/entity that holds 20% or more of the company's shares.
- Certain corporate actions, like paying dividends, splitting or consolidating shares, rights or bonus issues, buy-backs, or accepting deposits by banks/NBFCs where the same terms apply to all shareholders or the public, are not considered RPTs.
- Some transactions are exempt from shareholder approval, such as transactions with and between wholly owned subsidiaries and transactions between government-owned entities.
- Interested or related parties are allowed to abstain from voting or vote against the resolution, but they cannot vote in favour of such transactions.
- Companies are required to publish a policy on related party transactions on their websites
- SEBI issued a circular in February 2025 introducing Industry Standards for the minimum information that must be provided to the Audit Committee and shareholders when seeking approval for RPTs. These standards have take effect from September 2025. This is in addition to the disclosure requirements under extant regulations.
- The threshold to seek unitholder approval in InVITs is if:
  (a) the total value of existing RPTs in a financial year w.r.t acquisition/sale of assets or investments in securities exceed 5% of InvIT's asset value;
  (b) borrowings from related parties exceed 5% of total borrowings.
- For REITs, the threshold to seek unitholder approval is :

(a) the total value of related party transactions in a financial year for acquisition or sale of properties or investments in securities exceed 10% of the REIT's asset value;
(b) borrowings from related parties exceed 10% of the total consolidated borrowings;
(c) with respect to any properties leased to related parties to the REIT, where: (i) lease area exceeds 20% of the total area of the underlying assets; (ii) value of assets under the lease exceeds 20% of the value of the total underlying assets; (iii) rental income obtained from leased assets exceeds 20% of the value of the rental income of all underlying assets.

IiAS Guidance or Opinion

- Given the nature of corporate India, IiAS recognizes that there are several operating transactions with related party that are critical to business continuity. Even so, IiAS will examine whether the business is purposefully structured to transfer a share of the profits to promoter-controlled entities – which will be driven by IiAS assessment of the dependency within the relationship of the counterparties to the transaction. IiAS will generally be wary of financial support being extended to related parties, unless there is a business case to justify the support and the support is being extended to the extent of shareholding. This wariness emanates from structures that are created so that only the listed companies' stakeholders bear downside risk, but promoters tend to benefit from the upside.
- IiAS will consider supporting related party transactions of a tenure of more than one year, if there are agreements supporting such transactions that are of a longer duration. 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. The shareholders in a company change over time, and these shareholders should get an opportunity to review and vote on proposals with fresh thinking.
- In seeking shareholder approvals, IiAS expects companies to seek approvals at a gross level. Therefore, purchase and sale transactions cannot be netted off against each other. Similarly, loans or ICDs extended and repaid must not be netted off against each other while setting the limit for related party transactions.
- Policies on related party transactions comprise material modification limits that allow the company to exceed shareholder approved limits by a pre-specified amount. In some cases, the material modification limit can be as high as 50%. In instances where the material modification limits are excessively high, the purpose of seeking shareholder approval is undermined. IiAS will factor in the material modifications limit while assessing related party transactions.

- 'Cash-pool' arrangements enable listed entities to place surplus funds into, or borrow from, a centralised treasury pool, frequently managed by a group holding company or a special purpose entity. While they can improve efficiency, they raise related-party-like concerns where the terms, counterparty risk, and safeguards for funds may not be transparent. IiAS will analyse such resolutions on a case-by-case basis. It will factor in counterparty credit quality, credit support provided by the group and clarity on terms of the support.
- For REITs and InVITs, the current business structure is fraught with conflict of interest, given that most of these trusts acquire assets from the sponsors who are also investment managers. The assets acquired under these trusts are unique and therefore, valuations may not have similar market comparables.

