

Independent Director remuneration in India Beyond the headlines

About the Deloitte Nifty50 Independent Director (ID) remuneration analysis: 2024

- **Scope of the study:** In this document, Deloitte has analysed independent and Non-Independent Director (NID) pay trends in India over the last five years (FY2018–19, FY2022–23 and FY2023–24). Directors who were on the board for part of the year have been excluded from the analysis.
- **Source of data:** Public disclosures (Annual reports) and Deloitte analysis
- **Sample for the study:** Nifty50 companies (as of 26 August 2024) excluding PSUs (N=44)
- **Definition:**
 - **Sitting fee:** Amount paid for attending board and committee meetings
 - **Commission:** Amount paid to directors as applicable
 - **Pay-mix:** Percent of sitting fee and commission in the total remuneration paid to an ID
- **Analysis includes the following**
 - Board composition
 - ID remuneration
 - ID pay-mix
 - NID remuneration
 - NID pay-mix
 - Sitting fees policy
 - Commission policy
- The remuneration figures for Directors represent the average of Directors' mean remuneration in a company, computed across the Nifty50 companies.
- Directors, wherever used, include IDs and NIDs.

**PSUs excluded—Bharat Petroleum Corporation Ltd., Coal India Ltd., NTPC Ltd., Oil & Natural Gas Corporation Ltd., Power Grid Corporation of India Ltd., and SBI.*

Key highlights from the NIFTY50 Independent Director remuneration study: 2024

The board's composition of Independent Directors (IDs), Executive Director (EDs) and Non-Independent Directors (NIDs) in Nifty50 companies has remained largely unchanged over the past five years.

In 2024, female Directors represent 22 percent of the board in Nifty50 companies, steadily rising from 18 percent in 2019. Due to increased responsibility on the board, the remuneration of female IDs has also grown faster than male IDs over the last five years.

IDs in Financial Services (FS) companies saw the highest increase in remuneration than other sectors in 2024, although it remained the lowest overall.

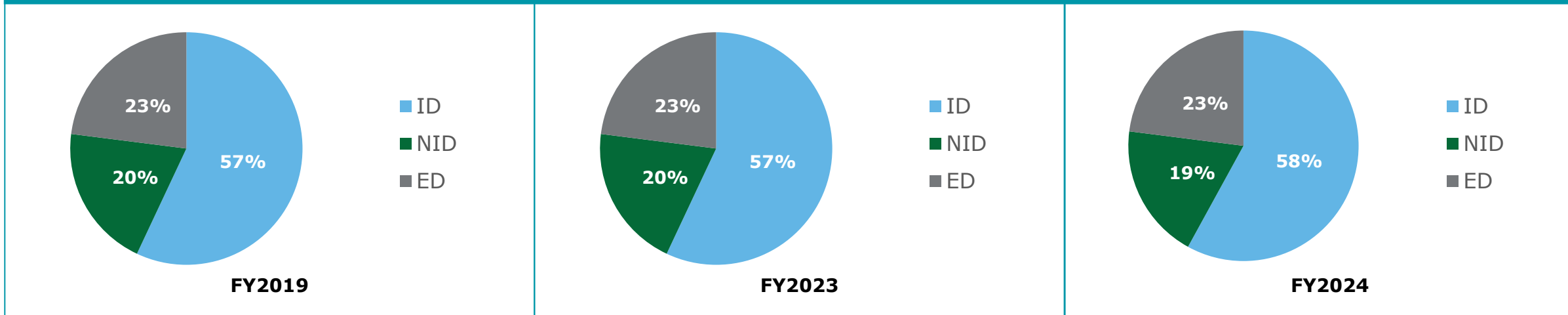
Remuneration for promoter NIDs has decreased by 20 percent in the last five years. However, the promoter NIDs still earn 50 percent more than IDs.

All IT companies differentiate commissions for IDs, while most FS companies pay the same commission.

The median sitting fee for most committees saw an increase in FY24 compared with FY23.

