

# THE **2022** BOARD GOVERNANCE & DIVERSITY REPORT



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# Introduction

IMA India's **2022 Board Governance & Diversity Report** presents an analysis of trends in governance and diversity-related practices amongst **1,817 India-listed companies and 181 unlisted companies**. It is based on data for **25,583 executive and non-executive directors**, covering a 5-year period from **FY18 to FY22**, and drawing representation from both **private sector and PSU firms**, distributed across the **large-cap, mid-cap, small-cap, micro-cap and unlisted** categories.

The results are based on data for the following Board-level positions: Executive and Non-Executive Chairmen, CEOs/MDs, CFOs, Whole-time Directors, Company Secretaries and Non-Executive Directors (NEDs). Detailed data-splits are offered by sector, ownership (foreign versus Indian), revenue, net profit, company age, and market capitalisation – and combinations thereof. An additional filter is presented to distinguish companies on the basis of their ESG (Environment, Sustainability, Governance) rankings.

The report includes data and analysis on :

- **Governance metrics:** Board size and composition, number of NEDs, number of IDs, share of income from ID and non-ID roles, Board independence, total Board compensation bill, and number of Board meetings held each year.
- **Gender gaps** in representation and pay.

# Data Sources and Definitions (1/3)

Data was collated and distilled from company annual reports, which are available in the public domain, and from filings with the Ministry of Corporate Affairs (MCA), Government of India. As a rule, **pay data is limited to individuals, both executive and non-executive, who are members of a company's Board of Directors.**

Companies report compensation data in varying forms, though there is a growing move towards uniformity. In interpreting and standardising this data, the **following definitions/assumptions have been employed:**

## *Designations and classifications*

- Given that the roles of the **Executive Chairman and CMD** are in most cases indistinguishable, these have been combined in a single grouping.
- **Executive Directors (EDs)** are defined as executives who occupy full time Board positions but who do not fall into any of the specific categories covered in the report: Chairman/CMD, CEO, CFO, Company Secretary.
- In some cases, the reported data does not clearly distinguish between **executive and non-executive positions**. Given that whole time directors are by definition 'executives', it is assumed all CMDs, CEOs, CFOs, EDs and Company Secretaries (CSs) are executive directors.
- **Non-Executive Directors (NEDs)** are defined as those who are explicitly listed in the data as being an NED, or (if such an identifier is missing and their designation is listed simply as 'Director' or the like) whose pay composition fits the profile of a non-executive, i.e., where it comes exclusively from sitting fees and bonus/commission.
- Classifications of individuals as being a **Promoter and/or Independent Director** are done on the basis of self-reporting by the company. Where a person is not explicitly identified as a promoter, it is assumed that they are a non-promoter. With regard to 'independence', all executive positions are assumed, as per the prevailing SEBI guidelines, to be non-independent. For non-executive positions, the classification is purely on the basis of self-reporting.
- For the majority of **unlisted companies, the quality of data with regard to promoter status is found to be suspect**, and all unlisted companies are therefore excluded from the analysis with respect to such measures as promoter presence on the Board, share of promoters, etc.

# Data Sources and Definitions (2/3)

## *Company demographics*

- **Market-cap groupings** are on the basis of the most recent SEBI guidelines, which regard the 100 biggest (listed) firms by market capitalisation as ‘Large-cap’; the next 150 as ‘Mid-cap’; and the remainder as ‘Small-cap’. However, as an aid to analysis, we have introduced an additional category (‘Micro-cap’) of firms who fall below the 250 biggest *small-caps*. In other words, these are companies after the 500 biggest listed companies. Unlisted firms are those that are not currently listed on any of the main Indian stock exchanges.
- Companies are classified by **ownership** as being either foreign MNC (51% or more foreign-owned), Indian MNCs (those with subsidiaries or an on-ground presence in at least one other country) or Indian domestic (those that operate primarily/solely in the Indian market, with no foreign operations).
- **Year of establishment:** organisations are split into three groups – those established in the pre-liberalisation (prior to 1991) period; those that have come up after the Global Financial Crisis (post 2008); and those that were established in the intervening years between these two bookends.
- **Environmental, social and governance (ESG)** compliance is an area of growing importance, especially for socially-conscious investors but also one where a fair amount of subjectivity may come into play.
  - Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers and the communities where it operates. Governance deals with a company’s leadership, executive pay, audits, internal controls and shareholder rights.
  - Several organisations map ESG compliance, and their ranking of companies vary. To ensure fairness and transparency, we looked at three different rankings: the constituents of the S&P BSE ESG 100 Index; an NSE-SES ranking of the ‘top 50’ such companies in India; and a Futurescape ranking of the top 100.
  - Tallying these lists yielded a total of 123 organisations that figured on at least one (and often all three) lists. For purposes of analysis, these 123 firms – almost of which are either large- or mid-cap – are regarded as being ‘ESG compliant’. The report makes comparisons between ESG-compliant and non-compliant large- and mid-caps.

# Data Sources and Definitions (3/3)

- **Revenue classifications** are on the basis of FY22 revenues. However, given that **profitability** tends to be more volatile, profit-based classifications are done on the basis of average PAT over a three-year period covering FY20 to FY22.
- **Sector classifications** are done on the basis of a company main/principal areas of operations, and in accordance with IMA's proprietary, three-level classification system. To ensure that the results are statistically significant, companies are divided across these 10 main sectoral groups, and sub-sectoral classifications are not considered.

# Glossary of Terms

## Statistical definitions/explanations

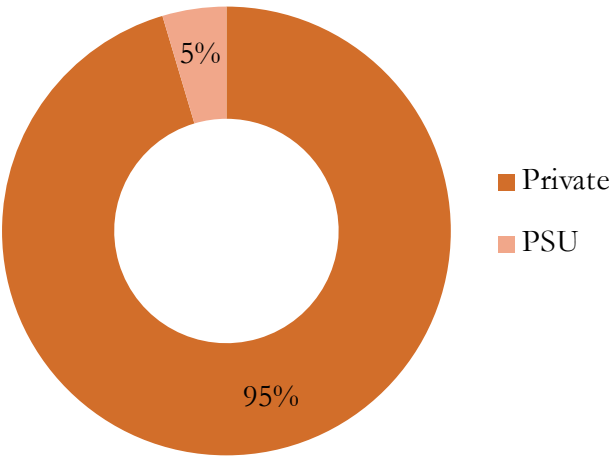
- **Mean:** a simple arithmetic average of values.
- **Median:** a level representing the ‘midpoint’ of the sample – exactly 50% of respondents will lie below this level, and 50% above. This is different from the ‘mean’, which is a simple average, and prone to being skewed by very high or very low values.
- **Percentiles:** a measure of how companies are distributed along a particular scale. Each percentile value measures the percentage of respondents *below* that level. For instance, the 10<sup>th</sup> percentile value for compensation means that 10% of firms pay their employees less than that value, while 90% will pay more than that value. The opposite holds for the 90<sup>th</sup> percentile.

# Company Demographics (1/4)

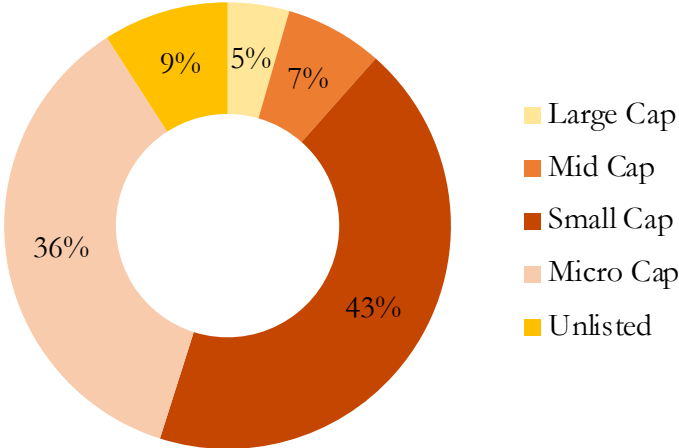
Number of companies covered: 1,998

Total number of unique Director positions studied (FY21): 21,735

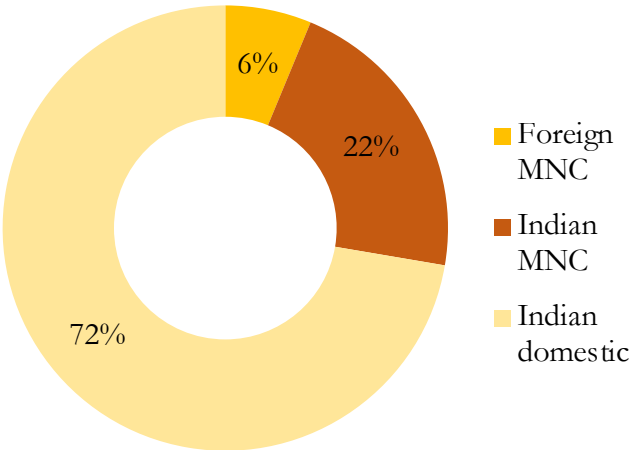
Private Sector vs PSU



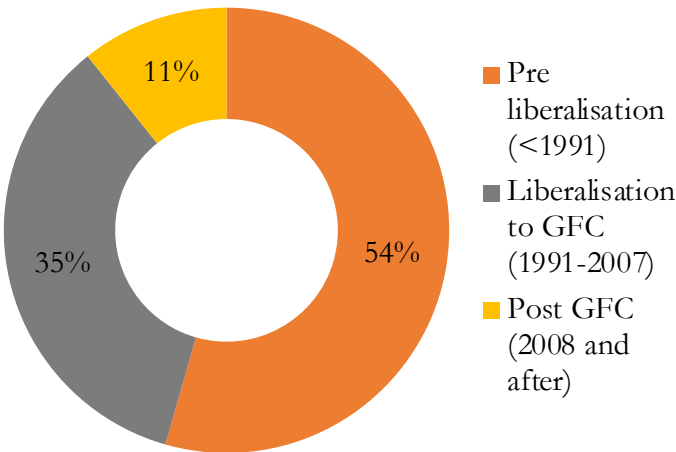
Market Cap (FY22)



Ownership



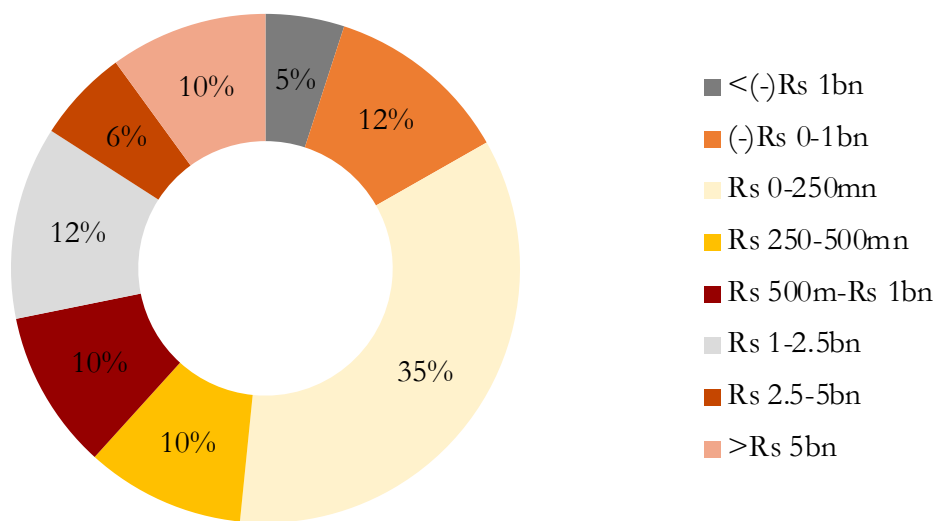
Year of Establishment



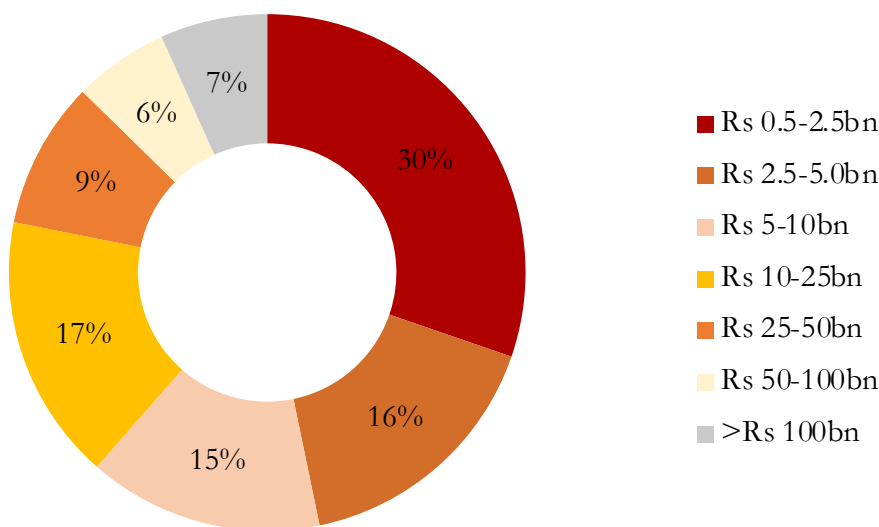


# Company Demographics (2/4)

PAT (FY20-22 avg.)

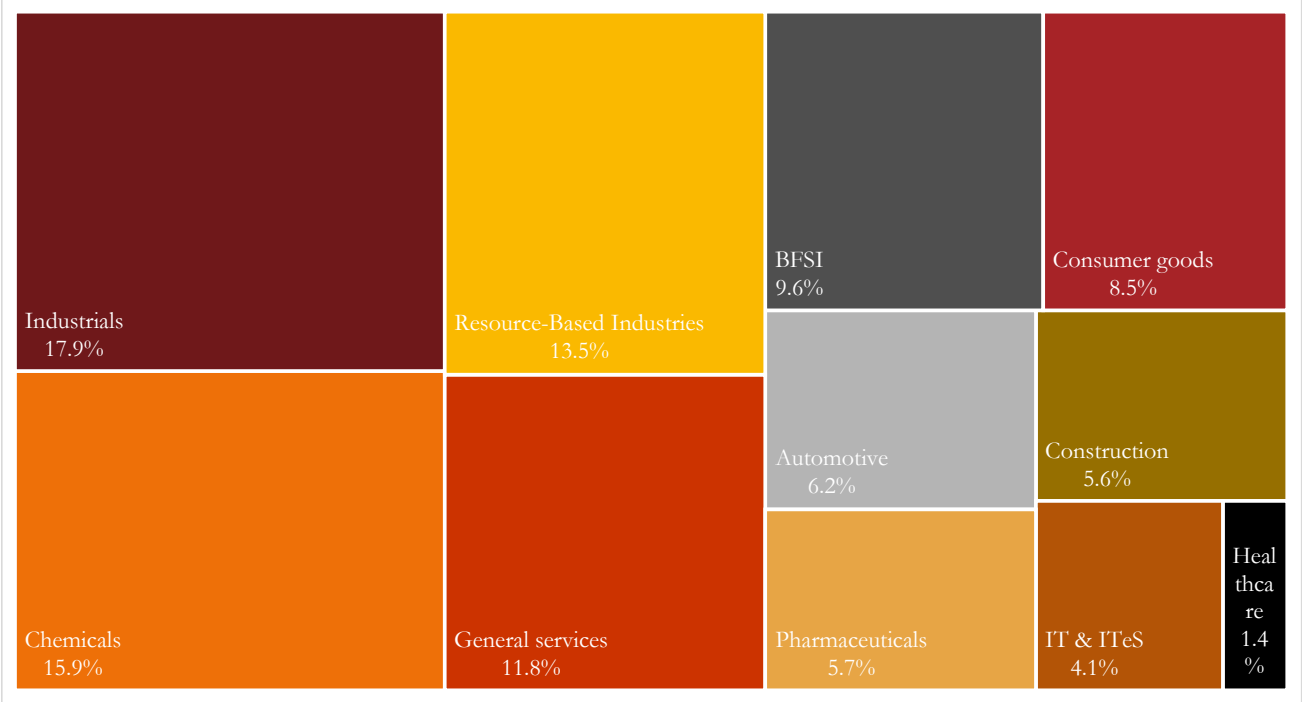


Revenue (FY22)

