



ASIAN CORPORATE GOVERNANCE ASSOCIATION

CORPORATE GOVERNANCE IN INDIA:
WHAT INVESTORS NEED TO KNOW
SEPTEMBER 7, 2021

Trends in Corporate Governance in India

Speaker: Sharmila Gopinath

CG Watch 2020 – Where does India stand

Market	Total (%)	Change vs 2018 (ppt*)	Macro market highlights
1. Australia	74.7	+3.9	Banking commission spurs enforcement, still no federal ICAC
=2. Hong Kong	63.5	+3.3	New audit regulator, enforcement remains strong, ICAC disappoints
=2. Singapore	63.2	+4.4	Enforcement firming, rules improve, company disclosure disappoints
4. Taiwan	62.2	+5.8	Big CG reform push on multiple fronts, rules still complicated
=5. Malaysia	59.5	+1.5	Political turmoil erodes government scores, other areas hold steady
=5. Japan	59.3	+5.5	Ahead on climate change reporting, behind on company CG disclosure
7. India	58.2	+3.8	New audit regulator, civil society surges, public governance disappoints
8. Thailand	56.6	+1.4	Political turmoil erodes government scores, rules strong, investors improve
9. Korea	52.9	+6.7	Public governance strengthens, CG disclosure improves, regulatory opacity
10. China	43.0	+2.2	Forging its own governance path, still waiting for ESG reporting guidelines
11. Philippines	39.0	+2.3	Stronger regulatory focus on CG, investors and civil society disappoint
12. Indonesia	33.6	-0.9	CG reform continues to struggle, some stronger rules, new e-voting system

Source: ACGA

*ppt = percentage point

“CG ecosystem” strengths/weaknesses: Market category scores

	AU	CH	HK	IN	ID	JP	KR	MY	PH	SG	TW	TH	Regional Average
1. Government & public governance	68	29	65	45	31	60	60	32	28	60	68	35	48
2. Regulators	65	52	69	53	24	62	53	53	27	63	66	51	53
- <i>Funding, capacity, reform</i>	62	42	62	51	31	58	45	53	27	56	62	47	50
- <i>Enforcement</i>	68	64	76	56	16	66	62	54	26	70	70	56	57
3. CG rules	82	63	75	69	35	58	56	77	45	75	66	76	65
4. Listed companies	79	51	59	65	38	44	48	66	55	60	63	60	57
5. Investors	66	18	34	44	19	60	44	43	21	39	38	38	39
6. Auditors & audit regulators	86	43	81	54	59	77	70	86	60	81	76	76	71
7. Civil society & media	80	22	60	78	38	62	36	44	36	64	62	49	53
Total	74.7	43.0	63.5	58.2	33.6	59.3	52.9	59.5	39.0	63.2	62.2	56.6	55