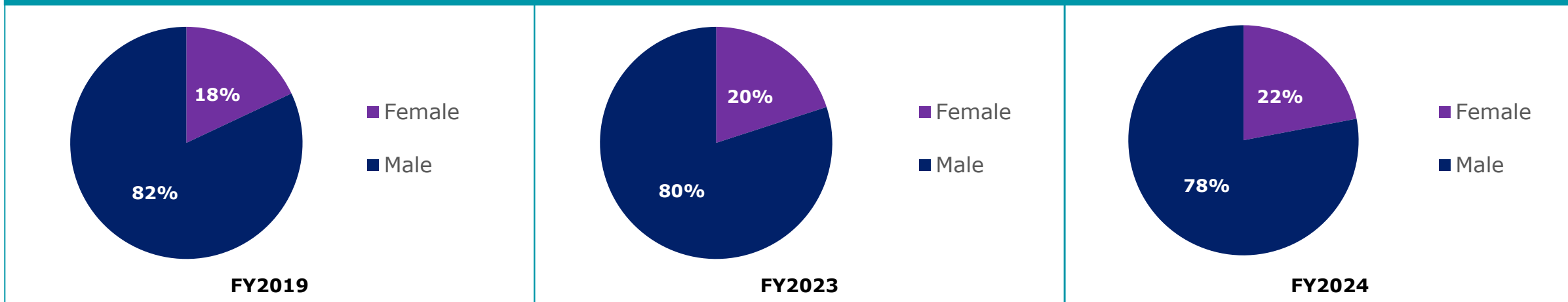
Nifty50 companies' board consists of 11 members with six IDs, three EDs and two NIDs on average

The board's composition of IDs, EDs and NIDs has remained largely the same over the past five years



Percent of Directors who were active on the board at the end of FY2023–24

In 2024, female Directors represent 22 percent of the board in Nifty50 companies, steadily rising from 18 percent in 2019

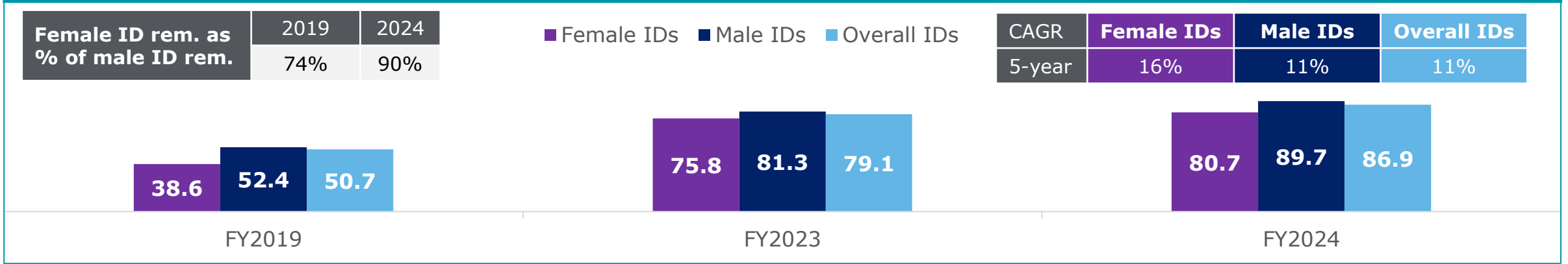


Percent of Directors who were active on the board at the end of FY2023–24

Remuneration of female IDs has grown faster than male IDs over the last five years

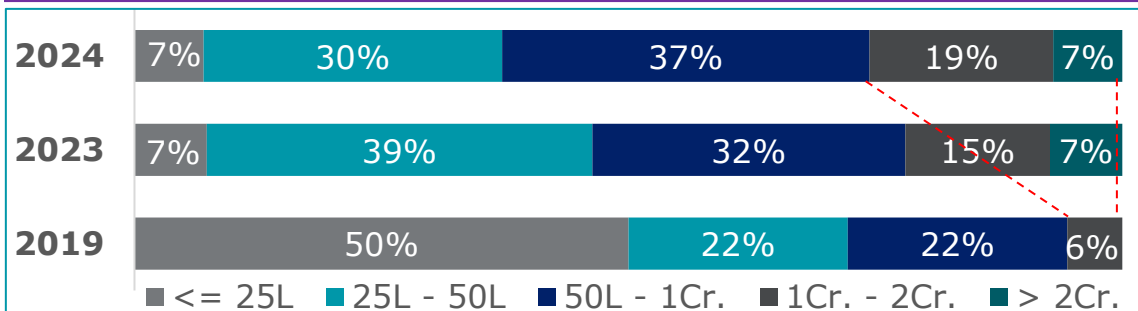
- The average remuneration of IDs has increased by an 11 percent CAGR over the last five years, reaching **INR86.9 lakh** in 2024.
- In 2024, the remuneration of **female IDs is 2.1x of their 2019 remuneration**, while the remuneration of **male IDs is 1.7x** of their 2019 remuneration.
- The increased responsibilities are driving the rise in female ID remuneration. In 2019, a **female ID** was a member of **two committees** on average vis-à-vis three committees on average for a male ID.
- In 2024, the **female ID responsibility has increased to three committees** on average **compared with three committees** on average for male IDs, resulting in **a) a faster growth rate of female ID remuneration** and **b) a lower difference in female ID versus male ID remuneration**
- Also, only seven of the Nifty50 companies have an ID chairperson, of which all are males, potentially leading to the differential in remuneration

