

India Disclosure Index 2016 – FAQs

1. What does the India Disclosure Index achieve? Why is it important?

It is a snapshot of disclosure, mandatory and voluntary, practices of the BSE 100 and BSE 200 Index constituent companies, and attempts to put a statistical measure for disclosure as defined by the 14 chosen parameters only. It is a first step towards creating a simple and easily observed measure for public disclosure in the capital markets. Overtime, more parameters can be added to expand the nature of disclosure that is being measured.

Disclosure is an intangible quality, and one that is difficult to define & measure. By creating mandatory and voluntary disclosure components within a composite disclosure score, the attempt is to move towards a more holistic understanding of what is meant by disclosure in a capital market context, beyond the restrictive legal definition of mandated disclosures.

FTI Consulting believes that extant levels of disclosures can be improved only if a measurable standard is created. The India Disclosure Index hopes to be a proxy for measurability for disclosure in the Indian capital markets.

2. Why is it called the India Disclosure Index? Is it an Index?

The India Disclosure Index is a report on disclosure practices of the BSE 100 and BSE 200 Index constituent companies. It is not a report and not a trading index.

3. Is this a definitive report on Disclosure?

It is a simple and easy-to-ascertain report with very basic definitions of disclosure. It is by no means definitive or exhaustive in its definition or measure for the Indian capital markets. It is also not a research report for the purpose of assessing investment worthiness of companies.

4. What is the big takeaway from this report?

The big takeaway of this report is that the average Composite Disclosure (CD) score for BSE 100 constituent companies, as defined by the narrow scope of this report, is 7.4 out of a maximum score of 10. The average Mandatory Disclosure (MD) score for BSE 100 constituent companies, as defined by the narrow scope of this report, is 3.7/ 4, and that for Voluntary Disclosure (VD) is 3.7/ 6. The Voluntary Disclosure score should be considered as 'low' especially in the context of these being the scores for the 100 largest Indian publicly-listed companies, by market capitalisation, all of whom should be role models for corporate governance and disclosure for all listed companies in India.

5. What are the assumptions in the scoring systems and methodology?

A detailed methodology and assumptions while preparing the scoring system, along with the full report of the India Disclosure Index 2016 can be found at www.fticonsulting.com/indiadisclosureindex2016.

6. Why is the scoring system binary? Wouldn't finer qualifications have produced a smoother scoring system? With the binary scoring system, it seems like a lot of companies are at a similar score, which could be misleading.

This is a non-technical, non-financial report that captures the presence or absence of a defined piece of information. This is the reason for a binary scoring system. If information is present, but is not updated or adequate, a score of '0' or absence of the parameter is recorded to remove ambiguity about the usability of the information. According to us, this is a more accurate system of measuring disclosure for the purpose of capital market transparency.

7. On what basis have the weights to individual disclosure parameters been assigned?

The weights have been assigned after a subjective assessment, based on qualitative conversations within the investment community, of what is considered basic and important, both for mandatory and voluntary disclosure. The weights for Voluntary Disclosure have been skewed consciously to create a measure that puts greater

emphasis on voluntary disclosure, since it is assumed that existing mandatory disclosure would be comprehensive as its compliance is enforceable by law.

8. Why is the weighting skewed toward Management Quality parameters within the Voluntary Disclosure?

The assumption is that it is easier to voluntarily disclose performance-based metrics than those pertaining to softer aspects of Management Quality like strategy articulation and a proactive philosophy towards transparency (particularly in relation to debt information, key corporate developments and encouraging whistleblowing).

9. Is the report saying Indian companies are not meeting basic Mandatory disclosure requirements? What in your opinion is the reason for this?

As per the narrow definition of the mandatory disclosure score system which considers only seven information parameters, 29% of Indian companies do not fulfill the 100% criteria i.e. score 4/ 4. The scores allow us to identify which mandatory disclosure parameter, out of the seven parameters, do the BSE 100 constituent companies as an aggregate score lowest in. In the report, this has been identified as failure to publicly publish earning call transcripts.

10. How can companies increase their Voluntary Disclosure (VD) scores?

Proactively sharing more information on any of the five voluntary disclosure parameters will help move up their Voluntary Disclosure (VD) scores as per the narrow definitions of voluntary disclosure in this report.

11. Will this be an annual or quarterly report? Why is FTI Consulting doing this?

FTI Consulting will prepare this report annually. FTI Consulting has prepared this report to improve the quality of discussions about disclosure in the Indian capital markets

12. Are there any clients of FTI Consulting in the BSE 100 Index? Has FTI Consulting received any consideration from any of the BSE 100 constituent companies or a qualified institutional investor for this report?

FTI Consulting has provided consulting services to two of the BSE 100 companies in the past – ICICI Bank and Tata Motors. No company has received an advance copy of this report prior to its public launch. FTI Consulting has not received any consideration from any of BSE 200 Index constituent companies or from any qualified institutional investor for this report.