Disclosure expectations

(a) About the transaction:
- Size of the transactions and the period for which the approval is being sought. For operational transactions in banks (treasury or CASA) we recognize that the bank may not be able to cap the size of the transactions.
- Nature of transactions with specific disclosures on operational transactions and financial support. We recognize that companies may need some flexibility and therefore build-in *other transactions* into the description for nature of transactions: in such circumstances, we expect companies to cap the amount of such *other transactions*.
- In case of financial support, the terms of support (including covenants) and whether these are in the ratio of shareholding. We also expect the company to disclose a business case for extending financial support.
- Arm's length pricing – whether other terms of the transaction (credit terms, financial terms, and others) are also comparable to other market transactions
- Method of arriving at pricing – whether there was a competitive bidding process, or it was mapped against external market quotations.
- Valuation report, depending upon the nature of transactions and wherever applicable.
- Transactions undertaken with the same counterparty for the past three years

(b) About the counterparty:
- Nature of the relationship with the related party – basis of connection between the two entities, including the shareholding structure
- Past three years' financial profile of the counterparty – including critical performance and balance sheet statistics
- Size of the proposed transaction in the context of the counterparty's size

When will IiAS support the resolution?
- All operating transactions at arm's length pricing, unless we believe the business adjacencies have been created to transfer profits to promoter-controlled entities.
- All transactions with wholly-owned subsidiaries and transactions between wholly-owned subsidiaries.
- All operating transactions with subsidiaries (even if these are not wholly-owned) and transactions between subsidiaries.

- Financial support to group companies if it is in the ratio of shareholding, except where the residual shareholder is a financial investor or government authority
- Equity investments in group companies, unless these are being made to support promoter-controlled entities.

When will IiAS not support the resolution?

- Disclosures are not sufficient to make an informed decision
- The transactions are not on arm's length basis – not just in terms of price but also other terms of the transaction – or it cannot be ascertained that transactions are on arm's length basis
- The business adjacencies are not justifiable – these are inherently captive units or dependent upon the listed company for business and profitability
- The transaction is prejudicial to the interest of minority shareholders, or favours one set of shareholders at the cost of another.
- The size of the proposed transaction is significantly higher than the transactions undertaken in the past, and there is no explanation for seeking an approval for a higher limit
- The company is in breach of regulations by seeking post-facto shareholder approval or where approval is being sought closer to the end of the fiscal year.
- When the company adopts a net approach for seeking RPT approval (e.g., net positions for giving and receiving ICDs). IiAS expects the limits sought to be gross in nature, in line with commonly accepted market practices.
- If multiple related party transactions are clubbed, IiAS may recommend voting against the entire resolution if it does not support even one component.
- If the related party transactions policy of the company carries a material modification limit that allows the transaction values to exceed the shareholder approved limit by a significant amount
- Where the valuation report is dated after the acquisition has been completed (this is an observation by SEBI while undertaking audits for REITs and InVITs)

10.2 Royalty payments

Resolution type

Ordinary; but requires a majority of minority approval
Related parties (promoters) cannot vote on the resolution

Applicable regulations

Regulation 23(1A) of SEBI LODR

About the resolution

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 Guidance or Opinion

- When companies benefit from a strong brand, royalty payments are a legitimate expense—provided the brand has been developed by the parent entity, whether global or domestic. The key question, however, is determining the appropriate amount. In recent years, royalty payments by multinational corporations have moderated, with better alignment to revenues and profits at the market level. Nevertheless, inefficiencies persist. For promoter-controlled entities that own the brand and charge royalty fees, our evaluation follows a first-principles approach: Should the promoter-controlled entity hold ownership of the brand at all? If so, what tangible contributions has it made toward brand development? Where the brand has been cultivated by the listed company itself—measured through branding, advertising, and marketing expenditures over time—the justification for paying royalties becomes considerably weaker.
- IiAS recognizes the need to link royalty payouts to revenues. We recommend companies also cap the amount of royalties being paid out as a percentage of pre-tax profits. This will ensure that in a year of margin pressures or poor performance, the royalty levels are contained and do not exacerbate the already depressed profit margins.
- IiAS assessment of royalty payouts may include a comparison with the level of dividend payouts. IiAS may raise concern in companies that pay little dividend as compared to the absolute level of royalty being paid out.

Disclosure expectations

(a) For MNCs seeking approval to pay royalties to their parent / group companies
  - A cap on the level of royalty being paid, as a share of revenues and profits
  - Benchmarking of the royalty rates within the group and disclosure of comparable markets against which the increase has been pegged.
  - Commitment from the parent towards product portfolio expansion (and not mere disclosure of the product pipeline) over the tenure of the proposed increase in royalty rates.
  - Rationale for the proposed increase, how long the proposed increase in rates will be held for - or if investors must expect a further step-up subsequently.
  - Maximum royalty rates charged by the parent company in any of its geographies

(b) For promoter-led companies that propose to pay royalties to group or holding companies
  - Rationale for the brand to be housed with the promoter company
  - A cap on the level of royalty being paid, as a share of revenues and profits
  - Clarity on whether other companies of the group using the brand are also being charged such fees and the rate at which these are being charged.
  - Brand building spends of the promoter-controlled company that justify charging royalty

When will IiAS support the resolution?