ID remuneration of Nifty50 companies (in INR lakh)

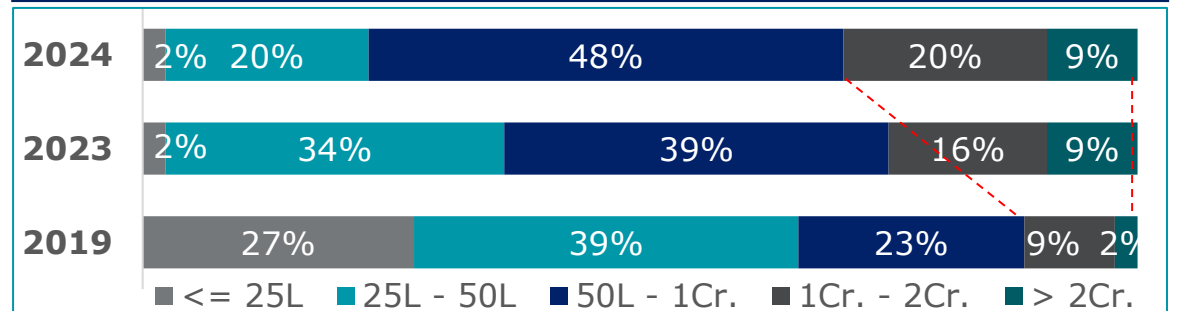


Only 7 percent of companies paid their Female IDs < INR50 lakh in 2024, compared with 50 percent companies in 2019