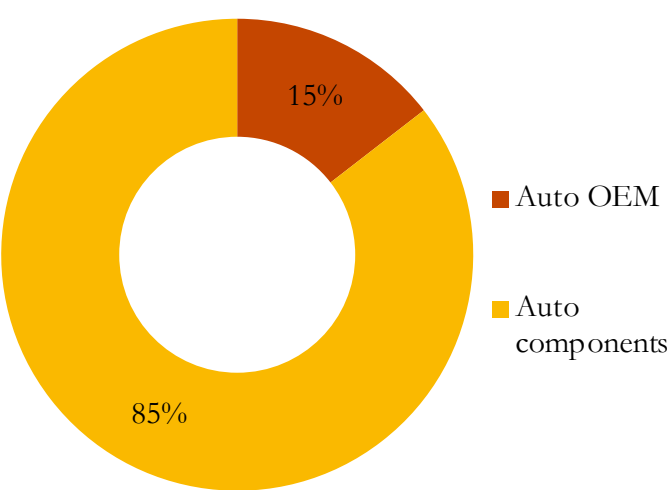


# Company Demographics (3/4)

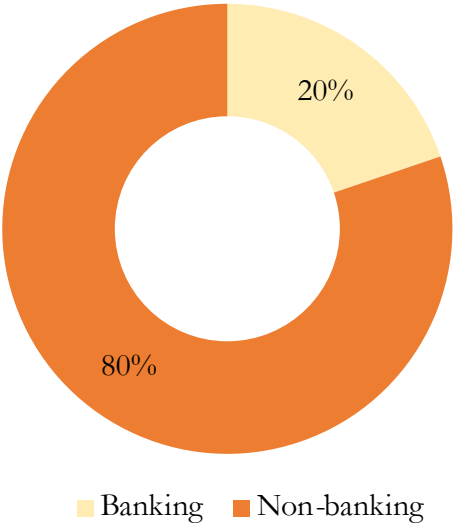
## Sectors and Sub-sectors



## Automotives

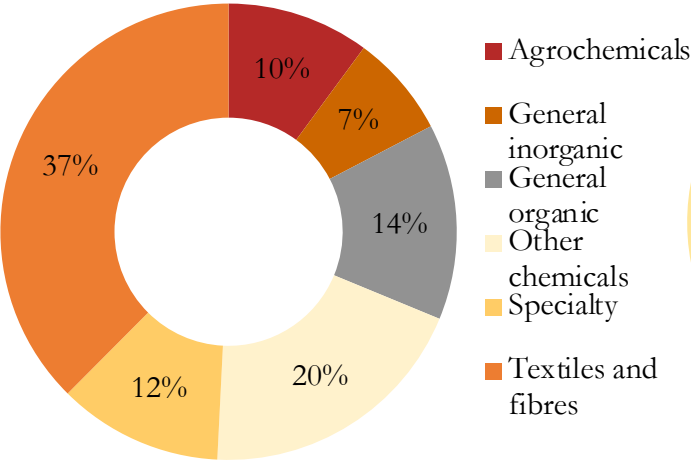


## BFSI

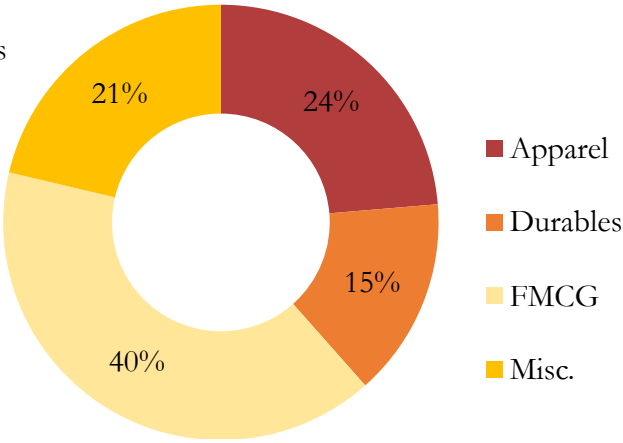


# Company Demographics (4/4)

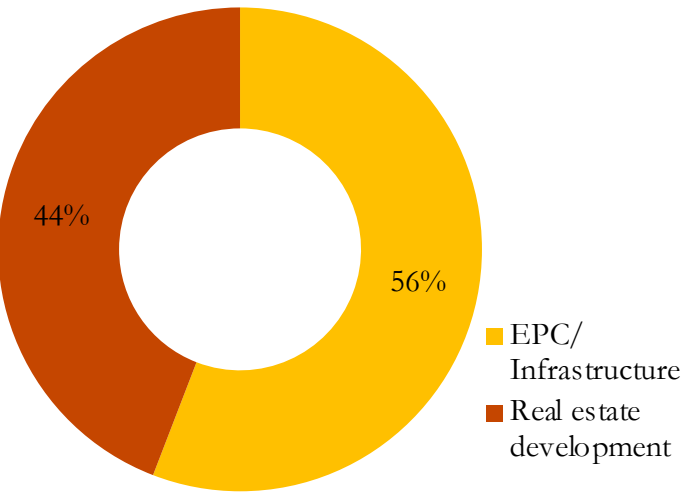
Chemicals



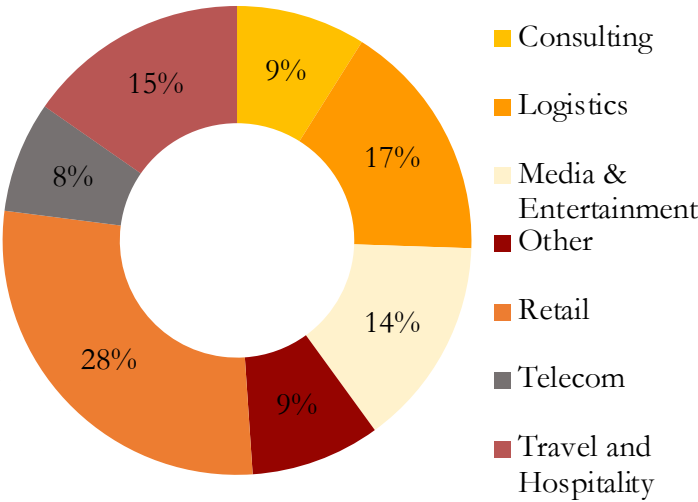
Consumer goods



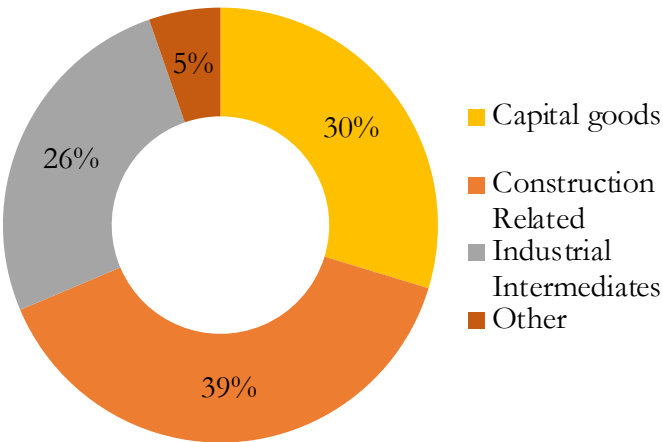
Construction



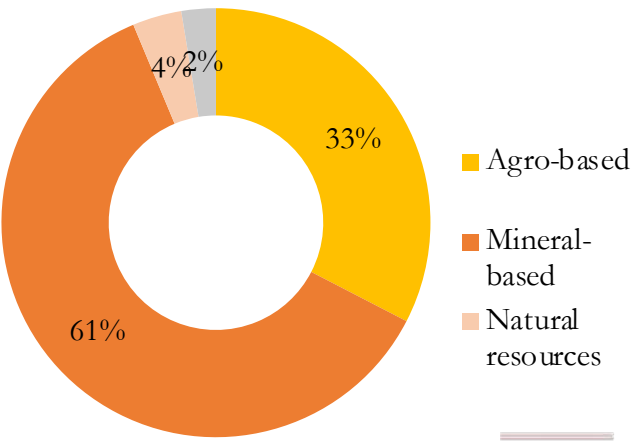
General Services



Industrial Companies



Resource-Based Industries



# Executive Summary (1/2)

## Board Governance

- **Public sector companies tend to have larger Boards** (mean: 15 Directors) than private ones (11).
- **The sizes of both Private Sector and PSU Boards has grown only marginally in the last five years.** This suggests that corporate governance structures are achieving a certain degree of maturity, at least as far as shape and size goes.
- **Board size is correlated with company size:** Large-cap private-sector firms on average have 14 Directors, compared to the overall average of 11.
- **Indian firms have bigger Boards than their foreign counterparts** across size categories.
- **Company size matters in terms of NED and ID representation:** Bigger firms have both more NEDs and a higher proportion of IDs.
- **ESG-compliant firms tend to have more directors overall,** as well as more NEDs and Female Directors.
- **NEDs are earning a rising share of their total income from ID roles,** indicating the rise of independent directorship as a profession.
- **Promoter presence decreases with company size and company age;** larger and younger companies have fewer promoters on the Board. 51% of large-caps have at least one promoter, compared to 69% of small-caps.
- **PSU Boards meet more often than private-sectors ones** – ~10 times a year, compared to ~6 times in the private sector.
- **The average aggregate compensation paid to Board members is Rs 78.8 mn** but this rises sharply with company size, to an average of Rs 429 mn among large caps.
- **However, as a share of revenue, these costs fall with size:.**
  - Large-caps spend the least (just 0.4% of revenue) on their Boards, compared to 1.1% among mid-caps, 0.9% in small-caps and 0.8% in micro-caps.
  - ESG-compliant large-cap companies spend less (0.3%) on their Boards compared to non-ESG compliant large-cap companies (0.8%). However, mid-cap companies spend 1.1% of their revenue on their boards regardless of ESG compliance.

# Executive Summary (2/2)

## Gender and Diversity

- **Women remain grossly under-represented** in C-Suite and Board positions. Private sector and PSU Boards, have 2 female Directors on average as opposed to 9 males.
- **Only 5.7% of CMDs, 4.9% of CEOs and 6% of CFOs** are women.
- **Female representation is much better at the NED, ED and CS levels**, where it ranges from 15% to 34%.
- **Female representation is higher in the PSU space at the CMD, CEO and Non-Executive Chair levels.**
- However, in the last 5 years, there has been a steep fall in private companies with **no female directors on the Board** and a fall in the number of PSUs with no female directors from last year. This indicates that diversity is receiving greater recognition than before.
- **Pay gaps exist across most positions in the private sector**, with female CMDs getting paid Rs 25.3 mn on average while their male counterparts get Rs 41.5 mn (a 64% gap) and male CSs and Non-Executive Chairmen earning twice as much as their female counterparts, and males 35% more.
- However, **the discrepancy falls to near-zero among CEOs and NEDs.**
- Significantly, for most positions, **male-female pay gaps fell sharply between FY18 and FY22.** At the CFO level, for instance, it declined from 84% to 35%, while for NEDs, it came down from 13% to 0%. The **only exception was at the ED level**, where it rose from 1% to 19%.
- **Female Board members generally receive a higher share of their pay in a variable form across positions.** The difference is negligible at the CMD and CS levels and marginal on other levels. The exception is NEC where the share of variable pay is 37% in females as opposed to 29% in males.

# Roadmap to the Report

## Section 1: Board Governance Metrics

- Board size and Trends
- Number of NEDs
- Number of Independent Directors
- Share of IDs on Company Boards
- Board Independence
- Promoter Presence on the Board
- Number of Board Meetings
- What makes ESGs different?
- Cost of running a Board



## Section 2: Gender Diversity & Equality

- Male-Female Representation by Level
- Companies with no Female Representation
- Gender-wise Pay Split by Level
- Change in Pay FY18-22: Gender Split
- Female Pay Composition

# Key Takeaways (1/3)

## Board Governance

### Private vs PSU Board

- PSUs have larger Boards (15 Directors) than private ones (11).
- Marginal size increases in both PSU and Private Boards suggests a certain maturation in corporate governance structures.



### Board Size Correlated to Company Size

- Large-cap private-sector firms on average have 14 Directors, compared to the overall average of 11 .



### How Often do Boards Meet?

- PSU Boards meet more often (~10 times a year) than private sector ones (~6 times).



### Indian vs Foreign Boards

- Indian firms have bigger Boards (~12 Directors) as compared to their foreign counterparts (~10).



# Key Takeaways (2/3)

## Promoter Presence Decreases with Company Size and Age

51% of large-caps have at least one promoter, compared to 69% of small-caps. Older companies also tend to have fewer promoters.



## ESG vs Non-ESG Board Expenditure

ESG-compliant large-cap companies spend less (0.3% of revenue) compared to non-ESG compliant large-cap companies (0.8%). Mid-cap companies spend 1.1% of their revenue regardless of ESG compliance.



## ESG Compliant Firms

ESG-Compliant Firms tend to have more directors overall, as well as more NEDs and Female Directors.





# Key Takeaways: (3/3)



## Average Aggregate Board Compensation

- Total average compensation paid to Board members was Rs 78.8 mn in FY22. Expenditures rises sharply with company size, to an average of Rs 429 mn among large caps.



## Board Related Costs Fall with Company Size

- Large-caps spend the least (0.4% of revenue) on their Boards, compared to 1.1% among mid-caps, 0.9% in small-caps and 0.8% in micro-caps.



## NED and ID Representation

- Bigger firms have both more NEDs (8.5) and a higher proportion of IDs (44%).



## Rise in Independent Directorship

- NEDs are earning a rising share of their total income from ID roles, indicating a rise of independent directorship as a profession.

# How Big are Company Boards?

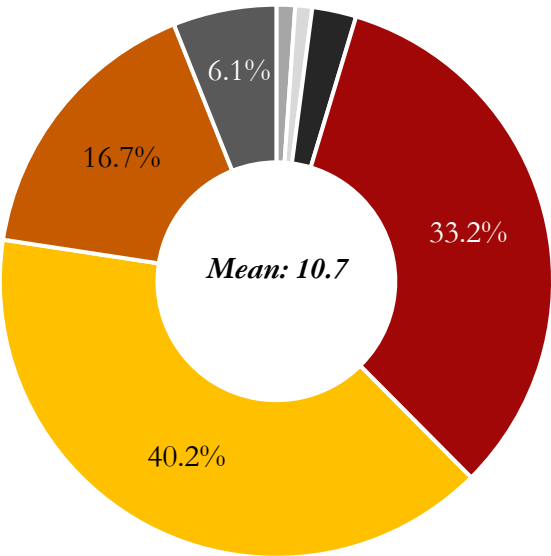
## (1/3)

Public sector companies tend to have larger Boards than private ones:

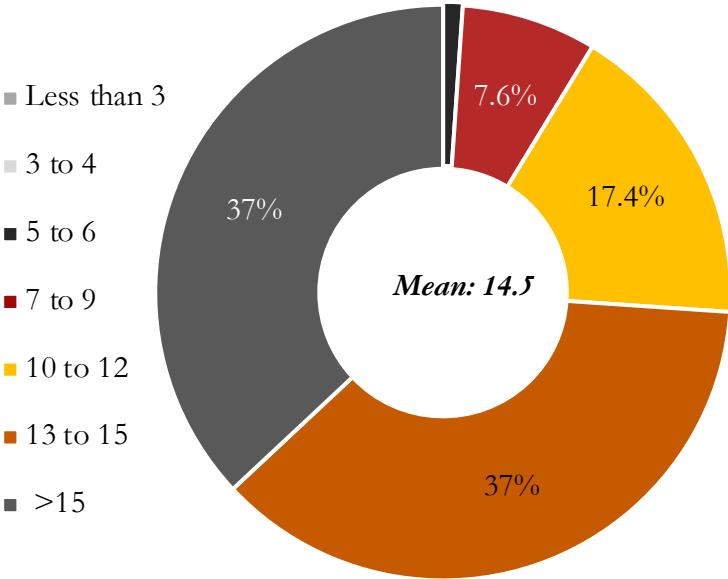
- The average PSU Board has ~15 members compared to ~11 in the private sector.
- 91% of PSUs have more than 10 Directors, while 1% have less than 6.
- The comparable numbers for private sector companies are 63% and 5%.