- IiAS will support the resolution if there is a business case to pay more than 5% of revenues as royalties to the parent company. This will include the company being able to display margins that are higher than peers. IiAS will also expects the

company's margins to be able to absorb the higher royalty rates and there a minimal impact on the company's earnings per share.
- The terms of the royalty payments are capped as a share of pre-tax profits.

When will IiAS not support the resolution?
- The level of royalty exceeds 5% of revenues but is uncapped. There is no disclosure on how much more than 5% is expected to be charged.
- The business case for promoter-controlled entities owning the brand is weak.
- Brand development expenses and / or advertising expenses of the listed company are significantly higher than the spends of the brand-owner
- Benchmarking of the royalty rates have not been disclosed

10.3 Office of profit positions

Resolution type
Ordinary; but requires a majority of minority approval
Related parties (promoters) cannot vote on the resolution

Applicable regulations
Section 188 of the Companies Act 2013

About the resolution
Under the Companies Act, 2013, a related party's appointment to any office or place of profit in the company, its subsidiary or associate 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 Guidance or Opinion
- IiAS believes the next generation of promoters entering the business at an employee level is a good starting point for succession planning – a model followed by several business houses in the past. Learning the ropes of the business and gaining experience is essential, if there is a subsequent plan for succession to leadership. Therefore, in principle, IiAS supports such positions.
- Members of the promoter family, when they join the ranks, must be treated in line with other professionals – and therefore, their education and prior work experience must be sole drivers of their role, designation and remuneration. In assessing the resolutions seeking approval for appointments and remuneration of office of profit positions, IiAS will expect companies to disclose their internal benchmarking with respect to qualification and work experience. In the absence of such disclosures, IiAS will attempt to use publicly available information of employees within the company for comparability and benchmarking and formulate its voting recommendation accordingly.

- IiAS expects companies to seek periodic shareholder approvals for office of profit positions. Therefore, either the resolution carries a specific term following which shareholder approval will be sought, or the proposed remuneration is capped to a definite amount.

Disclosure expectations

- Candidates age, qualifications, and work experience (both, within and outside the company, with sufficient details to understand the quality of experience)
- Proposed roles and responsibilities of the position the candidate is expected to handle
- Proposed remuneration structure – with details of the fixed and variable pay. In case the remuneration structure includes a fixed annual increase in fixed pay, the company must confirm if such fixed increases have been afforded to other employees as well.
- The comparability of remuneration across peers
- The definition of the peer group based on experience, skill and remuneration levels

When will IiAS support the resolution?

IiAS will support the resolution if the candidate seeking appointment is reasonably qualified and fits the role, designation, and remuneration from an internal benchmarking perspective.

When will IiAS not support the resolution?

- There is not sufficient information to make an informed decision
- The proposed remuneration (as carried in the resolution) is in perpetuity and shareholders will not have an opportunity to periodically review it
- The role, designation, and / or remuneration do not benchmark internally

11 SALE OF ASSETS / SLUMP SALE

Resolution type
Special; requires a 75% majority to pass | Majority of minority
All shareholders can vote.

Applicable regulations
Section 180(1)(a) of the Companies Act 2013
Regulations 24(5) and 24(6) of SEBI LODR

About the resolution
- As per Section 180(1)(a) of the Act, a company cannot sell, lease, or dispose of any of its undertaking, or substantially the whole of any undertaking, without getting prior approval from shareholders through a special resolution. SEBI regulations require the proposal to be additionally approved by majority of public/minority shareholders.
- Under Regulation 24(5) of the SEBI (LODR), a company cannot dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution.
- 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.
- 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.
- 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.

IiAS Guidance or Observations
- 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, companies must provide a strong business case for the sale, including the strategic rationale, financial impact and valuation metrics.
- Companies must disclose how they propose to use the sale proceeds. In the absence of any definitive plans, companies must consider distributing the proceeds to shareholders.