Percent of companies by Total remuneration bracket: Female IDs

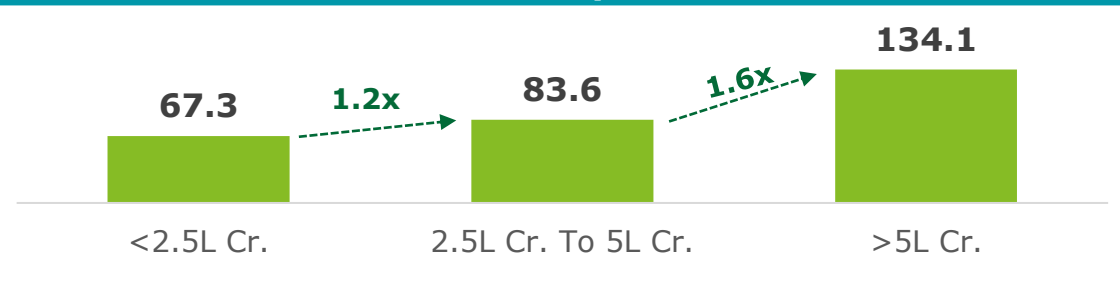


Percent of companies by Total remuneration bracket: Male IDs

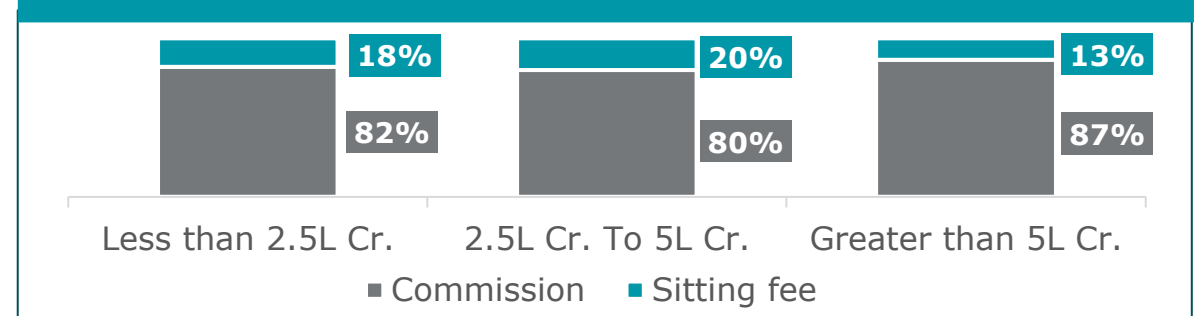


IDs of Nifty50 companies having a market cap of greater than five lakh earn more than others

Remuneration of IDs by market cap brackets in 2024 (in INR lakh)

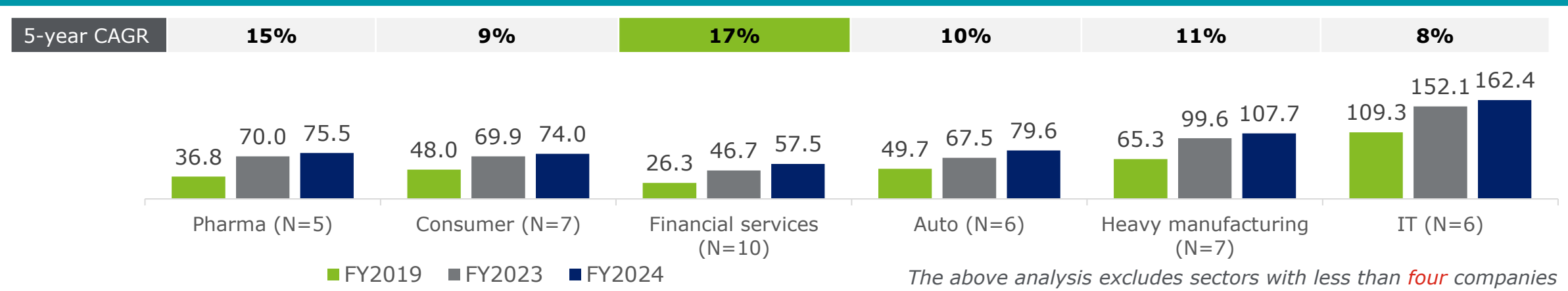


Pay mix of IDs by market cap brackets in 2024 (in INR Lakh)



While still the lowest, remuneration of IDs in FS companies saw the highest growth across sectors

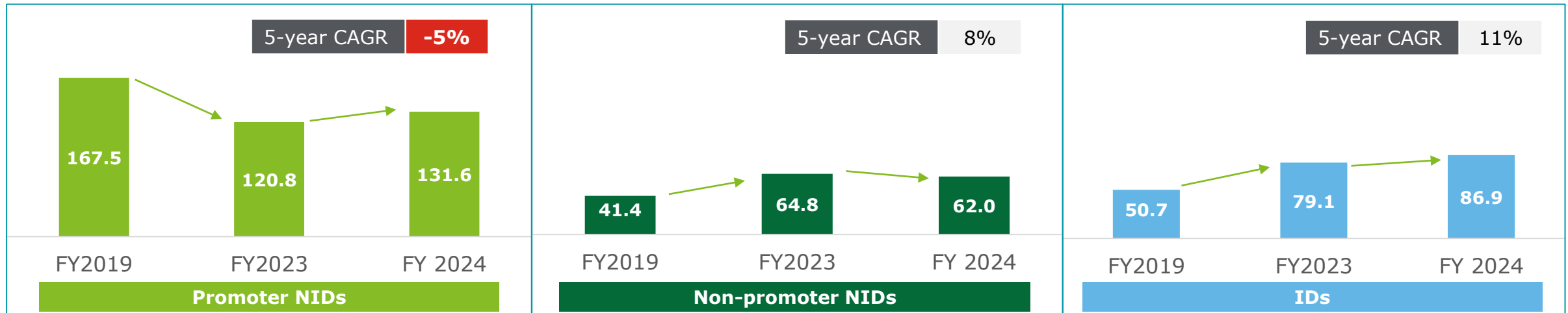
Average ID remuneration by sectors over last five years (INR lakh)