Size of Company Boards, FY22

Private sector

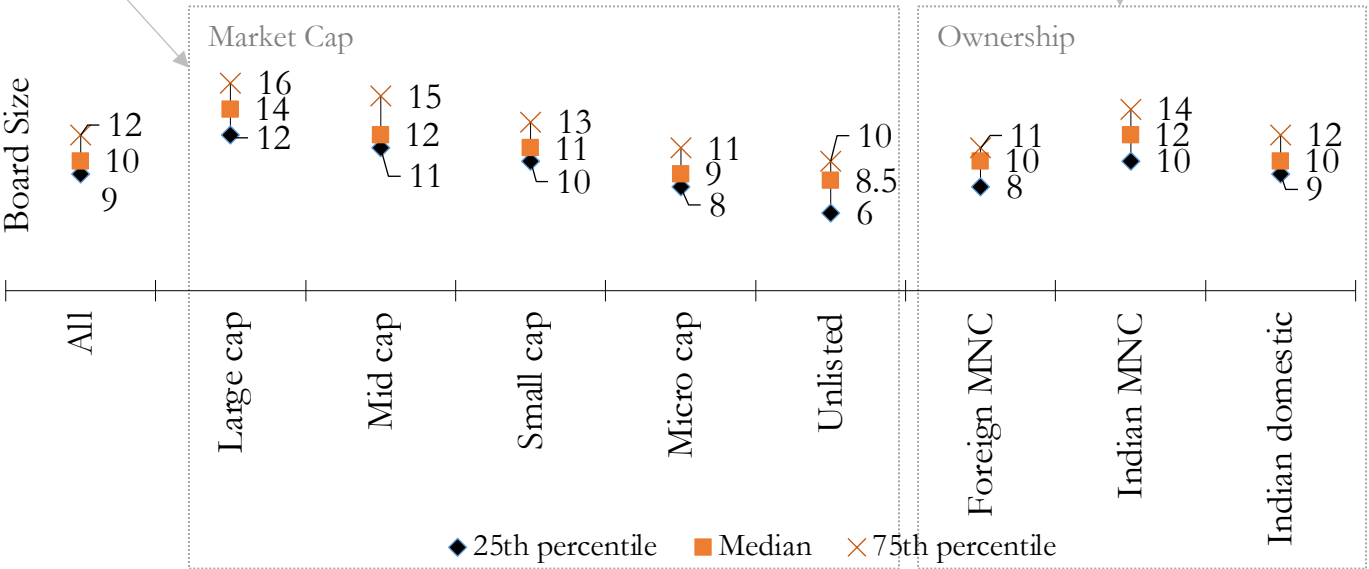


PSUs



Larger companies have an average of 14 members on the Board, indicating a need for more diversified expertise; smaller ones have 11.

Indian MNCs have larger-than-average Boards

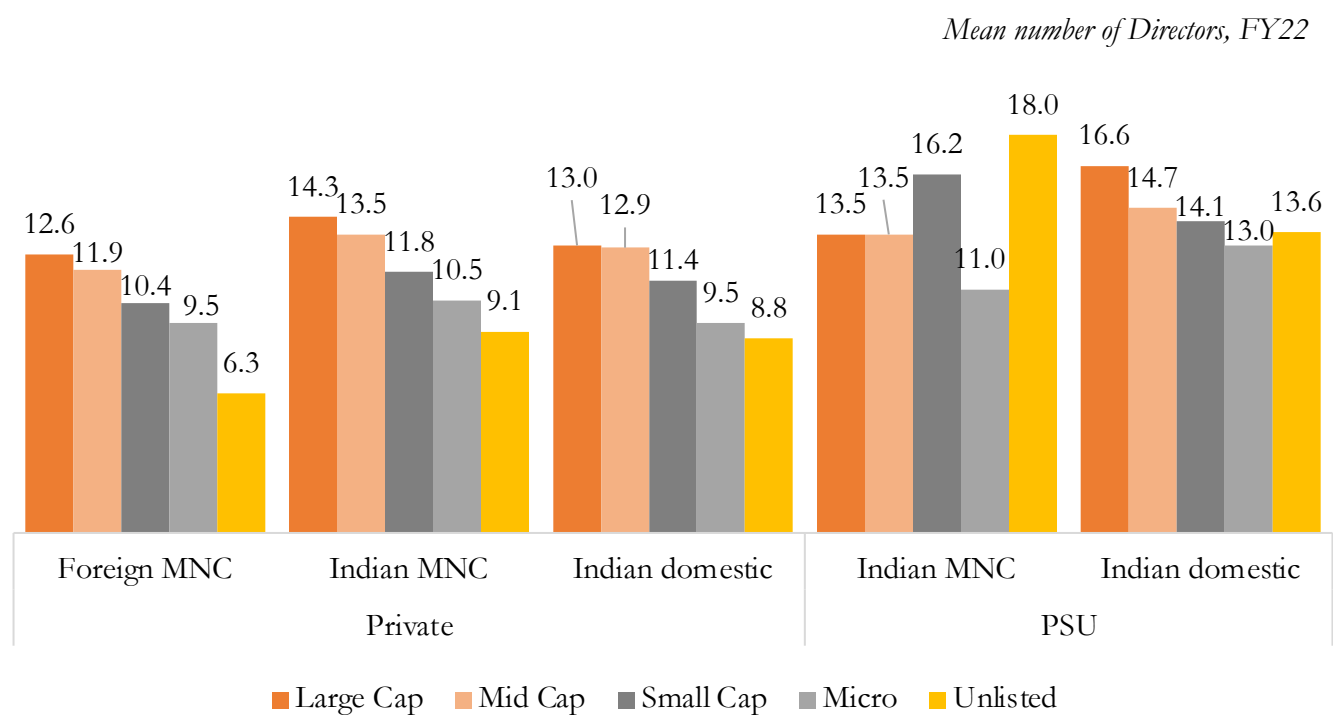


# How Big are Company Boards?

## (2/3)

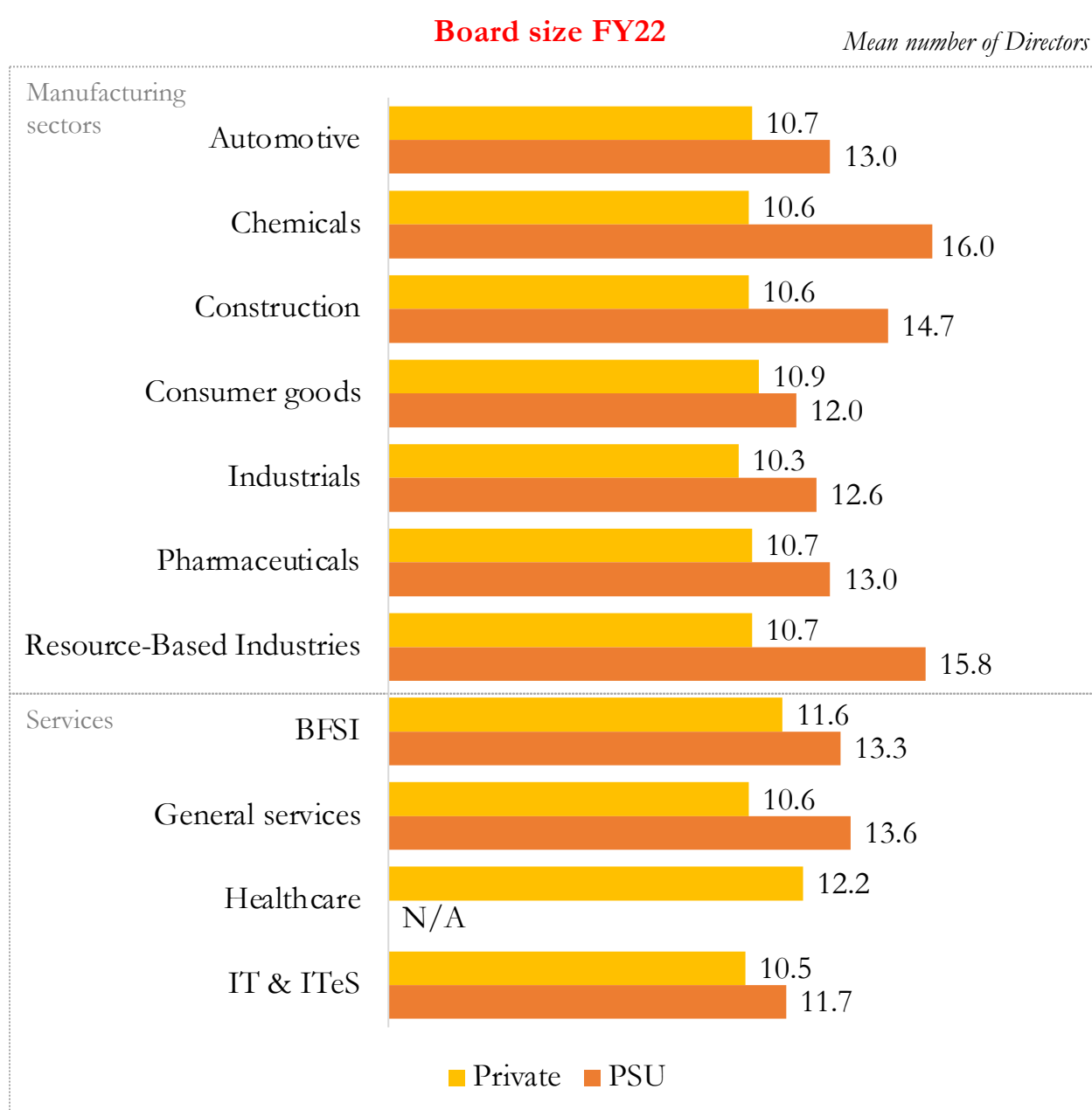
**Board size shows a strong correlation with market cap**

- On the whole, large-cap companies – especially those in the PSU world – have the biggest Boards. Small and micro cap PSUs, especially multinationals, are an exception with large Board sizes, perhaps driven by sector/country-specific norms.
- Foreign MNCs have relatively fewer Directors than their Indian counterparts.
- While private unlisted companies have the fewest Directors on their Boards, PSU unlisted companies have the highest share of directors in Indian MNCs.



# How Big are Company Boards? (3/3)

- PSUs in the chemicals and resource-based industries have the biggest boards – 16, compared to 10 for the average PSU.
- Across sectors, private-sector Boards tread close to the average (10). Consumer goods average 11 Board members.



# Board Size Trend: By Market Cap and Ownership

## Rising Board size is a recent phenomenon:

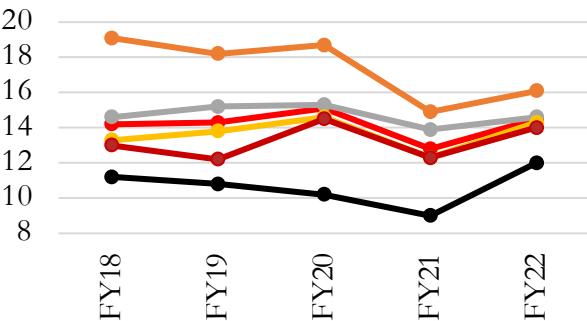
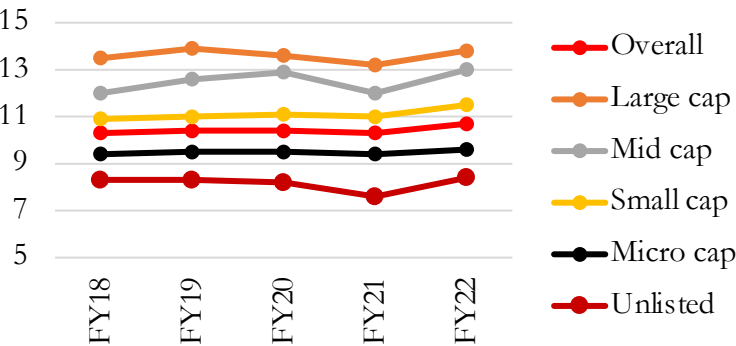
- Across most categories of firms, the sizes of both private and PSU Boards has remained broadly constant for the last five years but saw a slight uptick in FY22.
- Board size correlates strongly with market cap for both private companies and PSUs.
- Ownership-wise, foreign MNCs have consistently had smaller Boards than their Indian peers. Among PSUs, both domestic and multinational firms show a similar, rising trend in Board strength.

Board Size – Trend

(by market cap)

Private

PSU

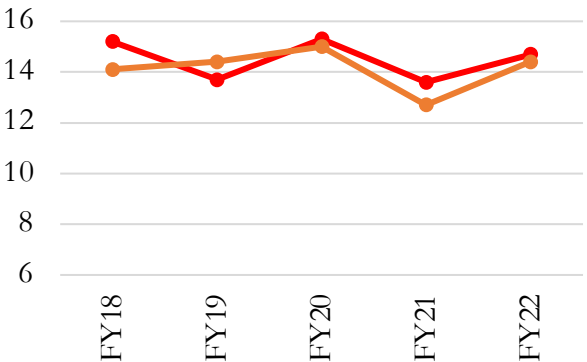
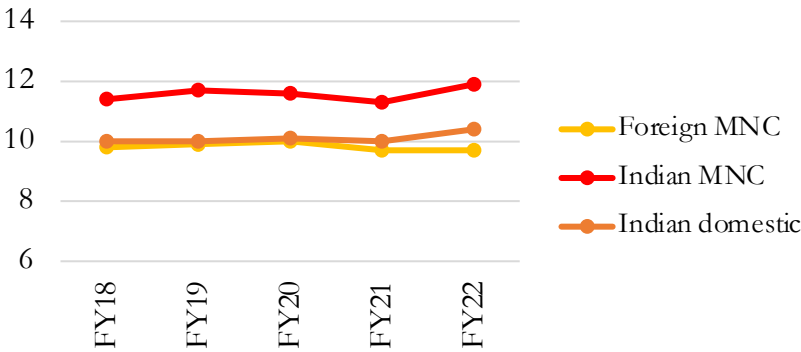


Board Size – Trend

(by ownership)

Private

PSU

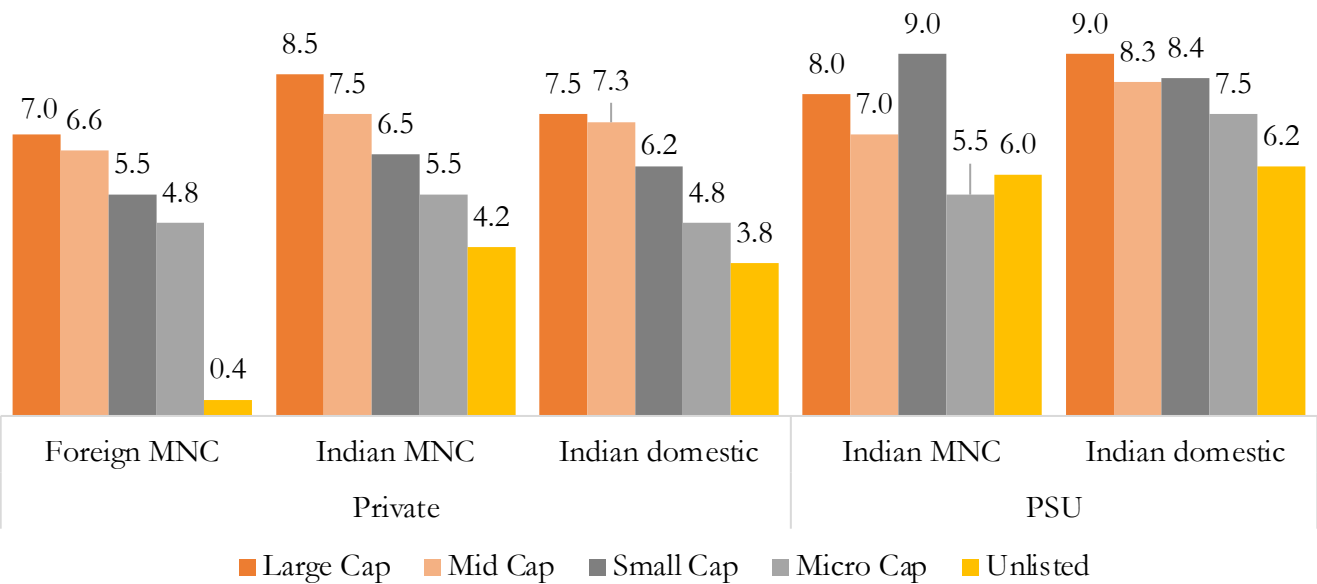


# Number of NEDs (1/2)

**Domestic companies, and bigger firms, tend to have more NEDs.**

- Large-cap, private-sector Indian MNCs had 8.5 NEDs on the Board in FY22, slightly more than in PSUs (8.0).
- Size-for-size, Indian firms have more NEDs than their foreign peers.
- NED counts in the PSU world drop off steeply as market-cap falls.