Disclosure expectations
- Business case for the slump sale
- Financial impact of the sale of the business

- Past three years' financial performance of the business being sold
- Valuation report and comparability with similar transactions in the recent past
- Consideration and mode of receipt of consideration
- Use of sale proceeds

When will IiAS support the resolution?

- IiAS will generally support the resolution if there is a compelling business case and the valuation is within an acceptable comparable range.
- The transaction is not prejudicial to the interests of minority shareholders.

When will IiAS not support the resolution?

- The disclosures are not sufficient to make an informed decision.
- The valuation is high compared to peers, or the basis of valuation is unclear
- The business case for the transaction is weak
- The transaction is prejudicial to the interests of minority shareholders
- The use of proceeds is unclear and past track record of the company / promoter group suggests that the proceeds may not be distributed to shareholders

12 SCHEMES OF ARRANGEMENT

Resolution type
Special; requires a 75% majority to pass | All shareholders can vote.
Majority of minority vote if the scheme involves promoter entities

Applicable regulations
Sections 230-234 of the Companies Act 2013
Regulations 11 and 37 of SEBI LODR

About the resolution
Schemes of arrangement for a company refer to the following:
1) Reorganization of the company's share capital
2) Compromise between a company and its creditors or any class of them (corporate debt restructuring)
3) 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. The NCLT 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.

IiAS Guidance or Opinion
- IiAS will view all such resolutions on a case-to-case basis, since each transaction is unique. IiAS will focus on the business case for the transaction and valuations at which the transaction is taking place. In case of transactions with third parties, valuation concerns are limited as compared to transactions with promoter-controlled companies, largely on account of the conflict of interest.
- In several instances, transaction structures incorporate special rights for certain stakeholders. These may include considerations for non-compete agreements, rights to board seats—either permanent or with minimal shareholding thresholds—protection against dilution, and other privileges. While IiAS acknowledges that such rights may arise as part of deal negotiations, we expect them to be presented separately to shareholders for a vote, rather than bundled into a single all-encompassing resolution. While companies may contend that NCLT-approved schemes bundle transactions with additional rights or provisions, IiAS expects that shareholder approval for the transaction and the special rights will be sought separately.
- 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.

Disclosure expectations

- Business case for the transaction
- Past three years' financial performance of the business being acquired, where applicable (including critical balance sheet items)
- Valuation reports and the basis of valuation – including, if necessary, comparability to similar transactions that have taken place in the recent past
- Dilution of stake and changes in shareholding pattern on account of the transaction
- Mode of payment of consideration

When will IiAS support the resolution?

IiAS will generally support transactions that are in the long-term interests of the company's stakeholders and valuations are within acceptable market multiples.

When will IiAS not support the resolution?

- The available disclosures are not sufficient for stakeholders to make an informed decision.
- Valuations are not comparable to market multiples or cannot be independently justified.
- The business case for the transaction is weak.
- Where the special rights are disproportionate, lack a clear rationale, or may be prejudicial to public shareholders – and such special rights outweigh the overall benefits of the scheme over the longer term.
- The transaction is one-sided, where one set of shareholders gain at the expense of another set of shareholders.

13 CHANGE IN PROMOTER GROUPS AND SPONSORS

13.1 Reclassification of promoters

Resolution type
Ordinary; requires a simple majority
Promoter(s) seeking reclassification and persons related shall not vote to approve the reclassification request.

Applicable regulations
Regulation 31A of SEBI LODR

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

- promoters seeking re-classification should make a request to the company
- the board must analyse such a request and place it before the shareholders along with the board's view on the same
- the company should obtain shareholder approval in a general meeting
- promoter seeking reclassification along with persons related thereto should:
  - not hold more than 10% of the voting rights in the company, and must continue to stay within this limit
  - not directly or indirectly, exercise control, over the affairs of the entity, and this condition must persist
  - not have special rights under any formal/informal arrangements, and this condition must persist
  - not be represented on the board (including having a nominee director), and this condition must persist for at least three years from the reclassification
  - not act as KMP in the company, and this condition must persist for at least three years from the reclassification
  - not be categorised as a "wilful defaulter" under RBI guidelines
  - not be a fugitive economic offender
- 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

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

IiAS Guidance or Opinion
IiAS will recommend voting on such resolutions on a case-to-case basis. IiAS believes that promoters should abide by the spirit of the regulation in cases of re-classification. IiAS will also consider the shareholding of the applicants when forming its recommendation.