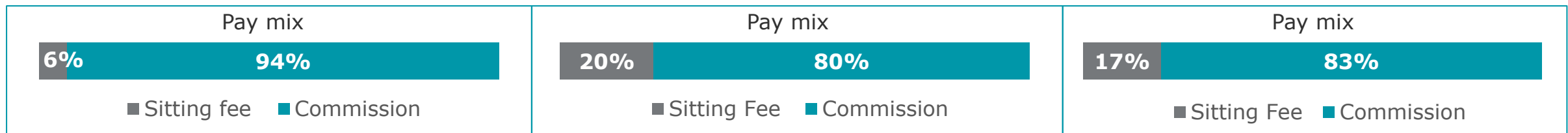
- Over the last five years, heavy manufacturing and IT companies have paid higher remuneration to their IDs than other sectors. This is a significant difference, owing to their size, scale of operations and composition of international directors.
- In 2024, ID remuneration **in FS** saw the **highest growth** across sectors and was driven by growth in the remuneration of IDs in the NBFC sector. However, ID remuneration is still the **lowest in FS compared with other sectors**.
- RBI and IRDAI have raised the ID fixed remuneration cap from INR20 lakh to INR30 lakh, driving expected growth in FY25. In FY24, 5 out of 7 banks and insurers **used the INR20 lakh limit of fixed remuneration** to their IDs.

Remuneration for promoter NIDs has decreased by 20 percent in the last 5 years. However, the promoter NIDs still earn 50 percent more than IDs on average

Average ID, promoter NID, non-promoter NID remuneration (INR lakh)



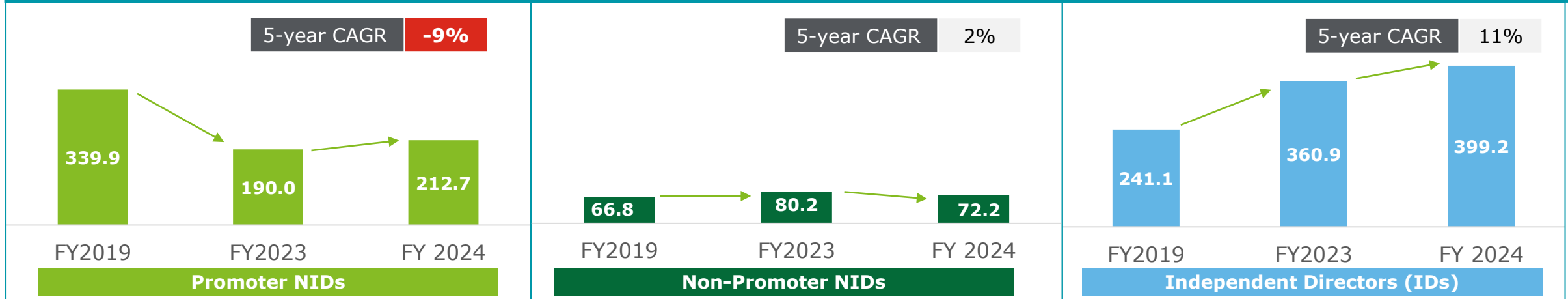
Average ID, promoter NID, non-promoter NID pay-mix of sitting fee and commission



- The average **promoter non-executive director remuneration has reduced in the last five years**, whereas the growth in ID remuneration is highest among the different types of directors.
- The **reduction in promoter remuneration** is mainly due to some **promoters choosing to relinquish their commission** compared with 2019.
- The reduction in remuneration of **Non-Promoter NIDs is driven by two companies** where the chairperson either ceased to be the director of the company or took less commission in FY24 compared with FY23.
- Promoter directors earn **1.5x the remuneration of IDs in 2024, reducing from 3.3x in 2019.**

