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# Evolution of the Indian Corporate Board

Analysing the impact of diversity and inclusion norms in the face of entrenched mindsets, lack of proactive policies, and limited access to networks for underrepresented groups

In the rapidly evolving corporate landscape, the quest to be different and more profitable compared to one's competitors makes it almost imperative for the boards and key management of a company to prioritise innovation. Arguably, one of the most direct ways to encourage innovation is to include a diverse set of people and utilise their experiences and qualifications, which in turn can then interact to generate more innovative outcomes than may potentially have been possible otherwise. This holds true for the boardroom as much as it does for product development. A diverse boardroom is better equipped to understand and serve diverse, advanced and emerging markets. India's cultural richness and regional diversity necessitate nuanced approaches to meet varied consumer needs. Boards reflecting this diversity (in terms of expertise in onshore and offshore markets) are better positioned to craft strategies that resonate with a broader stakeholder base, fostering stronger

consumer trust and market penetration. Notably, research appears to consistently demonstrate a positive correlation between diverse boards and financial performance. Studies have highlighted that companies with diverse boards exhibit improved profitability and resilience. This underlines the tangible impact diversity brings to the financial health and growth prospects of Indian companies. Additionally, the criticality of diversity and inclusion within boardrooms of Indian companies has surged to the forefront, not only as a strategic advantage but also as a legal imperative.

India, as a global economic powerhouse, has acknowledged the pivotal role of diversity in boards of large and mid-sized corporates. Embracing diversity in the composition of corporate boards has, therefore, been mandated by various legal provisions in recent years. Section 149(1) of the Companies Act, 2013 and Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014



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places a mandatory requirement for listed and public companies to ap-

point one woman director on their respective boards of directors, emphasising the importance of gender diversity and inclusion. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 further stipulates that the Boards of the top 1,000 listed entities should have at least one independent woman Director. Promoting LGBTQIA+ rights at workplaces, the Rights of Persons with Disabilities Act, 2016, extending maternity leaves to six months (for birth) and three months (for adoption) are some of the other moves that have brought a discussion on the importance of D&I to the forefront.

Yet, despite the growing recognition of its importance, achieving diversity and inclusiveness in Indian corporate boards remains a work in progress for various reasons, including entrenched mindsets, lack of proactive policies, and limited access to networks for underrepresented groups. To overcome these practical hurdles, Indian companies must proactively implement practical, realistic and objective measures, including revisiting recruitment strategies, setting explicit diversity targets, offering mentorship programs, and ensuring equal opportunities for all.

## Capitalising on benefits

The focus of the law today is restricted to mid-sized and large corporates. Small companies can also capitalise on the benefits of having a diverse board by proactively working towards building diversity amongst their respective board of directors, even though not legally required to do so, and in so doing, distinguish themselves favourably compared to their competition.

In conclusion, while the Indian regulatory regime mandates the inclusion of diverse perspectives in Indian corporate boards, their strategic significance far outweighs mere compliance. Embracing diversity and inclusion isn't just a moral prerogative; it's a strategic necessity. By fostering a diverse and inclusive board culture, Indian companies can unlock innovative potential, better serve diverse and complex markets, bolster financial performance, and fortify corporate governance, ultimately positioning themselves for sustained success in a rapidly evolving business landscape in India.