*Mean number of NEDs, FY22*

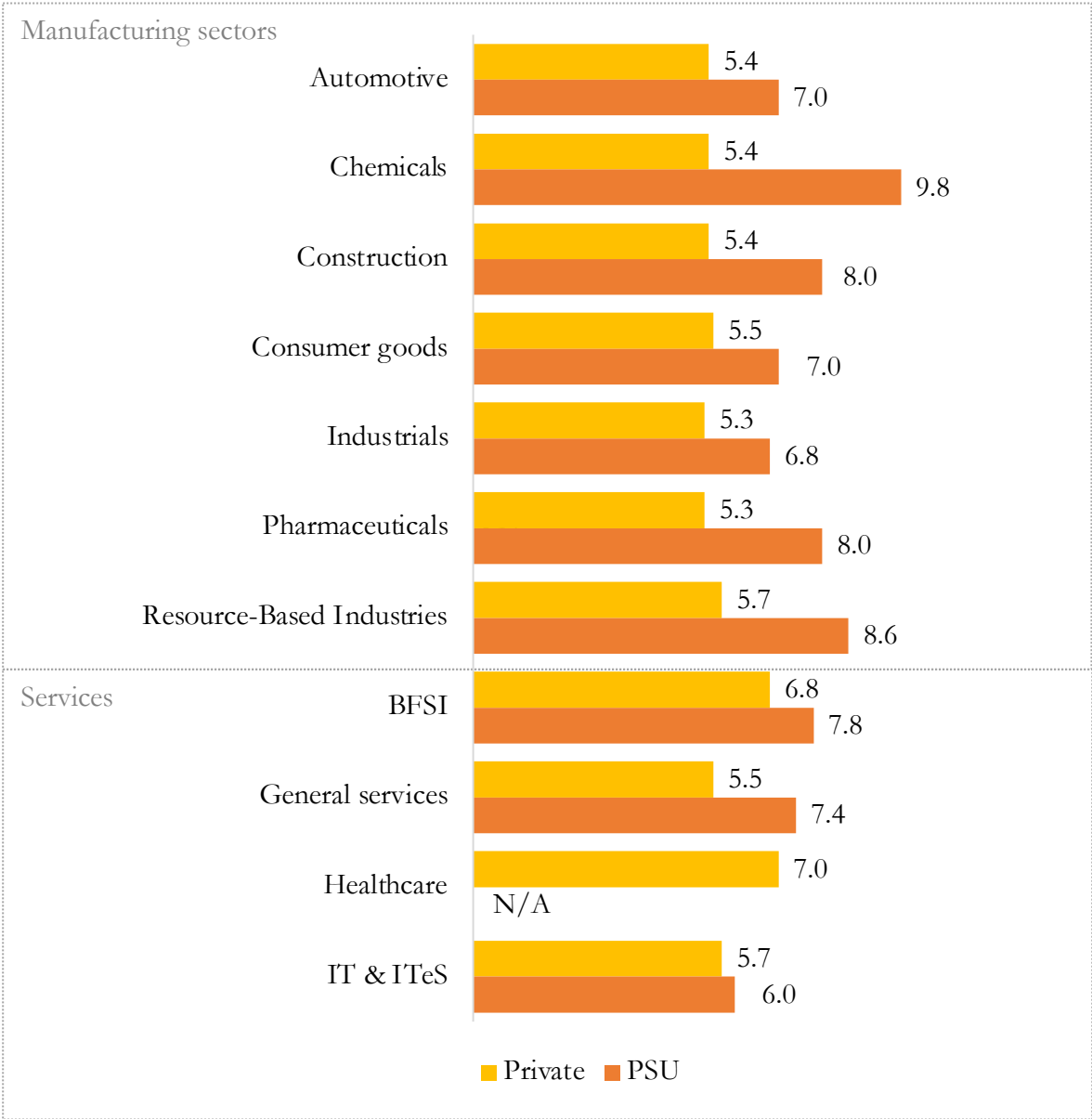


# Number of NEDs (2/2)

Across sectors, PSUs generally have more NEDs than private companies

- However, IT & ITes are the only category with almost equal mean number of NEDs for private sector firms (5.7) and PSUs (6).
- Chemical PSUs have almost double the number of NEDs as their private-sector peers.

Mean number of NEDs, FY22



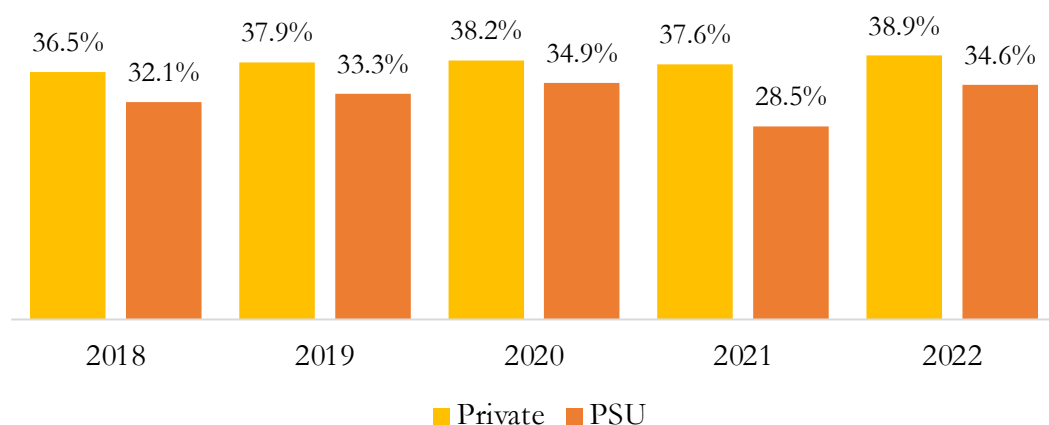
# Number of Independent Directors (1/3)

**PSUs have bigger Boards but fewer IDs as a share of the total than private companies:**

- Private-sector companies generally have a higher share of IDs on the Board than do PSUs.
- The ratio of IDs to total Board size has edged up mildly in the last 5 years, from 37% to 39%. Among PSUs, it has tended to move around sharply.
- Larger companies tend to have a higher share of IDs than smaller/unlisted ones.
- Ownership-wise, foreign MNCs have the lowest percentage (29.7%) of IDs on their Boards.

## Share of IDs on Company Boards

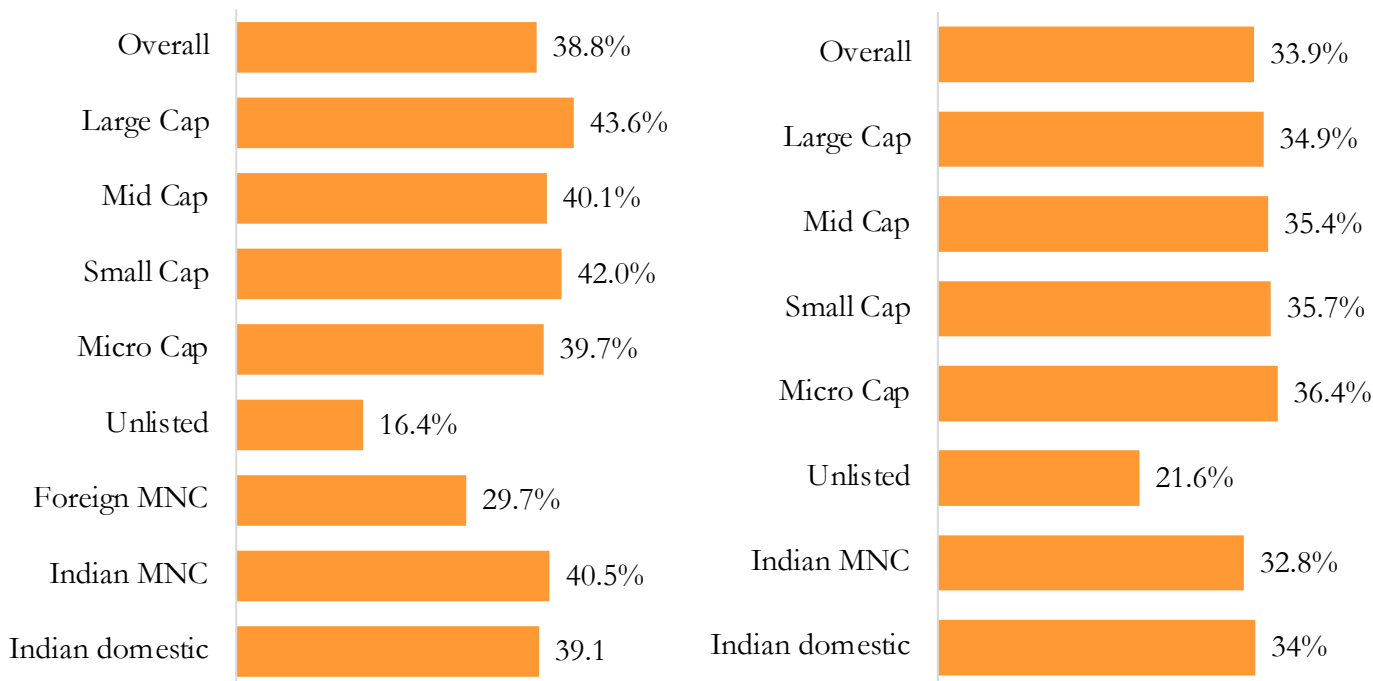
*FY22*



### Private

*FY22*

### PSU





# Number of Independent Directors (2/3)

The proportion of Independent Directors on a Board is correlated with company size

- 42% of large private companies have more than 7 IDs on their Board; 25% of large PSUs do.
- For mid-, small- and micro-caps, this ratio steadily drops, to 21%, 13% and 4%, respectively.
- 21% of foreign MNCs have no ID on their Board.

## Distribution of IDs on Company Boards (FY22)

### Private

	None	1	2	3 to 4	5 to 6	7 to 9	10 to 12	Total
<b>Overall</b>	<b>4.9%</b>	<b>0.4%</b>	<b>5.8%</b>	<b>49.5%</b>	<b>29.1%</b>	<b>9.2%</b>	<b>1.0%</b>	<b>100%</b>
<b>Market Cap</b>								
Large Cap	0.0%	0.0%	2.6%	22.1%	33.8%	36.4%	5.2%	100%
Mid Cap	1.6%	0.0%	1.6%	32.8%	43.4%	18.0%	2.5%	100%
Small Cap	0.4%	0.0%	1.6%	46.1%	38.8%	11.6%	1.6%	100%
Micro Cap	1.1%	0.3%	9.0%	65.0%	20.6%	3.9%	0.0%	100%
Unlisted	47.1%	3.5%	17.6%	25.9%	4.7%	1.2%	0.0%	100%
<b>Ownership</b>								
Foreign MNC	20.8%	0.8%	4.0%	52.8%	20.0%	1.6%	0.0%	100%
Indian MNC	3.1%	0.2%	2.4%	39.5%	35.7%	16.9%	2.2%	100%
Indian domestic	4.0%	0.4%	7.0%	52.3%	27.9%	7.5%	0.8%	100%

### PSU

	None	1	2	3 to 4	5 to 6	7 to 9	10 to 12	Total
<b>Overall</b>	<b>3.3%</b>	<b>1.1%</b>	<b>6.5%</b>	<b>26.1%</b>	<b>40.2%</b>	<b>22.8%</b>	<b>0.0%</b>	<b>100%</b>
<b>Market Cap</b>								
Large Cap	0.0%	0.0%	8.3%	8.3%	58.3%	25.0%	0.0%	100%
Mid Cap	5.3%	0.0%	5.3%	26.3%	31.6%	31.6%	0.0%	100%
Small Cap	2.2%	2.2%	2.2%	26.1%	41.3%	26.1%	0.0%	100%
Micro Cap	0.0%	0.0%	25.0%	25.0%	50.0%	0.0%	0.0%	100%
Unlisted	9.1%	0.0%	18.2%	45.5%	27.3%	0.0%	0.0%	100%
<b>Ownership</b>								
Indian MNC	7.7%	0.0%	0.0%	30.8%	46.2%	15.4%	0.0%	100%
Indian domestic	2.5%	1.3%	7.6%	25.3%	39.2%	24.1%	0.0%	100%

