

Board Evaluation—India Perspective

Why conduct Board Evaluation?



India

Board Evaluation is mandated by:

- The Companies Act, 2013, Section 134(3)(p)
- SEBI Listing Obligations and Disclosure Requirements Regulations, 2015 (SEBI LODR)

SEBI issued Guidance Note on Board Evaluation (Circular released on 05 January 2017)

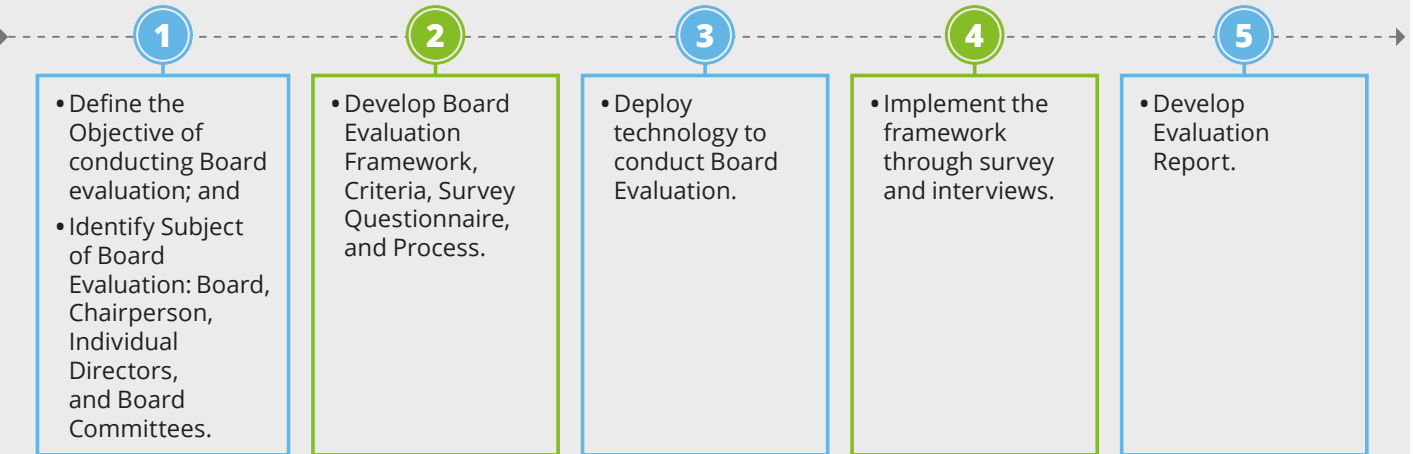
Who is impacted?

- All listed entities governed by the Securities and Exchange Board of India (SEBI) Act, 1992; and
- Companies incorporated under the Companies Act, 2013 and having a paid-up share capital of ≥ 25 cores at the end of the preceding financial year.



How we help clients set-up Board Evaluation process?