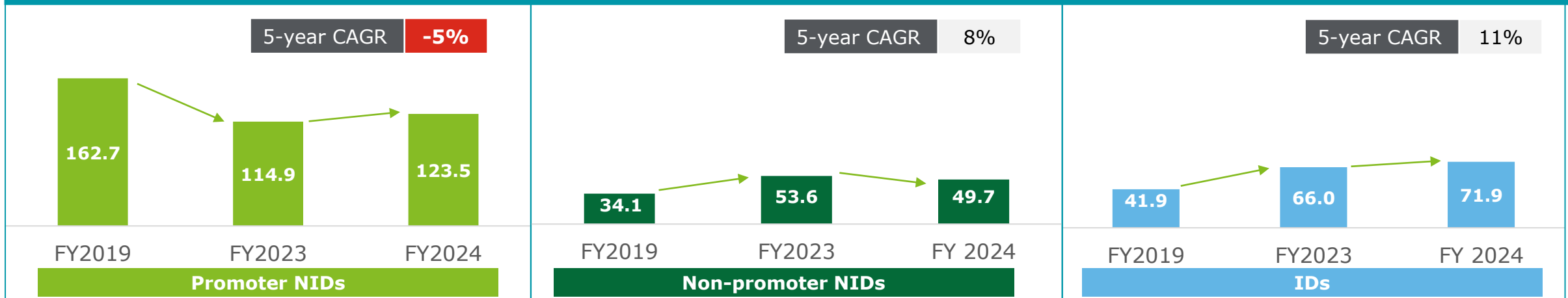
Companies spent more on total commission for their IDs than their promoters in the past two years

Total commission paid by a company to its directors (INR lakh)



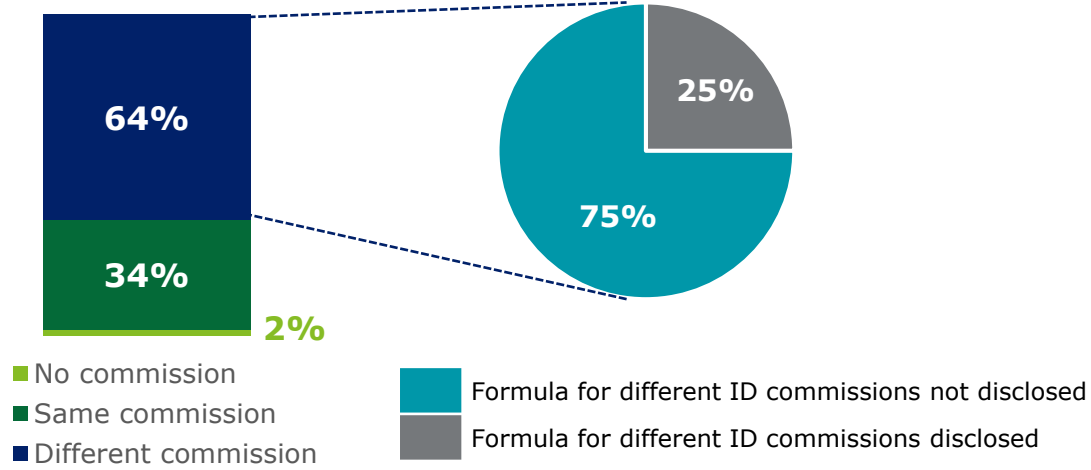
The gap in commission for IDs and promoters is reducing as IDs earn 0.6x of the commission earned by promoters, up from 0.3x in 2019

Average commission paid by a company to its Directors (INR lakh)