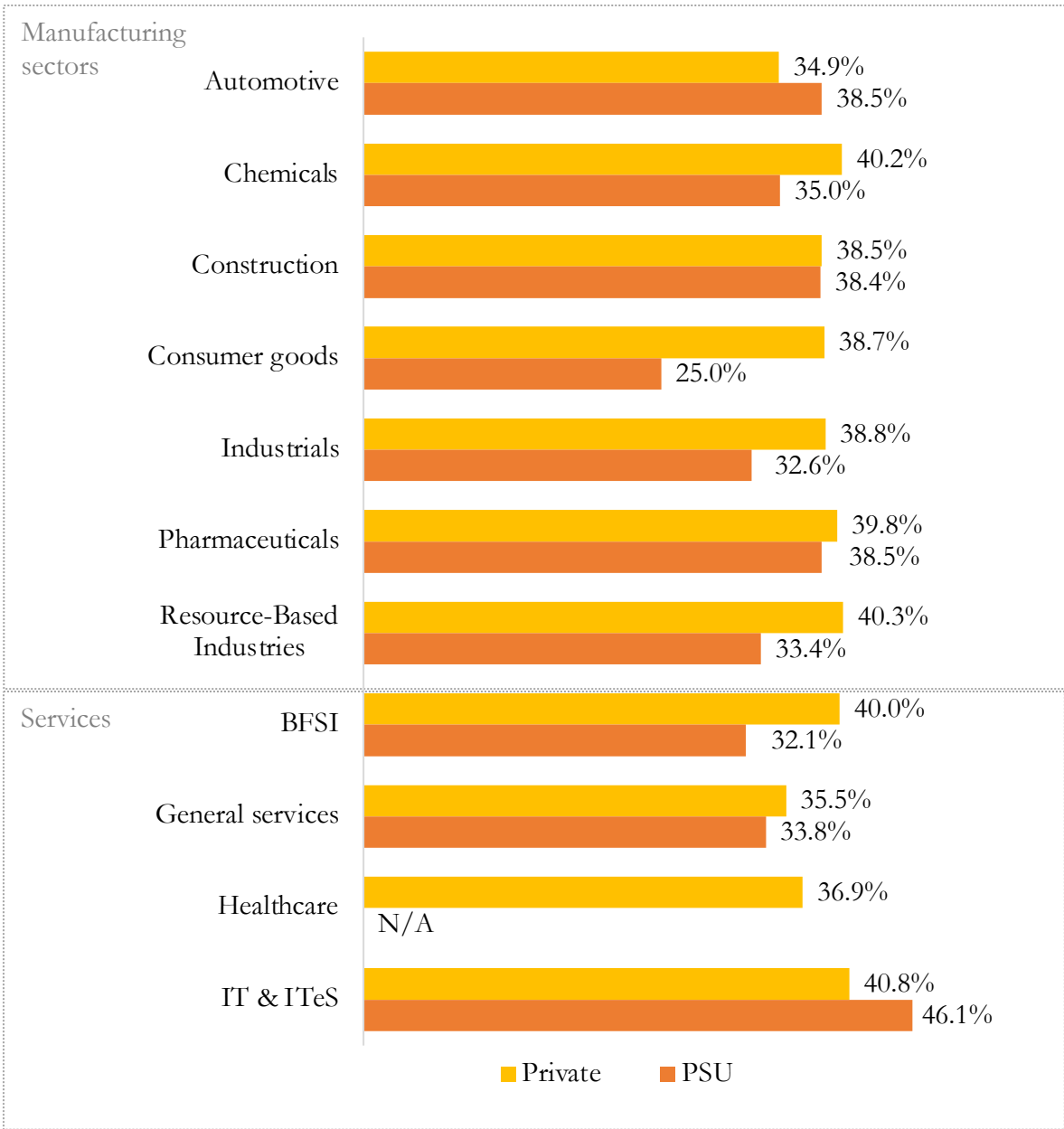
# Number of Independent Directors (3/3)

- Within the private sector, the share of IDs on the Board varies only mildly across sectors.
- Chemicals and Resource-Based Industries stand out for their high proportion of IDs (40%), while Automotive (35%) are an exception for the opposite reason.
- Among PSUs, consumer goods have the lowest share of IDs (25%) while IT & ITeS firms have the highest (46.1%).

## Share of IDs on Company Boards

FY22

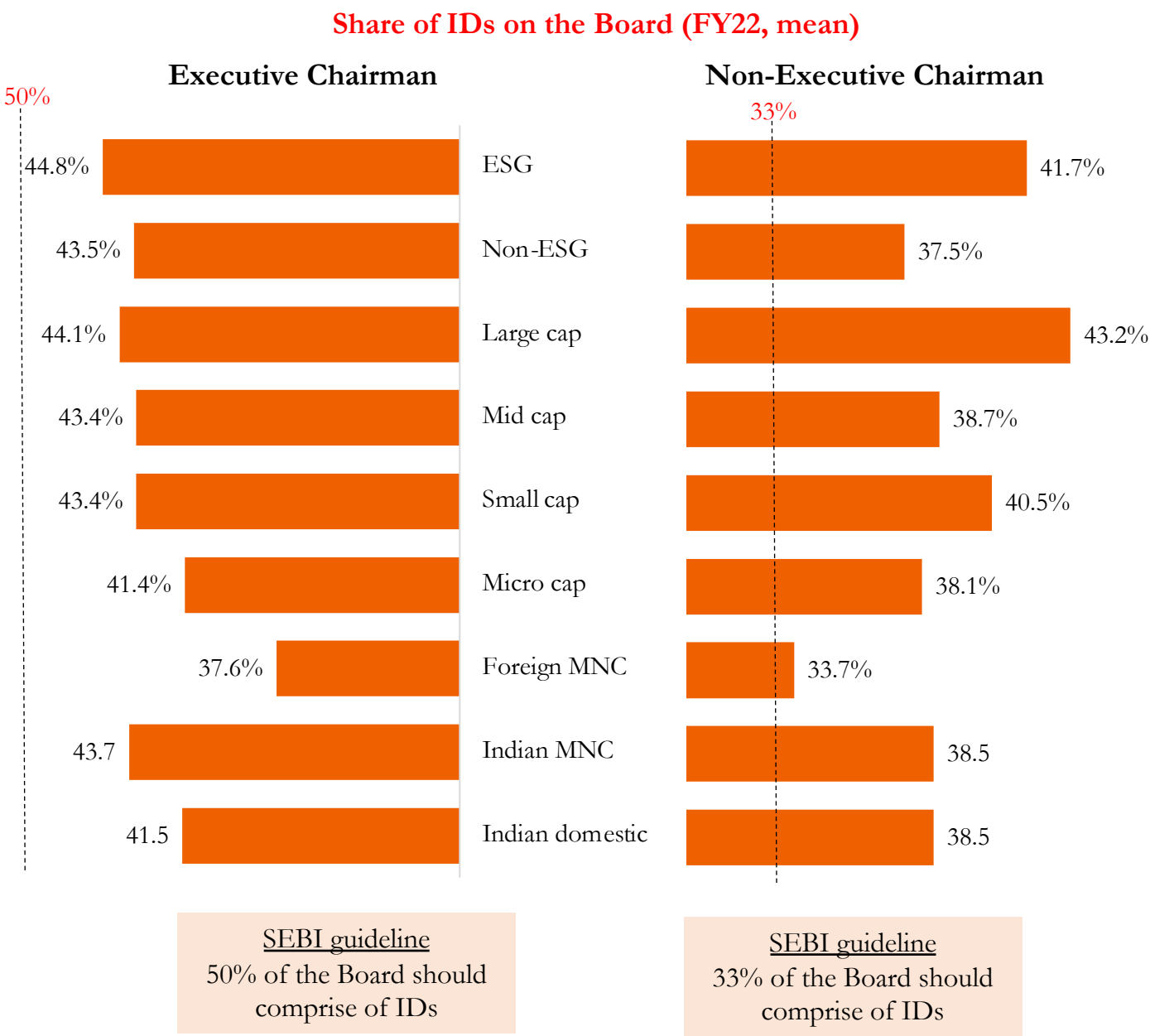
Mean %



# Are Companies Meeting the Norms for Independent Directors?

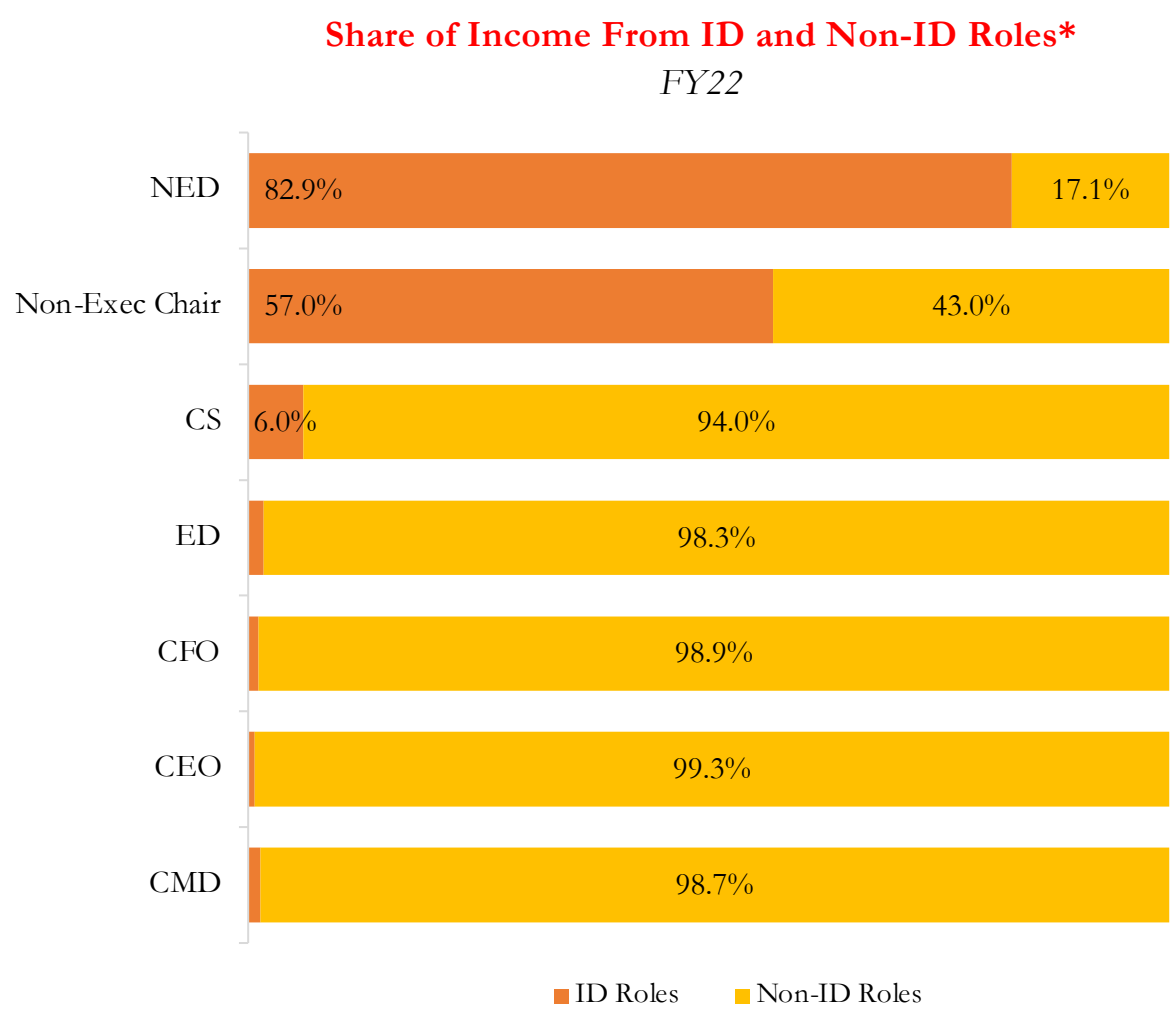
Most firms that have an Executive Chairman continue to fall short in terms of the required number of IDs on the Board:

- According to the regulatory guidelines, if the Chairman of the Board is an Executive, IDs should make up half the Board. **Across size and ownership bands, the average company falls short on this criterion.**
- If the Chairman is a Non-Executive, the law mandates that at least one-third of the Board should comprise of IDs. **Across all categories, the average company with a Non-Executive Chairman meets or exceeds this threshold.**



# How Independent are IDs? (1/2)

- In FY22, the average NED earned 83% (up from 80% 5 years ago) of his/her total Board income from ID roles, and 17% from ‘non-independent’ roles.
- In comparison, Non-Executive Chairmen earned 57% on average from ID roles. For individuals holding CMD, CEO, CFO, and ED positions, this share is close to nil, implying that they do not earn significantly from NED roles on the side.
- Individuals holding CS positions earn only 6% of the share of income from ID roles, implying most such individuals earn their income from non-ID roles.



\* An individual may hold one position/designation in one organisation and an entirely different one in another. For instance, a CMD in company X may be an NED in company Y. For purposes of analysis, the designations referred to above are the single-highest/most ‘senior’ position held by each individual

# How Independent are IDs? (2/2)

- 82% of NEDs earned more than 75% of their income from ID roles. The same is true for 53% of Non-Executive Chairmen.
- The share of income from ID roles dipped slightly in FY22, indicating a marginal decline of independent directorship as a profession in the previous year.

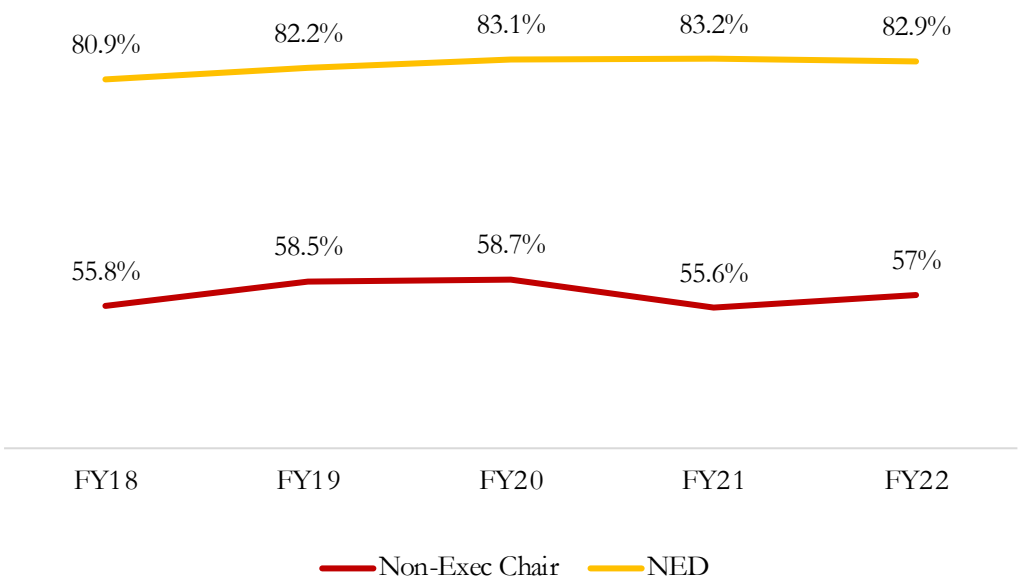
## Share of Income from ID Roles

(% of directors)

FY22	<10%	10-75%	>75%
CMD	95.1	4.6	0.3
CEO	97.8	2.2	0.0
CFO	99.3	0.7	0.0
ED	96.8	2.4	0.8
CS	83.3	16.7	0.0
Non-Exec Chair	38.1	9.4	52.5
NED	15.7	1.9	82.4

## Share of Income from ID Roles

(means)



# Promoter Presence on the Board

## Promoter presence on the Board decreases with company size

- 67% of companies have at least one promoter on their Board.
- Large-cap companies have a lower promoter presence. Younger companies are considerably less likely to have one compared to older companies.
- 75% of companies in the chemicals and construction sector have a promoter on the Board. At the other end of the tail, just 46% of BFSI firms have any promoter presence.
- At the average company, 15% of Directors are promoters. Foreign MNCs, have the lowest count on this score, and just 28% of such companies have any promoter presence.