Approach already aligned with SEBI guidance



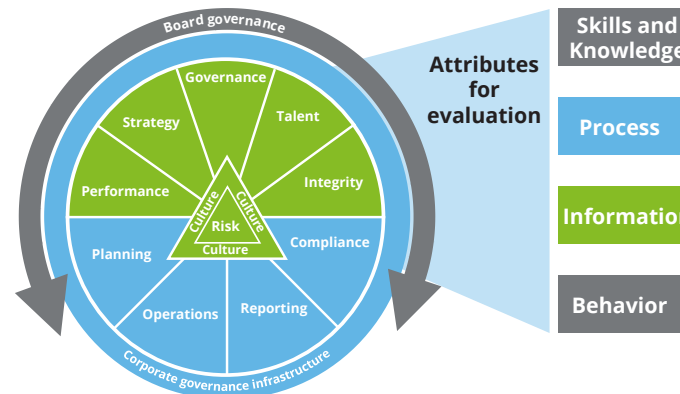
Tools and Resources

Online Board Evaluation Survey

Select the appropriate rating for each statement	0	1	2	3	4	5
Composition and Quality						
Qualified board members are identified by sources independent of management (e.g., independent board members assisted by an independent firm in the search for candidates).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Board members have the appropriate qualifications to meet the objectives of the board's charter, including appropriate financial literacy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively, strong interpersonal skills, and the willingness to address issues proactively.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board demonstrates appropriate industry knowledge and includes a diversity of experiences and backgrounds.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of the board meet all applicable independence requirements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board participates in a continuing education program to enhance its members' understanding of relevant risk, reporting, regulatory, and industry issues.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board monitors compliance with corporate governance regulations and guidelines.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board reviews its charter annually to determine whether its responsibilities are described adequately.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
New board members participate in an orientation program to educate them on the organization, their responsibilities, and the organization's activities.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board chairman is an effective leader.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The board, in conjunction with the nominating committee (or its equivalent), creates a succession and rotation plan for board members, including the board chairman.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The survey is based on emerging and leading practices to assist in the peer assessment of an individual director or the full board's performance.

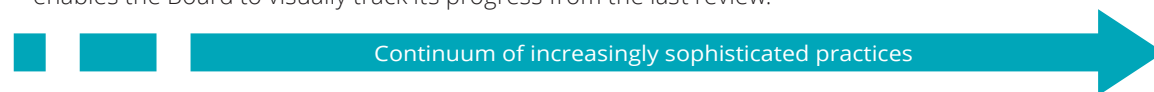
Deloitte Governance Framework



- Deloitte Governance Framework articulates various elements of the governance program, clarifies the governance roles of the board and management, and illustrates an appropriate relationship between governance, risk management, and organizational culture.
- The governance infrastructure is the collection of governance operating models—the people, processes, and systems.

Deloitte Board Evaluation Models: Tier Structure Model (TSM)

We use TSM which sets out a continuum of increasingly sophisticated practices, ranging from poor practice (Tier 5) to market-leading (Tier 1). Clients value this approach because it is easy to understand, clearly sets out a target best practice state which they can aspire to achieve, and for repeat reviews, enables the Board to visually track its progress from the last review.



Framework components

	Tier 5	Tier 4	Tier 3	Tier 2	Tier 1
Board Composition	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]
Board Engagement	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]
Governance Structure	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]
Board Agenda and Fwd Plan	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]
Board Reporting	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]
Board Dynamics	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]
Chair's Leadership	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]
Etc.	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]	[Progress bar]

Global Best Practices

Governance Area	Requirements by countries	USA (Full CII - 'The Council of Institutional Investors' Corporate Governance Policies)	UK (The UK Corporate Governance Code)	China (Provisional Code of Corporate for Securities Companies)	Australia (Corporate Governance Principles and Recommendations: 3rd Edition)	Austria (Austrian Code of Corporate Governance - July 2012)	Denmark (Recommendations on Corporate Governance - November 2014)	Italy (Corporate Governance code July 2015)	France (Corporate governance code of listed corporations)
Board Evaluation	Overall comment on the results of Board Evaluation in the annual report	✓	✓	✓	✓	✓	✓	✓	✓
Board Evaluation	Engagement of External Consultant for Board Evaluation	✓	✓	✓	✓	✓	✓	✓	✓

✓ Mandatory requirement
 ✓ Recommended by the respective Corporate Governance codes of the select countries
 OECD member countries

Benefits of the Tier Structure Model

The content of the TSM is based on:

- Our extensive experience of working with the Boards;
- Global best practice guidance, such as statements of effective practices issued by the Organization for Economic Co-operation and Development (OECD), Council of Institutional Investors (CII) Corporate Governance Policies - USA, the UK Corporate Governance Code, Corporate Governance Principles and Recommendations - Australia, etc.

Given the qualitative basis of the assessment, we have provided descriptors in tiers 1, 3, and 5 to enable evidence-based judgement and differentiation within the assessment. The TSM clearly depicts the current state of a Board's effectiveness against each component within our framework.



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