Source: ACGA

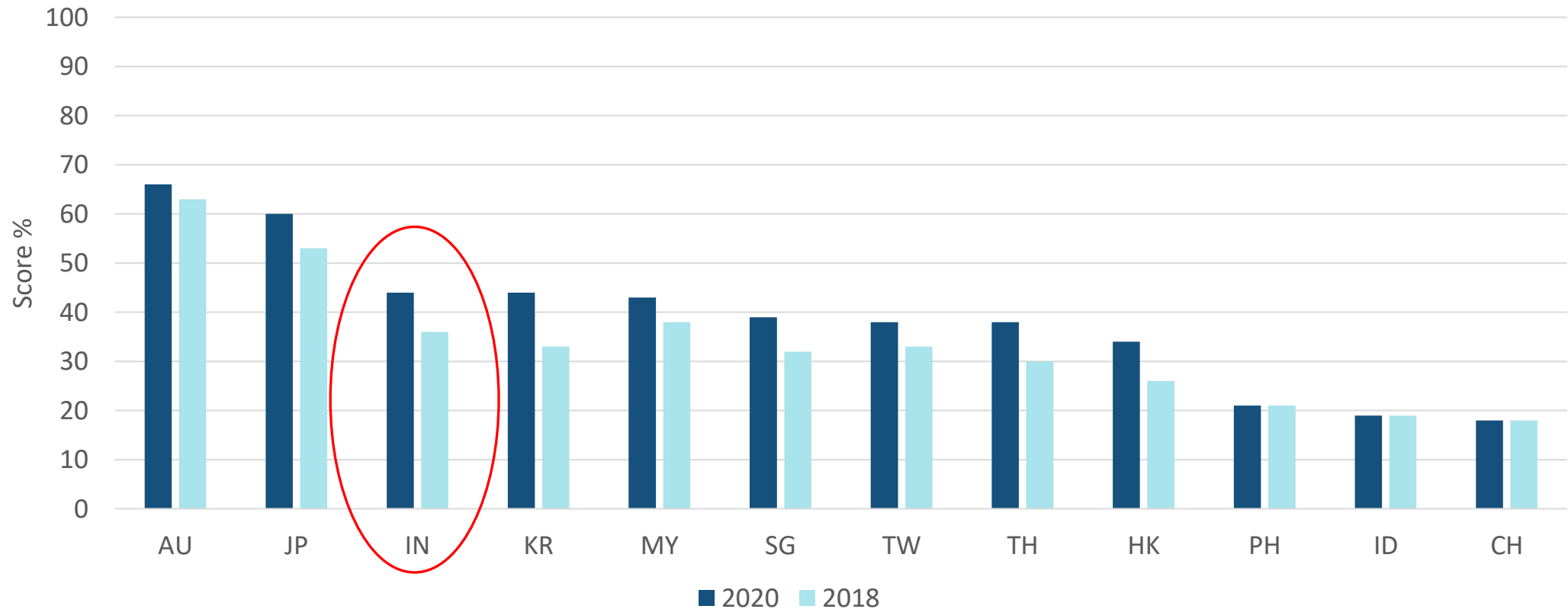
New to Market: Investors

Stewardship Code:

- Mandatory for MFs, AIFs, and insurance companies
- Raised the category score in 2020
- Domestic IIs have in-depth disclosure on how they vote at investee companies since 2011
- Are domestic institutional investors ready to be active stewards?
- Foreign IIs need to better articulate whether they are adapting their CG, ESG, voting and stewardship policies for India

Investors

INDIA MAKES STRIDES, PARTLY DUE TO STEWARDSHIP CODE



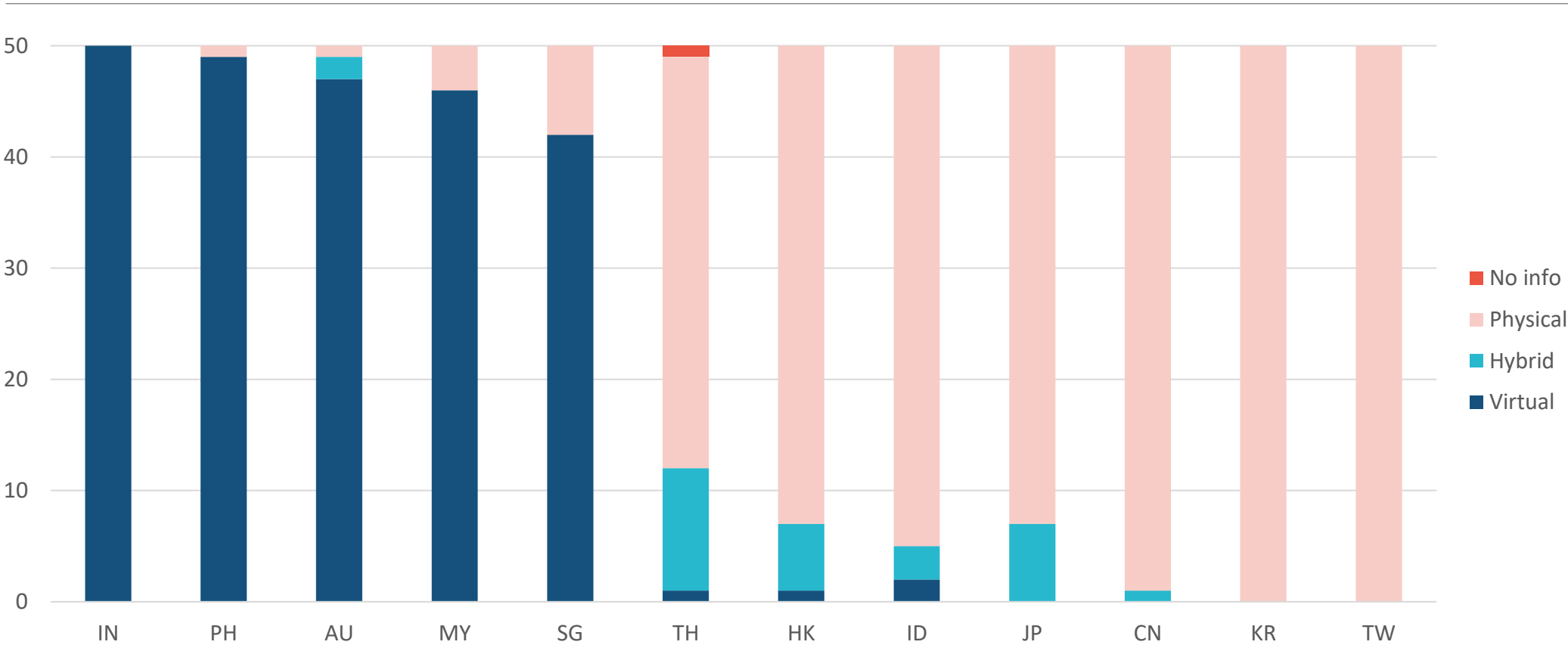
New to Market: Companies

ESG and sustainability:

