

Focus

- First Reaction
- ✓ **Governance Spotlight**
- Regulatory Overview
- Thematic Research
- Event Based Research
- General

Subscribe to
[IiAS Research](#)

Write to us
solutions@iias.in

IiAS' recommendation to vote against Prof Jeffrey Lehman's reappointment as an independent director of Infosys Limited

Infosys Limited (Infosys) today [filed its response with stock exchanges](#) on voting recommendations made by proxy advisory services firms regarding the resolutions that Infosys is presenting in its [recent postal ballot](#).

In our voting recommendation report, IiAS had recommended that shareholders [vote against the reappointment of Prof Jeffrey Lehman as an independent director](#). Our contention was that the Prof Lehman's tenure on the board will cross 10 years in April 2016, and therefore, he must not be categorized as an independent director. Should the company have presented his reappointment as a non-independent director, IiAS would have likely supported such a recommendation.

There has been considerable debate on director tenure, both in Indian markets as well as globally. Global markets are considering fixing directors' tenure, and some markets are even considering setting it at 9 years. But, the debate is mainly limited to whether there must be a fixed tenure or not – that directors need to be periodically rotated has always been considered a good governance practice and has never been in question.

Indian regulations and Indian markets have accepted the need to fix a limit on director tenure. The Companies Act 2013 has set independent directors' tenure at a maximum of 10 years (2 consecutive terms of 5 years each). The only difference between the Companies Act 2013 and [IiAS' Voting Policy](#) is from where the count begins – IiAS believes tenure must be counted from when the director joined the board, while the Companies Act 2013 begins counting director tenure from when the Act came into force (1 April 2014).

While the Companies Act 2013 made it a mandatory requirement, this was not the first instance where the Indian regulators have prodded companies to cap the tenure of independent directors. Before the Companies Act 2013 came into effect, [Clause 49](#) of the erstwhile Listing Agreement recommended that independent directors' tenure be voluntarily limited to 9 years. The [MCA Corporate Governance Voluntary Guidelines](#) were even more stringent: the guidelines stipulated a voluntary tenure limit of 6 years for independent directors.

IiAS' Voting Policies are based on global best practices that can help Indian markets develop stronger governance standards. Our policies are revised periodically based on feedback from market participants, results of our research, and other on-going market and regulatory developments. IiAS' voting policy on independent directors' tenure has changed. It was earlier set at 9 years, which followed SEBI's Listing Agreement. Following the Companies Bill 2012 (which was subsequently passed by the President as Companies Act 2013), IiAS changed its voting policy to set independent directors' tenure at 10 years. In a [2014 IiAS survey on 'Institutional Investors' Attitude to Corporate Governance'](#), 82% of the investors polled favourably to setting a fixed director tenure.

Independent directors' tenure is an element of concern in Indian markets. A [2015 IiAS research paper 'Board Effectiveness: Through the Looking Glass'](#) revealed that

if independent directors with a tenure of more than 10 years were considered non-independent, 54% of S&P BSE 500 boards would not be compliant with board composition requirements. Therefore, while making voting recommendations, IiAS recommends that independent directors with a tenure of more than 10 years be reappointed, but in a non-independent capacity – and companies must add independent directors to ensure an appropriate board composition.

IiAS believes instead of debating the legality of Prof Jeffrey Lehman's reappointment, Infosys would be better placed in assessing what it should do as a good corporate governance practice. Infosys has always looked at the bigger picture and set its standards on good governance well ahead of corporate India. Why, then, has it begun nitpicking on as obvious an issue as director rotation?

Disclaimer

This document has been prepared by Institutional Investor Advisory Services India Limited (IiAS). The information contained herein is solely from publicly available data, but we do not represent that it is accurate or complete and it should not be relied on as such. 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 report. 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. 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). The discussions or views expressed may not be suitable for all investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. IiAS reserves the right to make modifications and alterations to this statement as may be required from time to time. However, IiAS is under no obligation to update or keep the information current. Nevertheless, IiAS is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client 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. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

Confidentiality

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IiAS to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information provided in these reports remains, unless otherwise stated, the copyright of IiAS. All layout, design, original artwork, concepts and other Intellectual Properties, remains the 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 the copyright holders.

IiAS Voting Policy

IiAS' voting recommendations are based on a set of guiding principles, which incorporate the basic tenets of the legal framework along with the best practices followed by some of the better governed companies. These policies clearly list out the rationale and evaluation parameters which are taken into consideration while finalizing the recommendations. The detailed IiAS Voting Guidelines are available at www.iias.in/IiAS-voting-guidelines.aspx. The draft report prepared by the analyst is referred to an internal Review and Oversight Committee (ROC), which is responsible for ensuring consistency in voting recommendations, alignment of recommendations to the IiAS' voting criteria and setting and maintaining quality standards of IiAS' proxy reports. Details regarding the functioning and composition of the ROC committee are available at www.iias.in. In undertaking its activities, IiAS relies on information available in the public domain i.e. information that is available to public shareholders. However, in order to provide a more meaningful analysis, IiAS, generally seeks clarifications from the subject company. IiAS reserves the right to share the information provided by the subject company in its reports. Further details on IiAS policy on communication with subject companies are available at www.iias.in.

Analyst Certification

The research analyst(s) for this report certify/ies that no part of his/her/their compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. IiAS' internal policies and control procedures governing the dealing and trading in securities by employees are available at www.iias.in.

Conflict Management

IiAS and its research analysts may hold a nominal number of shares in companies IiAS covers (including the subject company), as on the date of this report. A list of IiAS' shareholding in companies is available at www.iias.in.

However, IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of this report. A list of shareholders of IiAS as of the date of this report is available at www.iias.in. However, the preparation of this report is monitored by an internal Review and Oversight Committee (ROC) of IiAS and is not subject to the control of any company to which such report may relate and which may be a shareholder of IiAS.

Other Disclosures

IiAS further confirms that, save as otherwise set out above or disclosed on IiAS' website (www.iias.in):

- IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have any financial interest in the subject company.
- IiAS, the research analyst(s) responsible for this report, and their associates or relatives, do not have any other material conflict of interest at the time of publication of this report.
- As a proxy advisory firm, IiAS provides subscription, databased and other related services to various Indian and international customers (which could include the subject company). IiAS generally receives between INR 10,000 and INR 25,00,000 for such services from its customers. Other than compensation that it may have received for providing such services to the subject company in the ordinary course, none of IiAS, the research analyst(s) responsible for this report, and their associates or relatives, has received any compensation from the subject company or any third party for this report.
- None of IiAS, the research analyst(s) responsible for this report, and their associates or relatives, has received any compensation from the subject company or any third party in the past 12 months in connection with the provision of services of products (including investment banking or merchant banking or brokerage services or any other products and services), or managed or co-managed public offering of securities of the subject company.
- The research analyst(s) responsible for this report has not served as an officer, director or employee of the subject company.
- None of IiAS or the research analyst(s) responsible for this report has been engaged in market making activity for the subject company.



markets ∩ governance

Institutional Investor Advisory Services India Limited (IiAS) is an advisory firm, dedicated to providing participants in the Indian market with independent opinion, research and data on corporate governance issues. IiAS also provides voting recommendations on shareholder resolutions for over 550 companies.

To know more about IiAS visit www.iias.in

Subscriptions help IiAS stay fiercely independent. To subscribe to IiAS research write to us at **solutions@iias.in**



Office

Institutional Investor Advisory Services
15th Floor, West Wing,
P J Tower, Dalal Street,
Fort, Mumbai - 400 001
India

Contact

solutions@iias.in
T: +91 22 2272 1570-3
F: +91 22 2272 1574