

INFORMATION GLOSSARY

Board Composition & Role of Independent Directors – IPO Readiness

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Board Composition: A Critical IPO Readiness Pillar

Why Board Structure Matters Before an IPO:

- Corporate governance becomes a key investor evaluation metric
- Strong boards enhance credibility, valuation and institutional participation
- Regulators and stock exchanges mandate governance standards pre-listing
- A well-composed board signals transparency, accountability and long-term vision.

IPO Insight: Transition from promoter-driven governance to institutional-grade governance

Recommended Board Composition for IPO-Bound Companies

Category	Typical No. of Directors	Regulatory / Governance Expectation
Executive Directors (Promoter / CEO / CFO)	1–2	Drive business strategy & operations
Non-Executive Non-Independent Directors	1–2	Promoter / investor representation
Independent Directors	At least 3–4 (≤50% of Board)	Mandatory if Chairperson is Executive; strengthens governance
Woman Director	Minimum 1	Mandatory under Companies Act & SEBI LODR
Chairperson	1	Executive or non-executive

Mandatory Board Committees

Committee	Minimum Composition	Key Role
Audit Committee	3 Directors (2/3 Independent)	Financial reporting & internal controls
Nomination & Remuneration Committee	3 Directors (Majority Independent)	Board composition & remuneration
Stakeholders Relationship Committee	3 Directors (Chair: Non-Executive)	Investor grievances & communication

Evolution: From Promoter Board to Public Company Board

PRE-IPO BOARD

- Promoter-centric decision making
- Limited formal governance frameworks
- Strategy driven internally

IPO-READY BOARD

- Independent oversight and balanced decision making
- Formal committee structures and policies
- Enhanced accountability to public shareholders
- Strategic guidance for scale, risk and capital allocation

IPO is a governance transformation, not just capital raising.

Role of Independent Directors

ROLE OF INDEPENDENT DIRECTORS <i>Pillars of Good Governance for IPO-Ready Companies</i>		
<p>GUARDIANS OF MINORITY SHAREHOLDERS</p> <ul style="list-style-type: none"> ▪ Provide unbiased and objective judgement ▪ Ensure decisions are in the interest of all stakeholders ▪ Review related-party transactions and governance practices. 	<p>STRATEGIC CONTRIBUTORS</p> <ul style="list-style-type: none"> ▪ Bring industry expertise and external perspective ▪ Strengthen risk management and compliance culture ▪ Support long-term strategy and sustainable growth. 	<p>OVERSIGHT RESPONSIBILITIES</p> <ul style="list-style-type: none"> ▪ Financial reporting integrity ▪ Internal controls and audit supervision ▪ Executive remuneration and succession planning.

Why Independent Directors Are Critical for IPO Success

- **Investor Confidence:** Enhances trust, transparency and credibility
- **Risk Mitigation:** Improves decision quality and prevents governance failures
- **Market Perception:** Signals maturity and readiness for public markets

Independent Directors as Growth Catalysts

Beyond Compliance

- Mentor promoters transitioning to public markets
- Help professionalize management and processes
- Support global expansion and strategic partnerships
- Drive ESG and long-term value creation.

BOTTOM LINE: *Strong boards don't just protect value — they create value. Companies planning IPOs should build governance frameworks that attract institutional confidence and drive long-term performance.*