- Business Responsibility and Sustainability Report replaces Business Responsibility Report
- New reports to address materiality and sustainability-related risks; are companies ready to comply
- Disclosure at large companies is good but mostly regulator driven
- Materiality matrices, discussing materiality process, providing targets on material issues need to improve
- ESG disclosure is better in companies with a large foreign institutional presence or if listed abroad

Listed companies

2020 AGM MODES OF TOP 50 ISSUERS PER MARKET



Source: ACGA

New to Market: Auditors and audits

New independent audit regulator,
National Financial Reporting
Authority:

- Audit failures, scandals brought about this new entity
- Too many chefs in the kitchen: ICAI, NFRA and QRB

New RBI guidelines for auditors:

Regulators, Regulations and Enforcement

Mandatory vs. comply-or-explain

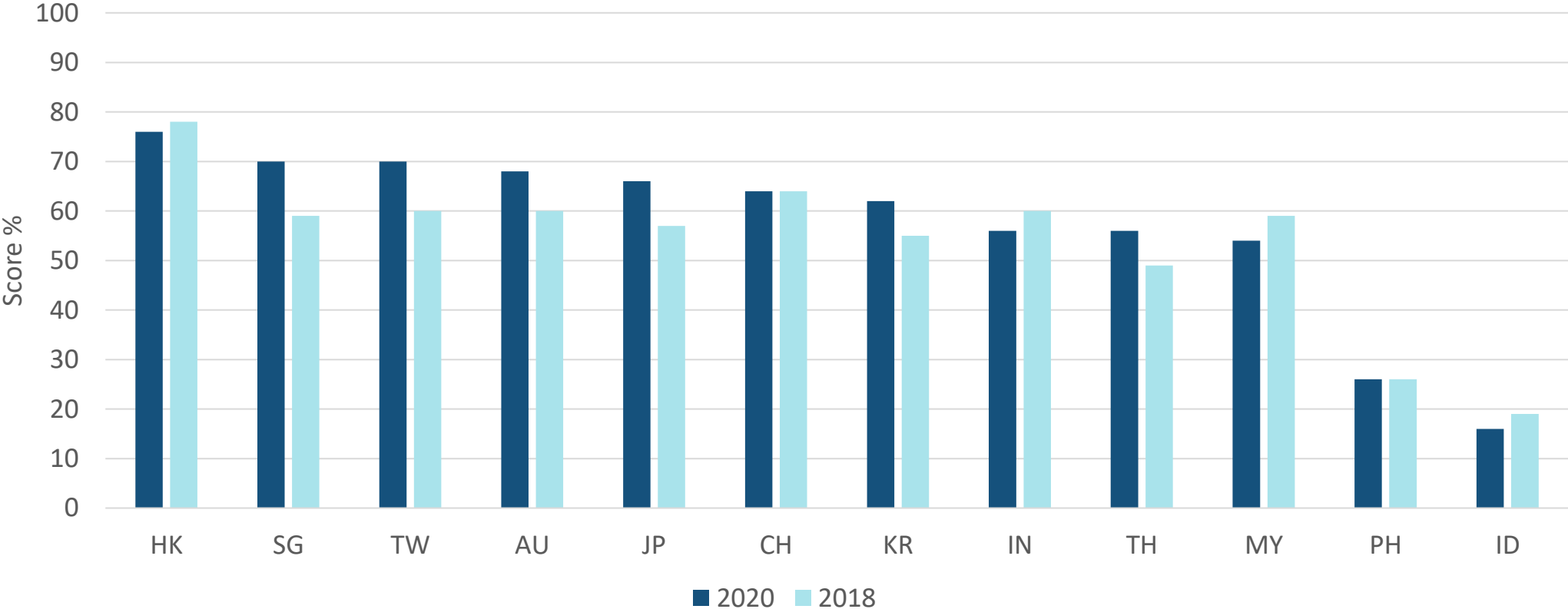
- Exemptions made for PSUs
- Promoting gender diversity: one independent woman director on boards
- Strengthening boards through board evaluation; bolstering independent directors on boards and board committees
- But no lead independent director

Loopholes in regulations

Enforcement an issue

Regulators taken to court

Regulators – Enforcement



Source: ACGA

Judiciary

Judiciary under pressure

Not enough judges, and the process has broken down

Logjam of cases in various courts

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