Disclosure expectations
- Relationship of the continuing promoters with the outgoing promoters
- Shareholding details of the promoters proposed to be reclassified, including current and post-reclassification holding
- Detailed reasons for seeking reclassification, including whether it is part of a broader family or group separation
- Confirmation that all regulatory conditions have been complied with

When will IiAS support the resolution?
- The reclassification is a result of a takeover, change in ownership, restructuring of shareholding, or an open offer
- The reclassification follows a family separation, and the outgoing promoters are not expected to retain or exercise any form of management control
- The promoter seeking reclassification has not served as a director or key managerial personnel for at least one year and does not maintain any close relationship with the continuing promoters.

When will IiAS not support the resolution?
- Subsequent associations with the outgoing promoters - Where individuals closely related to the promoter seeking reclassification (e.g., a spouse, sibling, or child) continue to hold key roles in the company, such as being on the board or serving in a managerial capacity. IiAS considers such associations indicative of the promoter's ongoing proximity to the company's operations and raises concerns about potential sharing of relevant market information.
- Perceived ongoing influence: If any indirect association with the continuing promoters suggest that the applicants continue to exercise significant influence or control, either directly or indirectly, over the company's affairs.
- Non-compliance with regulatory intent: If the promoters appear to be using reclassification as a formality without genuinely distancing themselves from control or involvement, thereby defeating the spirit of the regulation.

13.2 Change of sponsors in REITs and InVITs

Resolution type
Special; requires a 75% majority
All unitholders, excluding those related to the transaction, can vote on the resolution

Applicable regulations
Regulation 22(7) of SEBI (Infrastructure Investment Trusts) Regulations, 2014

Regulation 22(8) of SEBI (Real Estate Investment Trusts) Regulations, 2014

About the resolution

- As per Regulation 22(8) of SEBI REIT Regulations, prior approval from seventy-five per cent unit holders by value (excluding the value of units held by parties related to the transaction) is required, in case of:
  a) change in sponsor or inducted sponsor or
  b) change in control of sponsor or change in control of inducted sponsor
  c) conversion to a self-sponsored Investment Manager

  Where the requisite approval is not received, the proposed/inducted sponsor/investment manager shall provide an exit opportunity to dissenting unit holders by buying their units in the manner specified by SEBI. If on account of such sale, the number of unit holders forming part of the public falls below regulatory limits and this is not rectified by the manager within one year (on the request of the trustee), the manager shall apply for delisting of the units of the REIT.
- As per InvIT Regulation 22(7), prior approval from seventy-five per cent unit holders by value (excluding the value of units held by parties related to the transaction) is required in case of:
  a) change in sponsor or inducted sponsor or
  b) change in control of sponsor or change in control of inducted sponsor
  c) conversion to a self-sponsored Investment Manager

  Where the requisite approval is not received, the proposed/inducted sponsor/investment manager shall provide an exit opportunity to dissenting unit holders by buying their units in the manner specified by SEBI.
- Declassification of a sponsor can be achieved if the Trust obtains approval of at least 75% (by value) of the unitholders (excluding related parties). In cases where there is more than one sponsor, one of the sponsors may exit by obtaining unitholder approval. In cases where there is only one sponsor, such sponsor may exit only by obtaining unitholder approval and ensuring that
  (i) the Trust migrates to a self-sponsored investment manager; or
  (ii) the Trust inducts a new sponsor.

Disclosure expectations

- Rationale for changing the sponsors along with the details of the new sponsors.
- Operating plan subsequent to the declassification of sponsors

When will IiAS support the resolution?

IiAS will generally support the resolution if it does not have a prejudicial impact for minority unitholders.

When will IiAS not support the resolution?

- Where there are concerns over operating continuity
- The resolution does not meet the regulatory standard
- The resolution is prejudicial to the interest of minority unitholders.