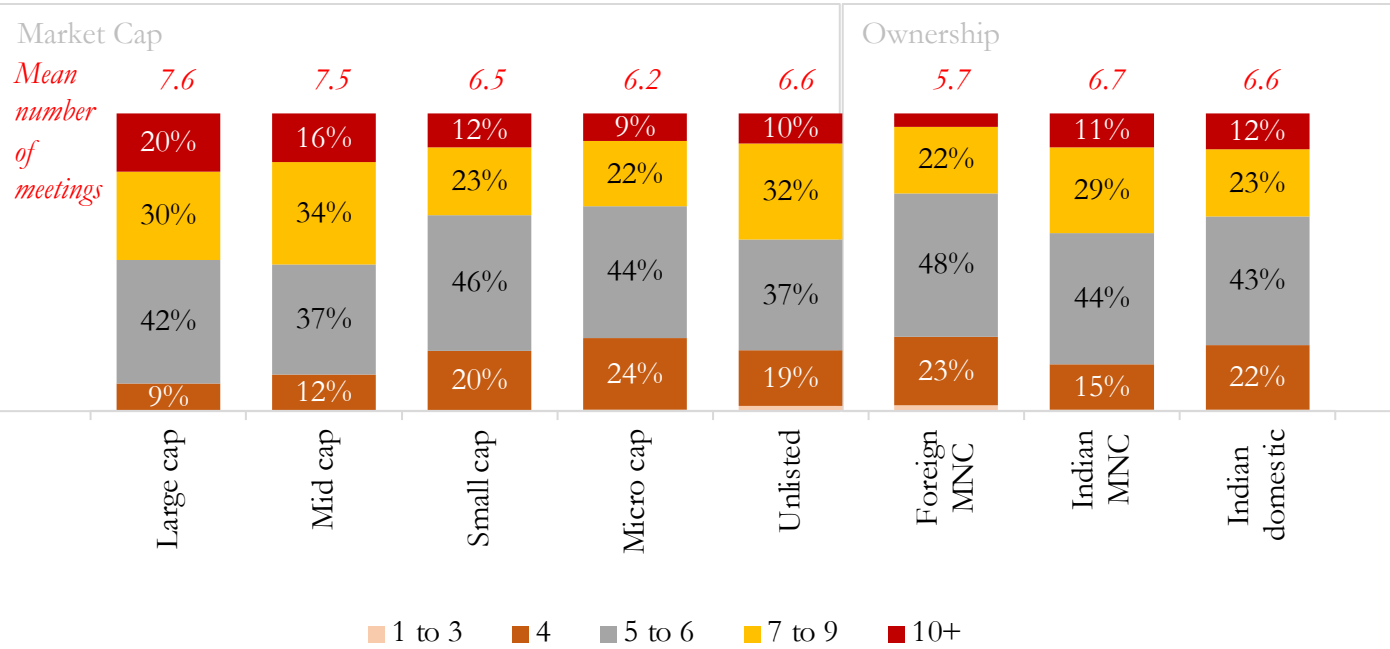
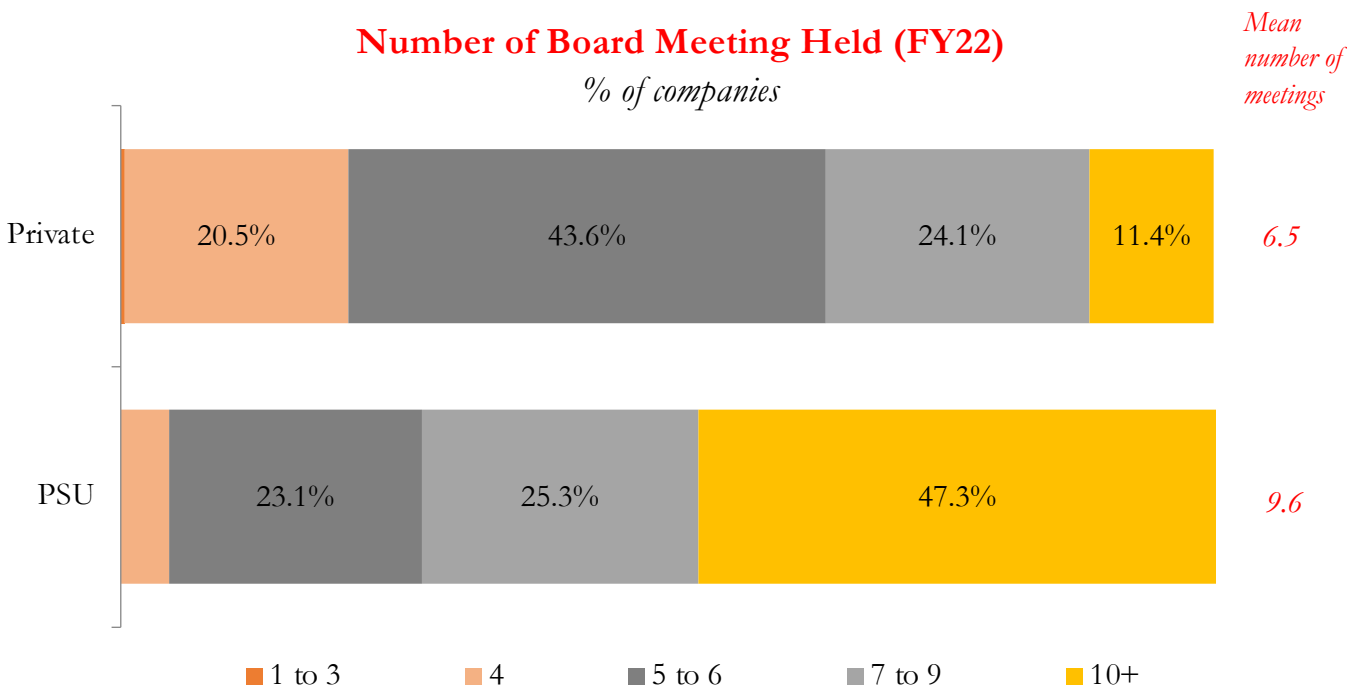
FY22, % companies with Promoter on the Board		Promoter Presence*	Median number of Promoters	Promoter Ratio#
Market Cap	Overall	67%	1.5	15.2%
	Large Cap	51%	1.4	9.8%
	Mid Cap	57%	1.5	11.9%
	Small Cap	69%	1.7	15.1%
	Micro Cap	68%	1.6	16.6%
Ownership	Foreign MNC	28%	0.5	6.7%
	Indian MNC	71%	1.7	15.1%
	Indian domestic	68%	1.5	15.9%
Age	Pre-liberalisation (<1991)	71%	1.7	16.3%
	Post-liberalisation (1991-2007)	64%	1.3	14.3%
	Post GFC (>2008)	56%	1.1	12.5%
Sector	Automotive	59%	1.1	12.0%
	Chemicals	75%	1.9	18.2%
	Construction	75%	1.7	17.1%
	Consumer goods	66%	1.7	15.3%
	Industrials	72%	1.6	16.7%
	Pharmaceuticals	68%	1.8	16.7%
	Resource-Based	71%	1.6	16.0%
	BFSI	46%	0.8	9.0%
	General services	56%	1.2	12.7%
	Healthcare	69%	1.6	12.8%
	IT & ITeS	60%	1.1	11.7%

\* Among listed private-sector companies. Promoters on the Board of foreign MNCs include foreign nationals who are self-classified as promoters on the Board. # Mean (average) percentage of directors who are promoters in a company

# Number of Board Meetings (1/2)

## PSU Boards meet more frequently than private-sector ones

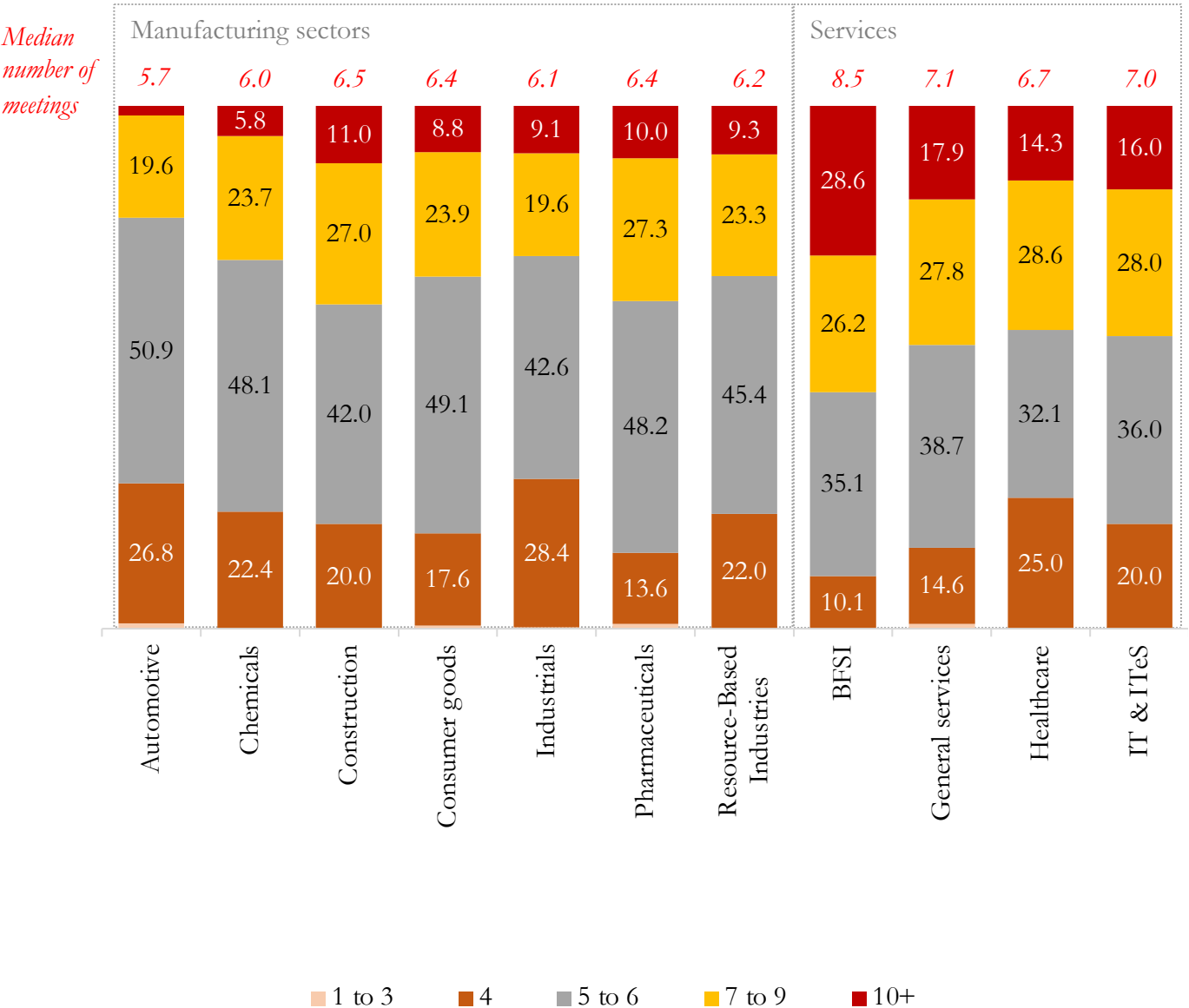
- 47% of PSU Boards met 10 or more times in FY22, compared to only 11% of private ones.
- 64% of private firms held 6 or fewer meetings in FY22.
- On average, large- and mid-cap firms hold more meetings (~8) than smaller ones (6).
- Indian Boards tend to meet more often than foreign ones.



# Number of Board Meetings (2/2)

**BFSI Sector Boards meet more often than those in other sectors**

- The automotive sector had the lowest frequency of Board meetings (5.7) in FY22
- BFSI boards meet the most often, with ~29% meeting 10 times or more a year.

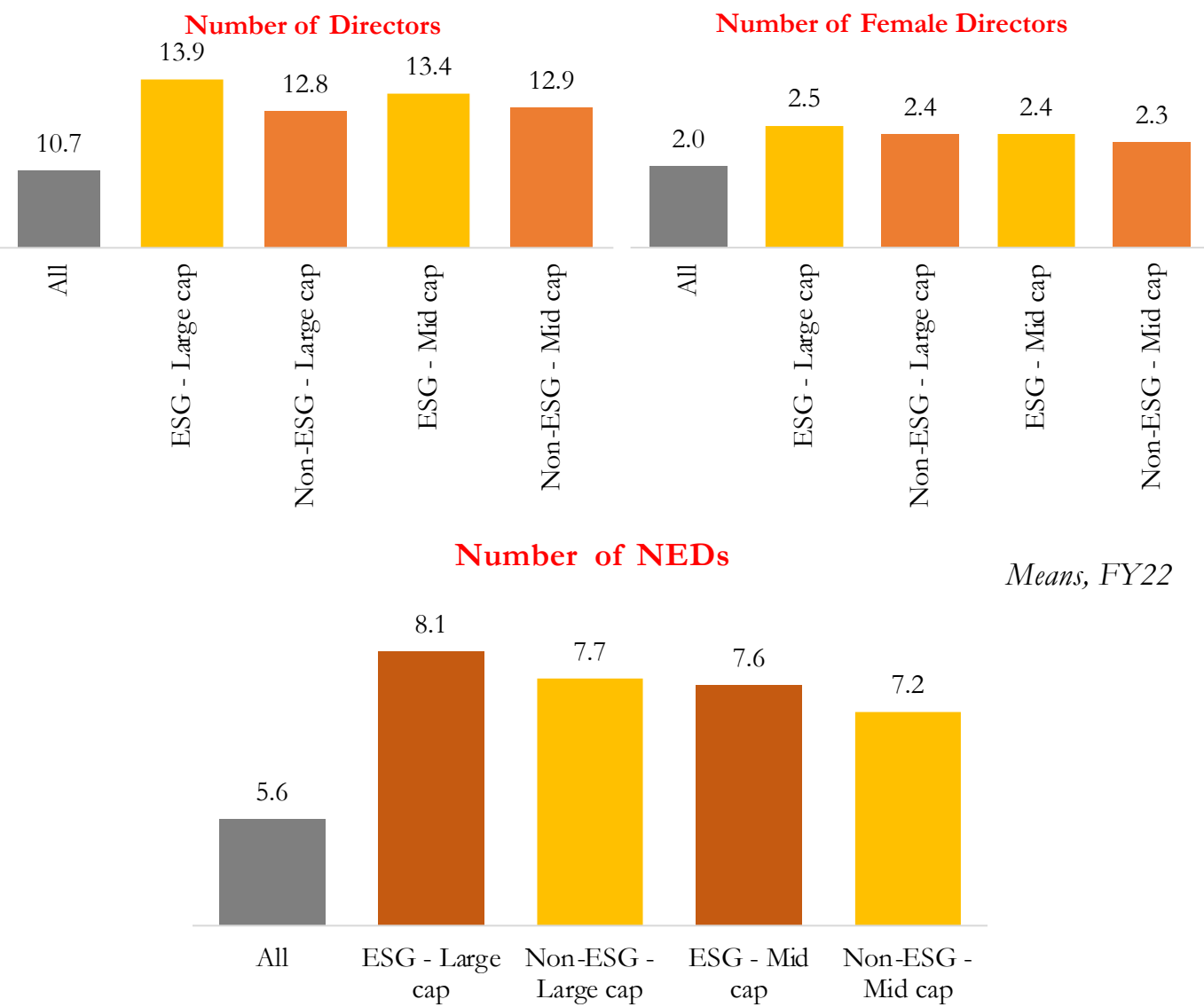




# How are ESG Companies\* Different? (1/2)

ESG-compliant\* companies on average have larger Boards, more female directors and more NEDs...

- With growing concerns about environmental, social and governance (ESG) issues, Boards and Board-related practices will increasingly come under the scanner.
- Significantly, companies that are rated high on ESG practices on average have ~1 additional Board members, and about as many additional NEDs, compared to the average firm in their market-cap band. They also tend to have *slightly* higher female representation.
- This is indicative of a growing emphasis on high corporate governance standards, gender equality, and on building an independent Board.