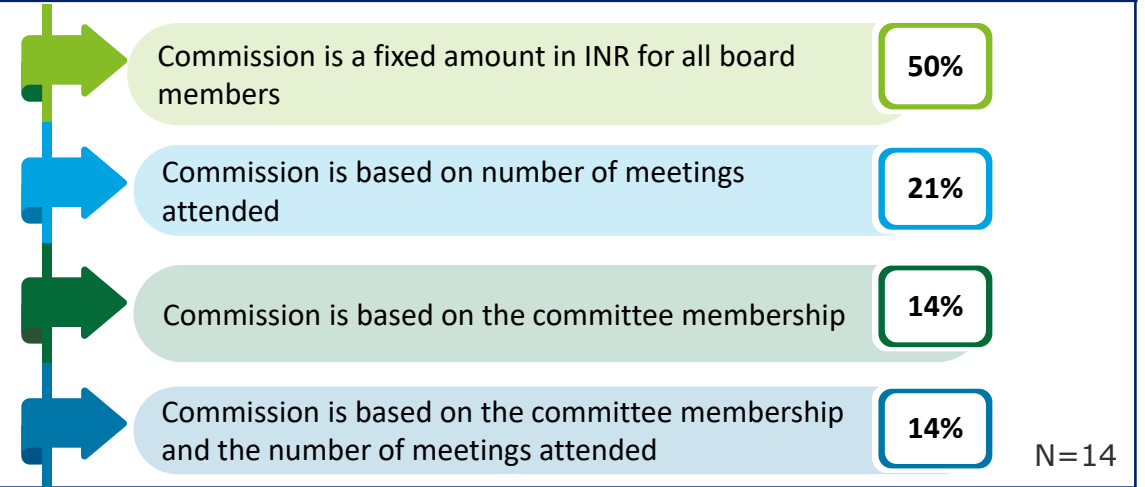


2 out of 3 companies differentiate commissions for their IDs, but most companies do not disclose the approach

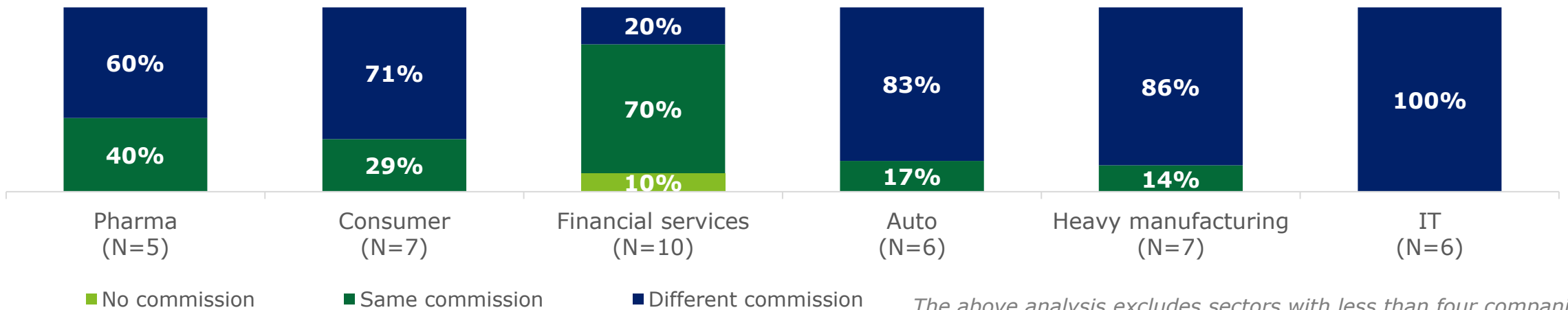
Percent of companies paying different commission to all IDs in 2024 (no significant change in the last five years)



Methodology for computing commission (for companies where a formulaic approach is disclosed)

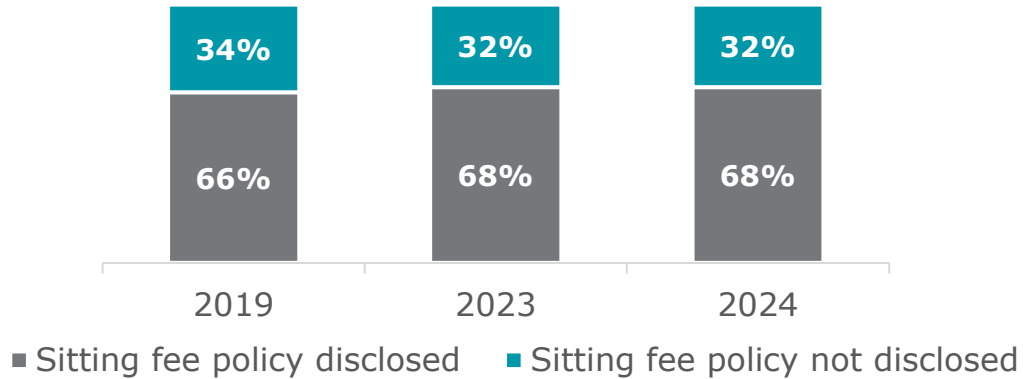


All IT companies differentiate commissions for IDs while most FS companies pay the same commission