14 ALTERATION TO CHARTER DOCUMENTS

14.1 Alteration of the Memorandum of Association (MoA)

Resolution type
Ordinary; requires a simple majority
All shareholders can vote on the resolution

Applicable regulations
Sections 13 and 61 of the Companies Act 2013
Regulation 45 of SEBI LODR

About the resolution
Under Section 13 of the Companies Act, 2013, a change in the Memorandum of Association (MoA) requires approval of shareholders. The typical amendments sought are the following:

a) **Change in company's name:**
Companies are required to seek shareholder approval for change in name under Regulation 45 of SEBI LODR. IiAS will generally support change in the company's name, unless we believe the change in name is misleading to investors with respect to the company's main business.

b) **Change in Registered Office:**
IiAS will generally support a change in the company's registered office. Notwithstanding, 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.

c) **Change in Objects for which the company is incorporated:**
IiAS will generally recommend voting FOR changes to the Objects Clause in the MoA. IiAS believes it is the board's and management's prerogative to decide on business diversification. IiAS may however, flag changes in the Objects Clause where the company seeks to undertake business or geographical diversification, significantly different from its current business/area of operation.

d) **Liability of members – whether limited or unlimited:**
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.

e) Change in Capital structure:

Companies can change their capital structure under Section 61 of the Companies Act 2013. IiAS will generally support resolutions proposing to increase/decrease the authorized share capital. IiAS believes that companies may require alteration to the MoA in most cases for operational reasons.

f) Sub-division of shares

- Companies may decide to do a stock split to improve liquidity and make their shares more affordable.
- As per the Revised Guidelines on Capital Restructuring of CPSEs published in 2024, a listed CPSE where market price exceeds 150 times of its face value consistently for the last six months may consider split-off its shares. There should also be a cooling off period of at least three years between two successive share splits.

Disclosure expectations

- IiAS expects companies to disclose the Memorandum of Association and the Articles of Association, when seeking approval to amend them. At the very least, the exact Clause or Article being amended must be disclosed in the meeting notice or the company's website.
- If companies require shareholders to visit the registered office to inspect the Memorandum of Association (MoA) or Articles of Association (AoA), IiAS may not support the resolution. This is because physical-only access is inconvenient and limits shareholder transparency. IiAS expects companies to provide digital access to these documents for easier and wider accessibility.

When will IiAS support the resolution?

IiAS will generally support amendments to the MoA, since these are usually administrative in nature and do not impact shareholder rights.

When will IiAS not support the resolution?

In rare instances, IiAS may not support proposals to shift the registered office if there is reason to believe that the shift will cause significant inconvenience to shareholders.

14.2 Alteration of the Articles of Association (AoA)

Resolution type

Special; requires a 75% majority
All shareholders can vote on the resolution
Sections 14 and 20 of the Companies Act 2013

About the resolution

- Section 14 of the Companies Act, 2014, deals with changes in the Articles of Association (AoA), including special rights to controlling shareholders or investors.

- Alterations to the Capital Clause of the AoA requires approval under Section 61 while incorporating a clause to charge shareholders for sending documents in a particular format is included under Section 20 of the Companies Act, 2013.
- When a company seeks to change its name, approval is required under Regulation 45 of SEBI's LODR.

The typical amendments sought are the following:

a) Board nomination rights:
IiAS generally supports board nomination rights for controlling shareholders and strategic investors, provided they meet a reasonable minimum shareholding threshold. IiAS expects these rights—including board nominations and other special privileges—to diminish in proportion to declining shareholding levels. If board nomination rights are granted with less than 10% shareholding or without a defined threshold, IiAS will typically not support such provisions. For banks regulated by RBI, IiAS will support board nomination rights at a 5% shareholding, since RBI classifies a 5% shareholder as a major shareholder.

b) Committee nomination rights to investors based on shareholding thresholds:
IiAS will generally recommend voting AGAINST clauses which allow committee nomination rights to investors, irrespective of an embedded minimum shareholding threshold – since IiAS believes committee composition is the board's decision. Embedding such rights into the AoA limits the board's ability to create independent board committees.

c) Quorum rights
IiAS will not support quorum rights for board meetings and / or board committee meetings – independent of minimum shareholding thresholds. Quorum rights allow a set of shareholders to disrupt governance structures and interrupt the smooth functioning of the company.

d) Non-rotational board seat:
IiAS will raise concern on non-rotational board seats for non-executive non-independent directors or any other right which grants permanent directorship status to any individual. The new SEBI regulations effective 1 April 2024 provide sufficient guardrails on the issue of board permanency – since all directors need to be reappointed at least once every five years.

e) 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.

f) Requirement of specific individual(s) to form quorum for board or general meetings:
This provision may be used as a tactic to delay or cancel critical meetings. IiAS generally does not support such clauses.

g) 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.

h) 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 may raise concerns over 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.

i) Specifying names of directors in the AoA:
Some companies articulate names of specific individuals in the AoA as Directors or Chairperson of the board. IiAS does not support the practice of naming specific individuals as Directors, in the AoA. IiAS may make an exception if there is a qualifying shareholding threshold.