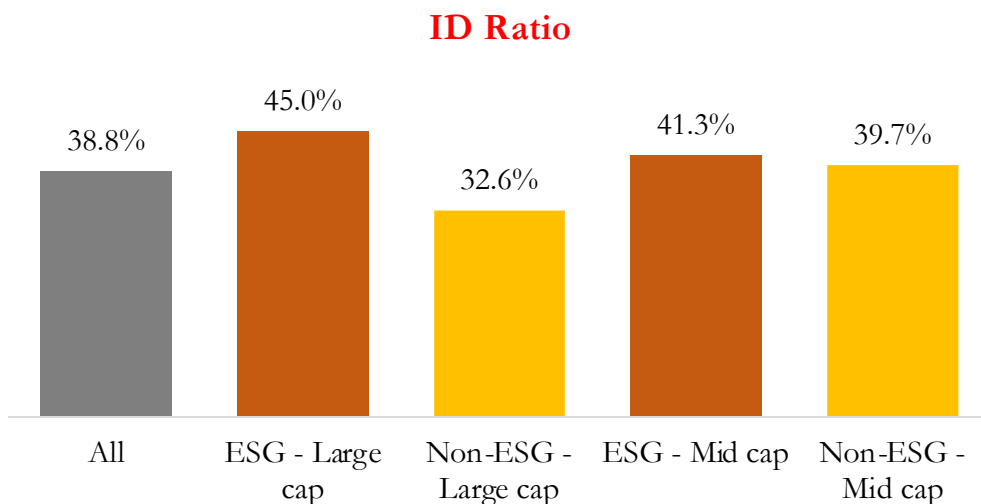
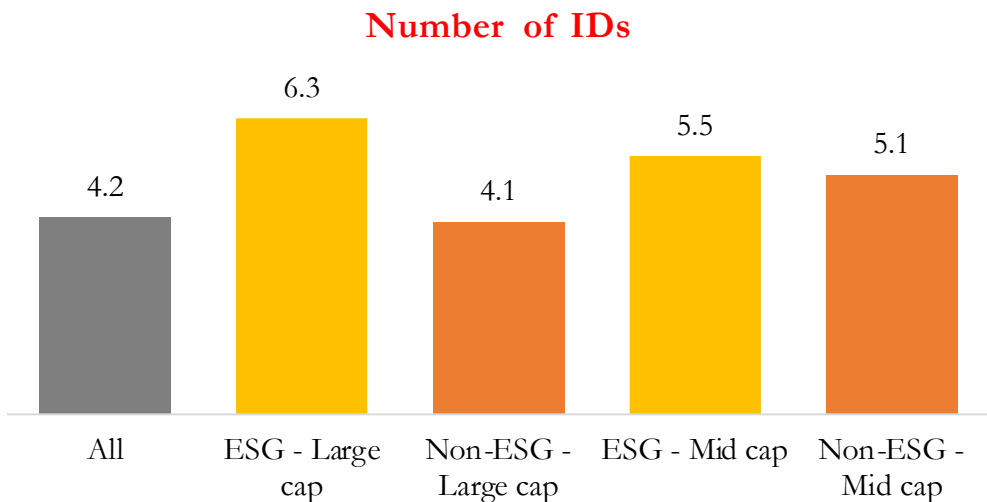


\* These are companies that figure on one or more of the following lists: the NSE 100 ESG Index; S&P BSE 100 ESG Index; and a ranking by Future Scope. See methodology section at the beginning of this report.

# How are ESG Companies\* Different? (2/2)

...as well as more Independent Directors

- Compared to their non-ESG-compliant peers, companies that rank high on ESG have more IDs, both in absolute terms and as a share of the total Board size.

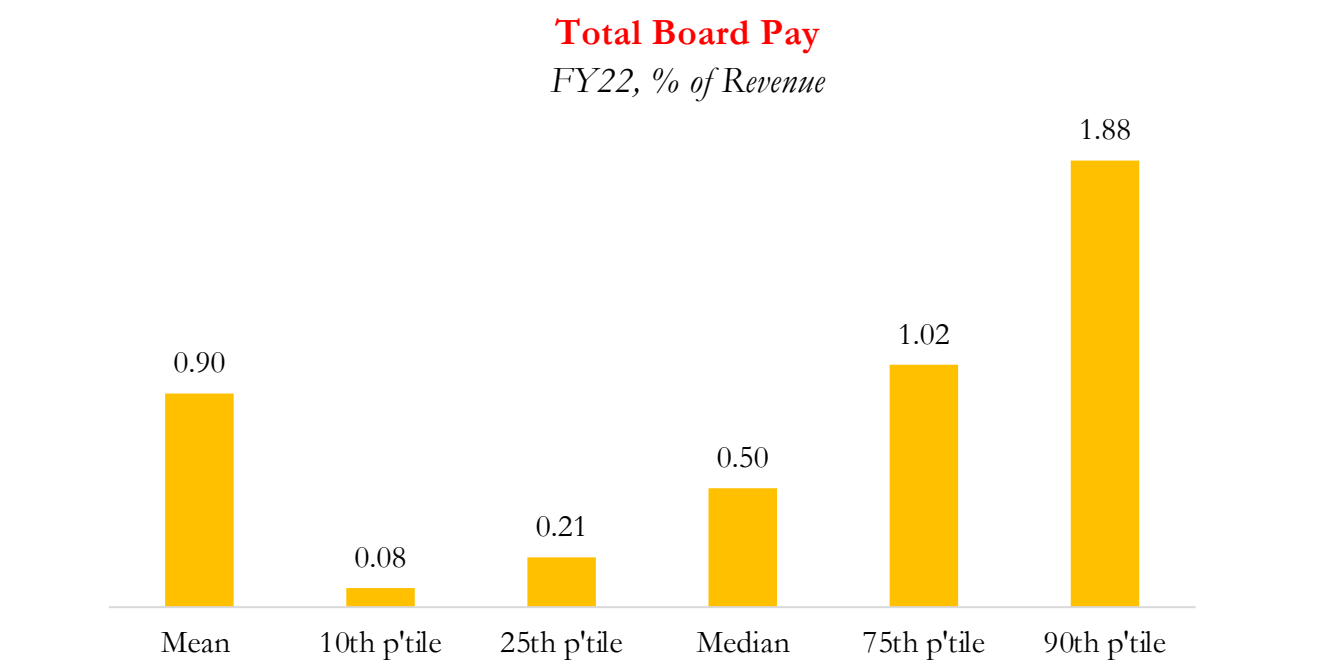
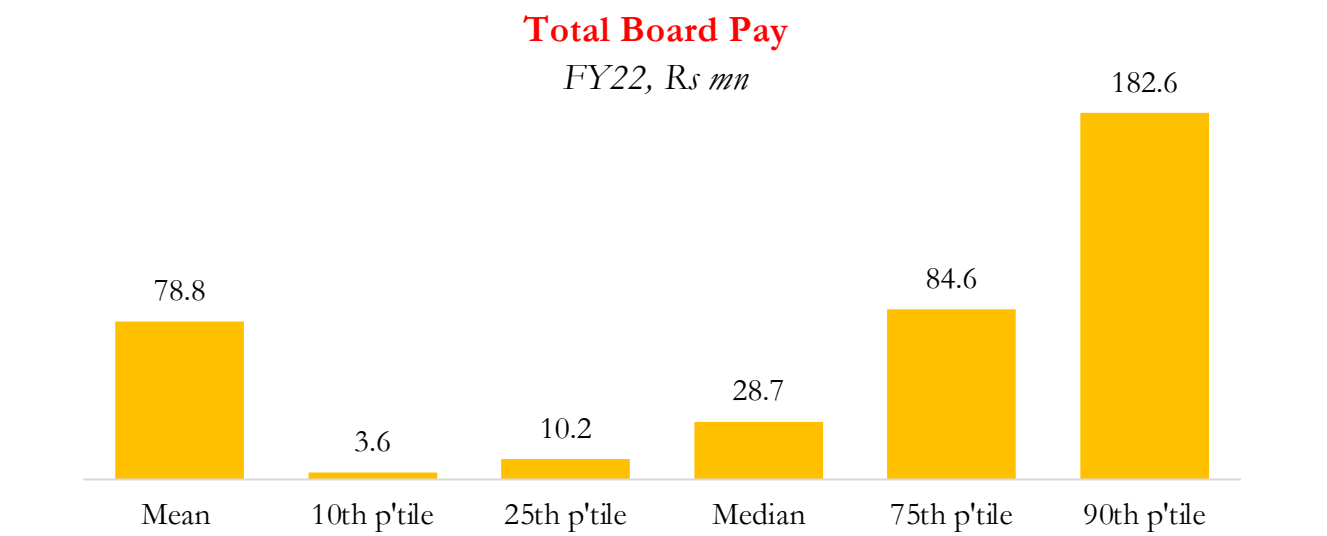


*\* These are companies that figure on one or more of the following lists: the NSE 100 ESG Index; S&P BSE 100 ESG Index; and a ranking by Future Scape. See methodology section at the beginning of this report.*

# How Much Does it Cost to Run a Board? (1/3)

## Significant variations in the total compensation cost of Board members

- The average firm pays a total of Rs 78.8 mn to its Board members.
- This varies significantly: the lowest 10% pay Rs 3.6 mn or less while the top 10% pay Rs 182.6 mn or more.
- As a share of revenue, the average firm spends 0.9% of its top-line on Board compensation. At the two extremes, this ratio ranges from just 0.08% to as much as 1.88% of revenue.



# How Much Does it Cost to Run a Board? (2/3)

The cost of running a Board rises with size in absolute terms, but falls in relative terms

- The average large-cap pays its Board Rs 429 million, compared to just Rs 17 million among micro-caps.
- However, as a share of revenue, large-caps spend just 0.4% of revenue compared to 0.9-0.8% among small- and micro-caps.
- Indian MNCs spend considerably more (in absolute terms) to run a Board than other companies, but Indian domestic firms spend the most in percentage terms.

## Total Board Pay

(FY22, Rs million)

	Mean	10th percentile	25th percentile	Median	75th percentile	90th percentile
Large cap	429.14	51.11	153.10	294.73	564.51	959.48
Mid cap	229.57	49.96	88.09	170.05	290.73	512.92
Small cap	83.19	9.91	22.81	54.92	107.67	176.43
Micro cap	17.06	1.83	5.18	10.98	21.92	38.06
Unlisted	56.17	3.29	10.08	28.47	57.54	112.03
Foreign MNC	76.34	8.59	20.39	46.02	79.87	164.81
Indian MNC	155.79	8.70	28.20	76.56	177.05	390.44
Indian domestic	55.76	3.00	8.40	21.46	60.56	137.39

## Total Board Pay

(FY22, % of Revenue)

	Mean	10th percentile	25th percentile	Median	75th percentile	90th percentile
Overall	0.90	0.08	0.21	0.50	1.02	1.88
Large cap	0.40	0.02	0.05	0.14	0.38	0.56
Mid cap	1.10	0.06	0.19	0.40	0.72	1.68
Small cap	0.90	0.10	0.23	0.53	1.01	1.83
Micro cap	0.80	0.08	0.25	0.55	1.14	1.89
Unlisted	1.00	0.05	0.20	0.49	1.12	2.19
Foreign MNC	0.70	0.13	0.22	0.42	1.02	1.43
Indian MNC	0.80	0.07	0.20	0.48	0.94	1.83
Indian domestic	0.90	0.08	0.22	0.51	1.05	1.95

# How Much Does it Cost to Run a Board? (3/3)

## ESG companies spend more on their Boards

- At the median, compared with other companies of a similar market-cap, ESG compliant\* companies pay their Board members considerably more in absolute terms, but – because such firms are also larger in revenue terms – *less* as a share of revenue.
- The median large-cap ESG-compliant company spends nearly twice as more on its Board than a comparable non-ESG firm. The differences are smaller, but still significant, among mid-caps.

Total Board Pay  
(FY22, Rs million)

		Mean	10th percentile	25th percentile	Median	75th percentile	90th percentile
	Overall	78.83	3.60	10.19	28.71	84.61	182.60
Large Cap	ESG	463.28	63.76	192.92	344.27	575.96	1007.71
	Non-ESG	182.65	30.51	53.14	123.25	181.99	576.86
Mid Cap	ESG	250.04	82.19	124.57	259.36	310.88	512.83
	Non-ESG	223.04	44.53	74.79	163.40	279.46	516.55

Total Board Pay  
(FY22, % of revenue)

		Mean	10th percentile	25th percentile	Median	75th percentile	90th percentile
	Overall	0.90	0.08	0.21	0.50	1.02	1.88
Large Cap	ESG	0.30	0.02	0.05	0.13	0.38	0.56
	Non-ESG	0.80	0.01	0.07	0.21	0.44	5.12
Mid Cap	ESG	1.10	0.08	0.17	0.33	0.56	4.24
	Non-ESG	1.10	0.05	0.2	0.41	0.77	1.67

\* These are companies that figure on one or more of the following lists: the NSE 100 ESG Index; S&P BSE 100 ESG Index; and a ranking by Future Scape. See methodology section at the beginning of this report. ^ Signifies less than 0.1%

# Roadmap to the Report

## Section 1: Board Governance Metrics

- Board size and Trends
- Number of NEDs
- Number of Independent Directors
- Share of IDs on Company Boards
- Board Independence
- Promoter Presence on the Board
- Number of Board Meetings
- What makes ESGs different?
- Cost of running a Board



## Section 2: Gender Diversity & Equality

- Male-Female Representation by Level
- Companies with no Female Representation
- Gender-wise Pay Split by Level
- Change in Pay FY18-22: Gender Split
- Female Pay Composition

# Key Takeaways (1/2)

## Gender and Diversity

Women remain grossly under-represented in C-Suite and Board positions. Private and PSU Boards have 2 female Directors on average as opposed to 9 males. Only 5.7% of CMDs, 4.9% of CEOs and 6% of CFOs are women.

A large white circle containing the letters 'CXO' in bold black font, representing C-Suite positions.

Female representation is better at the NED, ED and CS levels, ranging from 15% to 34%. Over the last 5 years, there has also been a steep decline in the share of private companies with no female directors on the Board - indicating improvements in diversity.

Pay gaps exist across most positions in the private sector. Female CMDs get paid Rs 25.3 mn on average while their male counterparts get Rs 41.5 mn (a 64% gap). Male CSs and Non-Executive Chairmen earn twice as much as their female counterparts.



# Key Takeaways (2/2)

Pay gaps falls to near-zero among CEOs and NEDs. Significantly, for most positions, male-female pay gaps fell sharply between FY18 and FY22.



At the CFO level, the pay gap declined from 84% to 35%, while for NEDs, it came down from 13% to 0%. The only exception was at the ED level, where it rose from 1% to 19%.