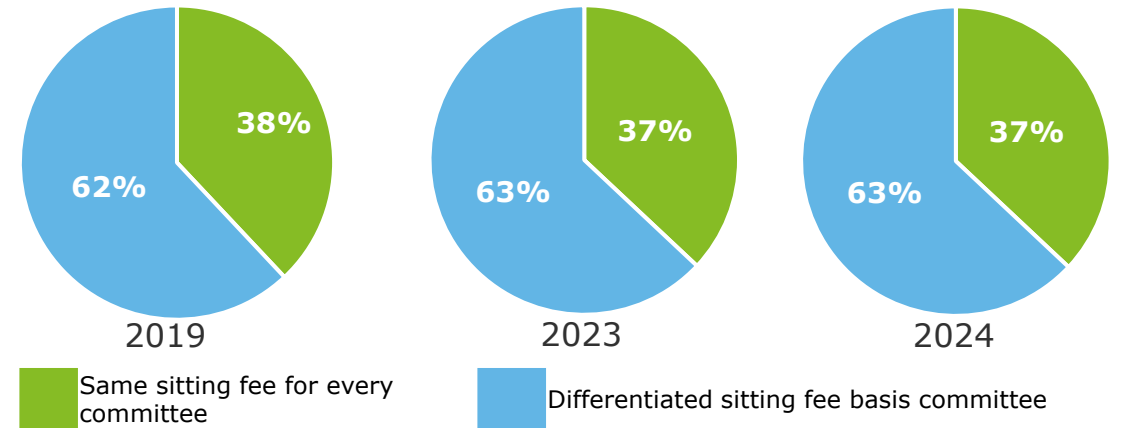


2 out of 3 Nifty50 companies disclose their policy of sitting fee (no change since 2019)

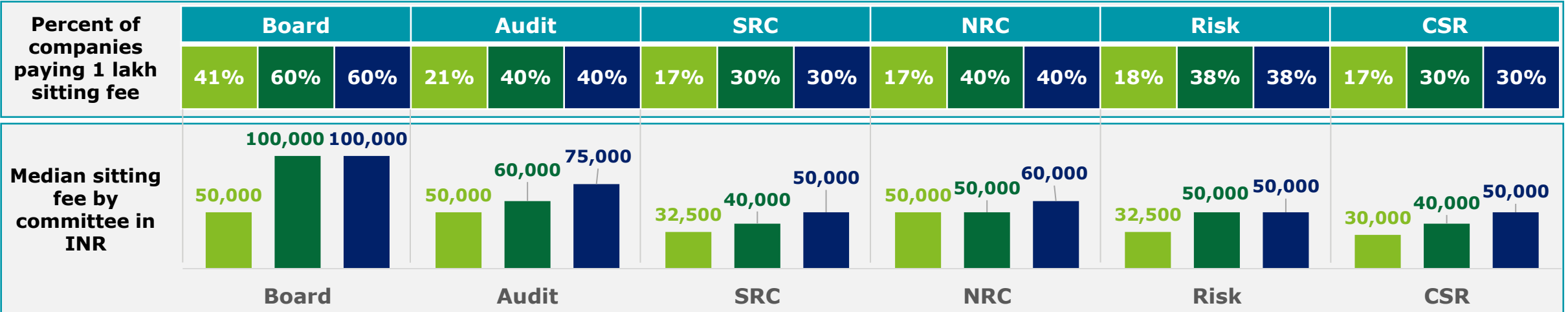
Percent of companies disclosing their sitting fee policy



Percent of companies differentiating their sitting fee based on type of committee meeting (wherever disclosed)



The median sitting fee for most committees saw an increase in FY24 compared with FY23



■ FY2019 ■ FY2023 ■ FY 2024

SRC: Stakeholder/Shareholder Relationship Committee; NRC: Nomination and remuneration Committee; CSR: Corporate Social Responsibility Committee

Additional observations

1

The average commissions for IDs have been lower for companies where **profits have substantially declined in FY24** compared with FY23.

2

Approximately **1 in 3 companies** now have a dedicated **ESG committee, IT/Technology committee and investment committee** compared with **1 out of 6 companies in 2019**, indicating increased board focus on ESG governance, technology and investment.

3

Most companies in the **Pharma and IT sectors** have **International IDs** on their board, whereas most companies **in the FS sector do not have International IDs.**

4

India experienced a board refresh in March 2024, which could enhance objectivity within the board. It will be intriguing to see the effect on ID remuneration in FY25.



Thank You