Disclosure expectation

- IiAS expects companies to disclose the Memorandum of Association and the Articles of Association, when seeking approval to amend them. At the very least, the exact Clause or Article being amended must be disclosed in the meeting notice or the company's website.
- If companies require shareholders to visit the registered office to inspect the Memorandum of Association (MoA) or Articles of Association (AoA), IiAS may not support the resolution. This is because physical-only access is inconvenient and limits shareholder transparency. IiAS expects companies to provide digital access to these documents for easier and wider accessibility.

When will IiAS support the resolution?

- The changes are administrative in nature and IiAS believes they do not affect minority shareholder rights
- When the board nomination rights to controlling shareholders or strategic investors are linked to a specific shareholding threshold (at least 10% for companies and at least 5% for banks)

When will IiAS not support the resolution?

- When the board nomination rights to controlling shareholders or strategic investors are not linked to a specific shareholding threshold, or the threshold is under 10% (under 5% for banks)
- Committee nomination rights or quorum rights are embedded in the AoA
- Veto power on board decisions are extended to a set of shareholders
- Certain directors are given rights to appoint the risk head, internal or statutory auditors
- Specific individuals are identified as directors in the AoA

14.3 Changes to the Investment Management Agreement for REITs and InVITs

Resolution type
Special; requires a 60% majority
All unitholders can vote on the resolution

Applicable regulations
Regulation 22 of SEBI (Infrastructure Investment Trusts) Regulations, 2014
Regulation 22(6) of SEBI (Real Estate Investment Trusts) Regulations, 2014

About the resolution
Changes to the investment management agreement typically relate to change in management fees, changes to the number of appointees (board members, observers) to the board of the investment manager, and changes to the Investment Management Agreement itself.

IiAS Guidance or Opinion
- SEBI has raised concerns that members external to committees are attending committee meetings, which may impact confidentiality and integrity of discussion. Therefore, IiAS will factor this observation into its voting recommendations for resolution seeking to increase the number of appointees to the board of the investment manager.
- On increases in management fees, IiAS will expect the trusts to link the amount of fees charged to the assets under management.
- For all other changes to the investment management agreement, IiAS will evaluate based on the specifics of the resolution and context of the changes.

When will IiAS support the resolution?
The nature of changes to the Investments Management Agreement may vary. Therefore, IiAS will base its recommendations on whether such changes are detrimental to the minority unitholders.

When will IiAS not support the resolution?
The nature of changes to the Investments Management Agreement may vary. Therefore, IiAS will base its recommendations on whether such changes are detrimental to the minority unitholders.

15 OTHERS

15.1 Capital reduction

Resolution type
Special; requires 75% majority
All shareholders can vote on the resolution

Applicable regulations
Section 66 of the Companies Act, 2013

About the resolution
A company may, by a special resolution and subject to confirmation by the Tribunal, reduce its share capital in any manner and in, particular, may,
(a) extinguish or reduce the liability on any of its shares in respect of the share capital not paid-up; or
(b) either with or without extinguishing or reducing liability on any of its shares -
    (i) cancel any paid-up share capital which is lost or is unrepresented by available assets or
    (ii) pay off any paid-up share capital which is in excess of the wants of the company.
And alter its memorandum by reducing the amount of its share capital and of its shares accordingly.

IiAS Guidance or Opinion
IiAS will recommend voting on such resolutions on a case-to-case basis. IiAS will consider the following while analyzing the resolution:
- Reason, quantum and manner of reduction of capital
- Valuation aspects
- Impact on minority shareholders
- Capital Structure - Pre and Post reduction of capital
- Financial outgo and operational impact

15.2 Migration to the Main Board from the SME platform

Resolution type
Special; requires a 2/3rd majority
All shareholders can vote on the resolution

Applicable regulations
SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

About the resolution
A company which has its securities listed on an SME exchange may migrate its securities to the Main Board subject to the following conditions:
- The securities of the company have been listed and traded on the SME Platform for at least 2 years

- The post issue face value capital of the company is more than Rs. 10 crores upto Rs. 25 crores
- The company fulfils the eligibility criteria for listing laid down by the Main Board

IiAS Guidance or Opinion
Since companies need to fulfil a pre-defined eligibility criterion, IiAS will generally support such resolution where it believes that the migration will help increase participation by retail investors and is expected to increase the liquidity of shares.