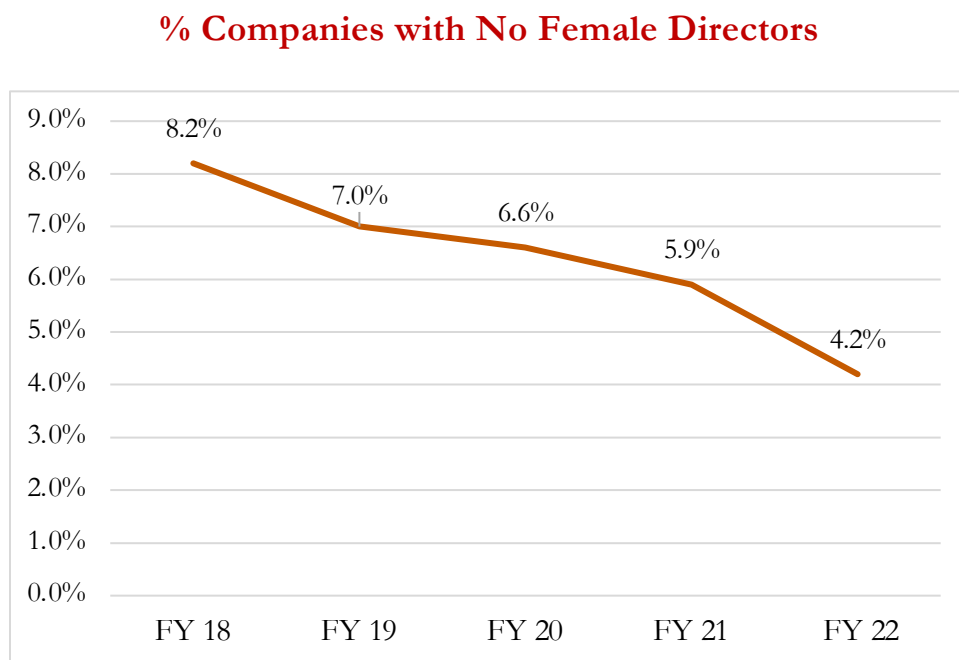
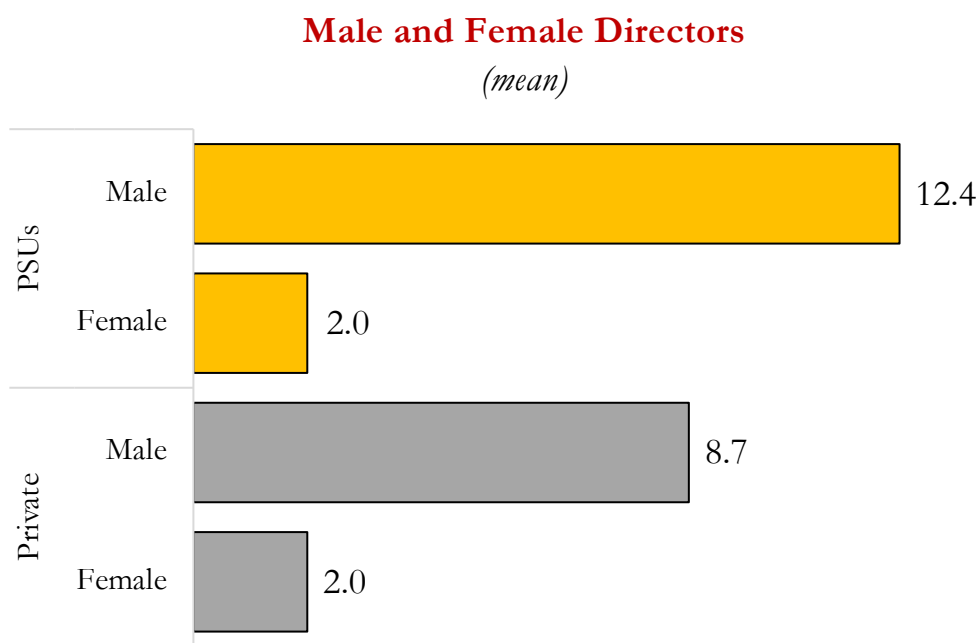
Female Board members receive a higher share of pay as variable across positions. While the differences at the CMD and CS levels are negligible, for Non-Exec Chairs, female variable pay is 37% as opposed to 29% for males.





# Gender Diversity: Poor Scores for India Inc. (1/2)

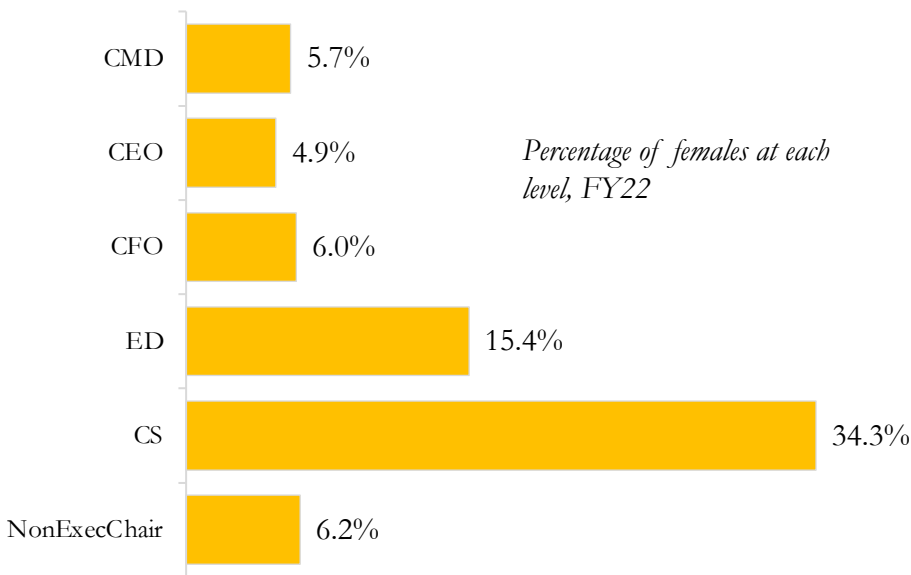
- On average, there are just 2 female Directors on company Boards, whether private-sector or PSU, compared to 9 males in private-sector companies and 12 in PSUs.
- However, over the last 5 years, there has been a steep fall in the number of companies with *no* female directors on the Board. This suggests that diversity is starting to receive some attention.



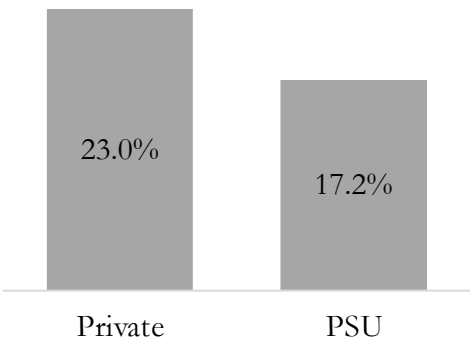
# Gender Diversity: Poor Scores for India Inc. (2/2)

- Female representation is lowest at the CEO/MD, CFO and Non-Executive Chairman levels, and highest among NEDs and Company Secretaries.
- PSUs do worse than private-sector firms across all levels, except at CMD/CEO and Non-Executive Chairmen.

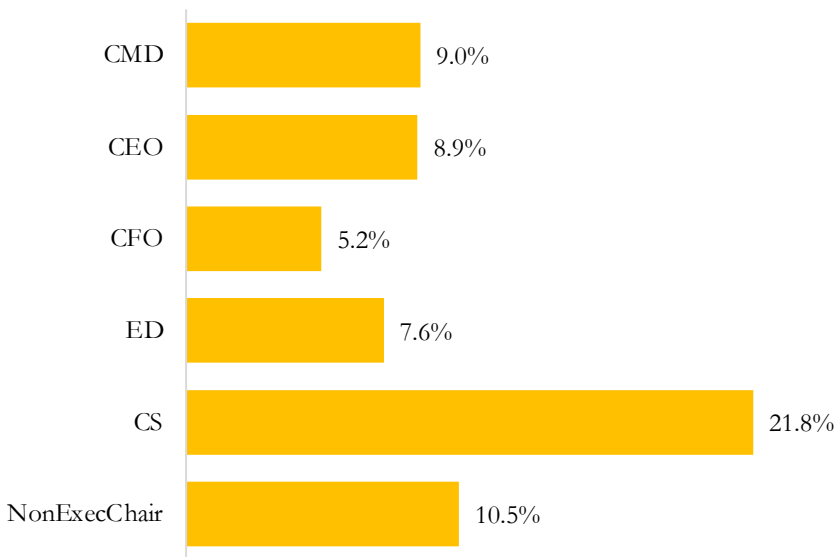
### Private



### NEDs



### PSUs



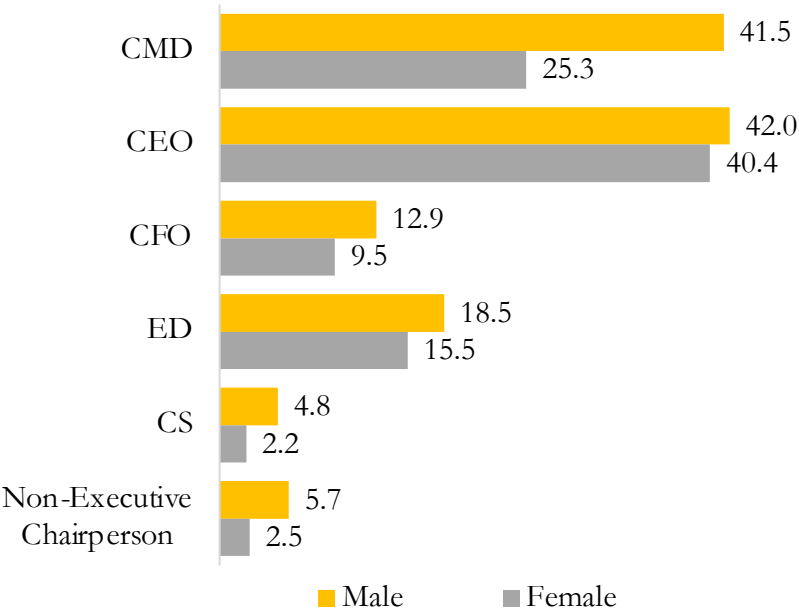
# Total Pay FY22: Gender Split\*

- Substantial gender-related pay gaps exist across designations in the private sector, with men earning more than twice as much as women in some positions.
- There are significant pay gaps in the PSU world as well. Men in CEO and CFO positions earn close to twice as much as their female peers.
- The CMD and ED for PSUs, and Non-Executive Director positions in both private and PSU firms are exceptions – the average woman earns either as much or more than the average man.
- Crucially, pay gaps in the private sector fell sharply across most positions between FY18 and FY22; the only exception was at the ED level, where it rose.

## Executive Positions

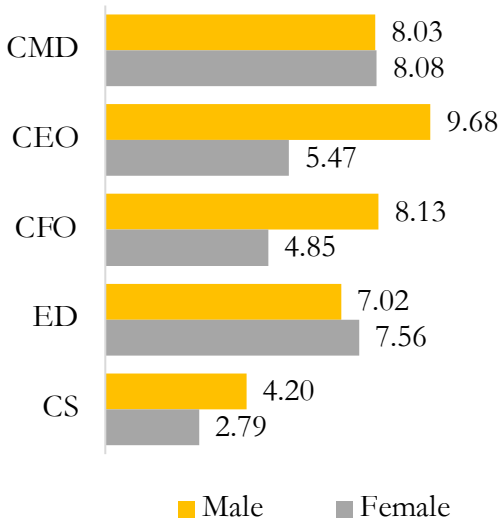
### Private Sector

Mean (Rs million)



### PSUs\*

Mean (Rs million)

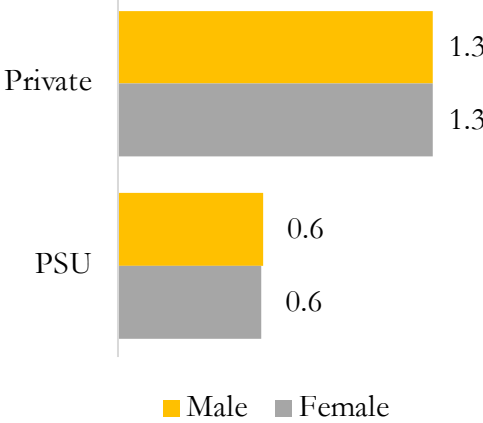


### Male-female pay gaps (private sector, mean %)

	FY18	FY22
CMD	72%	64%
CEO	1%	4%
CFO	84%	35%
ED	1%	19%
CS	154%	115%
NED	13%	0%
Non-Exec Chair	165%	123%

### NEDs

Mean (Rs million)



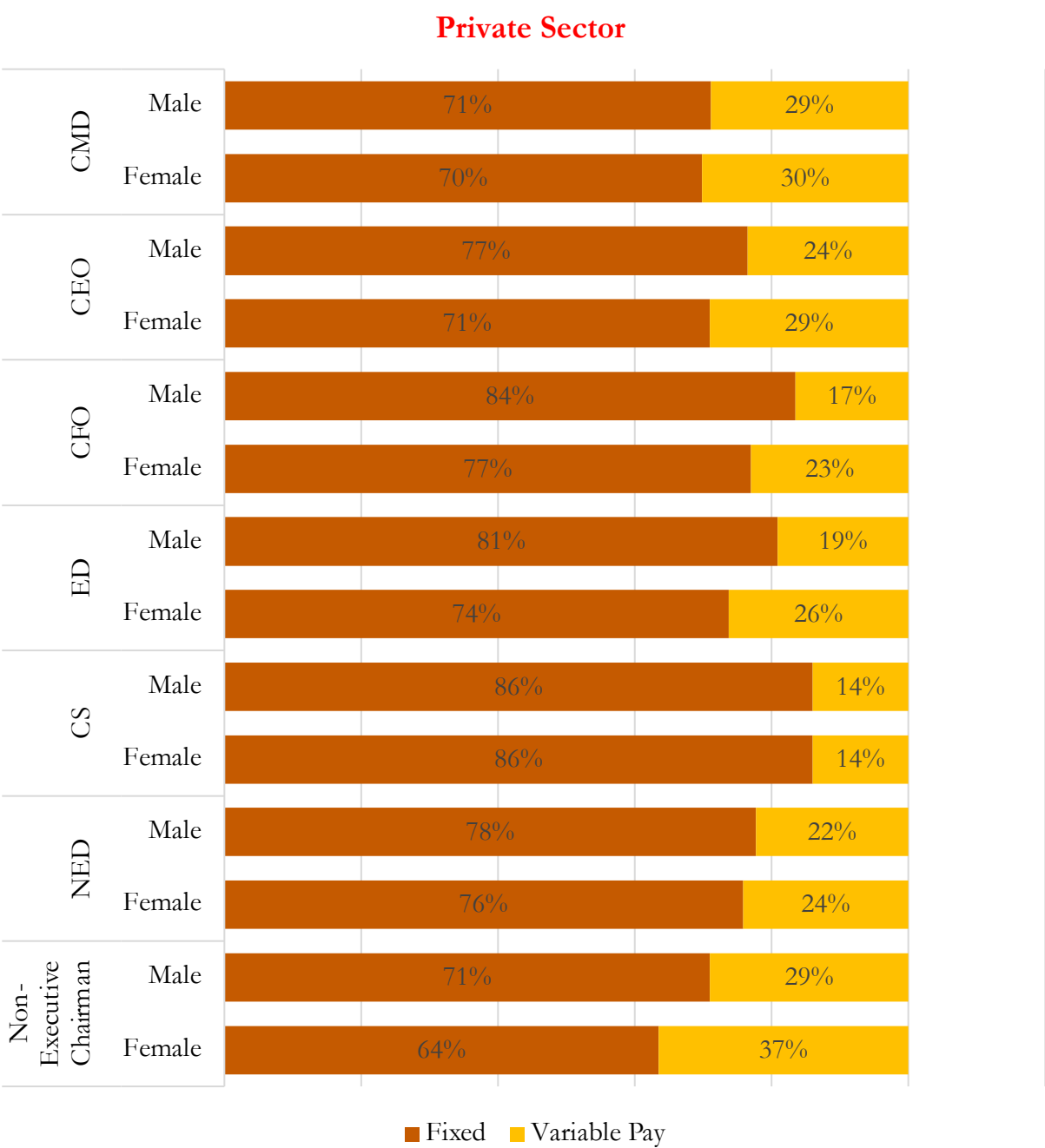
Male Female

\* Low levels of gender diversity mean that statistically meaningful, like-for-like gender comparisons are not possible at all Executive/ Board levels. The results presented are for levels where there are adequate levels of female representation. For instance, In FY21, there was only 1 female CMD and 0 female CEOs and 1 female Non-Executive Chairperson among our sample of PSU firms, so these levels have been excluded from the analysis.

# Pay Composition FY22: Gender Split\*

Across several Board positions, females earn a greater share of their income in the form of variable pay

- The difference is marginal at the CMD and CS levels.
- However, it is far more significant among CEOs, CFOs, EDs and Non-Executive Chairmen.



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