15.3 Charitable contributions and donations

Resolution type
Ordinary resolution; requires a simple majority
All shareholders can vote on the resolution

Applicable regulations
Section 181 of the Companies Act 2013

About the resolution
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 is required for contributions to exceed the 5% threshold.

IiAS Guidance or Opinion
IiAS understands that companies can spend 5% of the average three-year profits in charitable contributions without shareholder approval. Over and above this, companies are required to spend 2% of the average 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.

Disclosure expectations
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.

When will IiAS support the resolution?
IiAS may make support the resolution 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 have dipped.

When will IiAS not support the resolution?
IiAS will generally not support charitable donations beyond 5% of average net profits. Additionally, 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.

16 LEGEND

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.

Indicator	Denotes	Description
G	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.
T	Weak transparency	Indicates lack of adequate disclosures supporting the resolution. Investors are advised to seek further clarifications from the company to make a more informed decision.
T	Good transparency	Indicates that the disclosures on the resolution are significantly superior to other similar resolutions. IiAS encourages other companies to emulate such disclosure levels. Resolutions marked with this symbol will be displayed as "*benchmark resolutions*" in our web-based platform www.iiasadrian.com
I	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.
F	Financial Impact	This symbol is used for resolutions which, as per IiAS, will have a negative impact on the company's financials.
V	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.
R	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.
	Engagement with the company	This icon is used for resolutions where IiAS believes that the shareholders should engage with the company.

Regulations allow companies to respond to our report within a stipulated timeline. Based on the company responses, IiAS may revise its report and may (or may not) change its voting recommendations. The decision to revise our report will be based on incremental information or context provided by the company, either in response to our report or through a filing on the stock exchanges. In case we decide to revise our report, the following denotations may be used in the revised report:

REVISED	IiAS has revised its voting recommendations on a particular resolution.
MODIFIED	IiAS has revised its commentary or rationale on voting recommendations for a particular resolution, but there is no change in the voting recommendation itself.
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

These voting guidelines outline IiAS' views on the various items that are put to shareholders to vote. It is not intended to be exhaustive and does not address all voting resolutions/issues. This document is provided for assistance only and is not intended to be and must not be taken as the basis for any voting or investment decision or construed as legal opinion/advice. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of the individual resolutions referred to in this document (including the merits and risks involved). IiAS shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this document. The discussions or views expressed may not be suitable for all investors. This information is subject to change without any prior notice. IiAS reserves the right to make modifications and alterations to this document as may be required from time to time; IiAS' Voting Guidelines are reviewed and updated on an annual basis. In this version of the voting guidelines, we have attempted to capture the regulatory changes till 1 April 2024. However, IiAS is under no obligation to update or keep the information current. Nevertheless, IiAS is committed to providing independent and transparent voting recommendations to its clients and would be happy to provide any information in response to specific queries. Neither IiAS nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this document. The distribution of this document in certain jurisdictions may be restricted by law, and persons in possession of this document, should inform themselves about and observe, any such restrictions; IiAS shall not be responsible for the same. All information contained in this document including data, text, graphs, layout, design, original artwork, concepts and other Intellectual Properties, remain the sole property and copyright of IiAS and may not be used in any form or for any purpose whatsoever by any party without the express written permission of IiAS. Regulatory disclosures, wherever applicable, shall form a part of IiAS' voting recommendations and/or made available on IiAS' website.

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 developments, as well as voting recommendations on shareholder resolutions for about 1200 companies that account for over 96% of market capitalization.

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

IiAS together 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 and its subsidiary IiAS Sustainability Solutions Private Limited (IiAS Sustain) is registered with SEBI as a Category - II "ESG Ratings Provider". 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 is a signatory to the UNPRI and has issued Second Party Opinions on green bonds.

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 Limited.

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

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