

The Transparency Paradox in Indian Boardrooms



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We live in an age of radical transparency — the expectation that institutions must not only act with integrity, but demonstrate it visibly, in real time, to anyone who asks. Institutions of every kind — governments, courts, corporations — are being asked to open their doors, share their deliberations, and demonstrate their integrity in public. And for the most part, this is welcome. But there is one room where pushing transparency too far becomes a threat to the very accountability it is meant to serve. The boardroom is not a place for performance. It is a place for judgment — honest, uncomfortable, sometimes dissenting judgment. And judgment, to mean anything, requires protection. The real question is not whether boards should be accountable — of course they should. It is whether the transparency we are demanding actually serves that goal.

How We Got Here

The case for boardroom transparency was not made in a seminar room. It was made in the wreckage of corporate failures that devastated investors and exposed boards that had either looked away or actively participated in what was happening beneath them. Enron's collapse revealed a board that approved structures it did not adequately scrutinise. Satyam's fraud showed how a founder could falsify accounts for years while a board remained insufficiently curious. In India, IL&FS's near-collapse and Yes Bank's crisis demonstrated what happens when boards fail to exercise independent judgment

on risk and management accountability. In each case, regulators — SEBI, RBI, MCA — were forced to intervene, and the transparency frameworks we now debate were built, clause by clause, in direct response.

This history matters. Boards that invoke confidentiality to avoid scrutiny or protect insider interests have done real damage — to shareholders, to markets, and to the credibility of the institution itself. The question is not whether those boards should have been held to account. They should have been. The question is whether complete openness is the right answer — or whether something more considered is required.

The Case for the Closed Door

Boardroom confidentiality is not about concealment. It is about creating the conditions under which honest, consequential conversation becomes possible at all.

The quality of board deliberation depends entirely on trust — the shared understanding that what is said in the room stays in the room. Directors must be able to dissent from management recommendations, question the assumptions behind a strategic pivot, raise concerns about leadership capability, and stress-test a proposed acquisition without fear that their words will be reported externally, misrepresented in the financial press, or surfaced in a shareholder query or legal proceeding. These are not hypothetical risks. In an environment of heightened disclosure, activist shareholders, and real-time social media commentary, the consequences of a traceable opinion can be swift and severe.

When confidentiality erodes, the efficacy of the structure inside the boardroom shifts — quietly but decisively. A director who knows that a dissenting view may appear in a proxy advisory note, a corporate governance rating, or a website disclosure required under Listing Obligations and Disclosure Requirements is less likely to raise the uncomfortable question in the first place. Interventions are pre-cleared. Positions are hedged. Consensus is performed rather than reached.

The result is not better oversight — it is the appearance of oversight, which is considerably more dangerous than its absence.

The consequences of this shift are not theoretical. When the Tata Sons–Cyrus Mistry dispute became public in late 2016, the subsequent legal proceedings pulled boardroom correspondence and director deliberations into the public domain. The governance cost was significant — board proceedings became evidence, directors became witnesses, and the institution of the board itself became the story. Independent directors became visibly more cautious, and dissent harder to surface. Conversations that should have happened in confidence were deferred, diluted, or not had at all. Accountability and transparency are not the same instrument — and the hardest work boards do requires a protected space. Confidentiality is not a shield for misconduct — it is the foundation on which real accountability is built.

Transparency Is Not the Same as Accountability

Across global markets, the pressure on boards to open up has never been greater. ESG investors score companies on governance quality as a matter of routine — demanding data on board diversity, independence ratios, committee composition, and director tenure. Institutional shareholders — from domestic mutual funds operating under SEBI's Stewardship Code to global asset managers with explicit voting policies — are increasingly willing to vote against director appointments, flag related-party concerns, and file resolutions demanding structural change.

None of this is wrong. These forces have made boards more diverse, more answerable, and harder to capture. The era in which a promoter could populate a board with compliant nominees and face no external scrutiny is ending,

at least in intent. That is progress, and it should be acknowledged plainly. But somewhere in this legitimate push for accountability, a critical distinction has been lost. Transparency in outcomes and transparency in deliberations are not the same thing — and conflating them is a governance error with real consequences.

Research by McKinsey on high-performing boards consistently identifies one variable above others as predictive of board effectiveness: the quality of internal deliberation. And deliberation quality — the willingness to disagree, to push back, to say the uncomfortable thing — is directly correlated with the protection of the space in which it happens. When directors know their words are traceable, they do not become more honest. They become more careful. And careful is not the same as good.

Accountability requires outcomes that can be measured, disclosed, and judged. It does not require that every conversation on the way to those outcomes be exposed. The closed door is not where accountability ends. It is where the honest work of accountability begins.

The India Paradox

India presents a governance challenge that is uniquely its own. The majority of listed Indian companies remain promoter-controlled — families or founding groups that simultaneously hold significant equity and occupy board positions. According to IAS and NSE data, promoter groups hold controlling stakes in over 45% of NSE-listed companies. The board, in theory the highest oversight body, often includes the very individuals whose decisions it is meant to scrutinise.

Regulatory reform has attempted to correct for this. The Nomination and Remuneration Committee, strengthened progressively under SEBI's LODR framework, is now expected to ensure merit-based director selection — bringing rigour to a process that was historically informal and relationship-driven. The intent is sound. But the NRC can only function well if its deliberations remain protected. The moment its discussions about succession or board composition become public, the process is compromised before it begins.

Independent Directors carry an even heavier burden. Under Schedule IV of the Companies Act 2013, they face explicit fiduciary duties and personal liability for board decisions — and independent director resignations during governance crises have become a telling pattern. They are expected to question management, flag related-party risks, and dissent where necessary. Yet dissent in a promoter-dominated boardroom is never cost-free. An Independent Director challenging a founding family's preferred acquisition is navigating a social and commercial minefield. Confidentiality is not a courtesy extended to them — it is the condition under which honest scrutiny becomes possible at all.

The SEBI 2024 LODR Third Amendment — requiring detailed board profiles and rationale for shareholder proposals — adds another layer of complexity. Welcome steps toward accountability, yes. But when a director knows their position on a contentious proposal may be traceable through disclosure requirements or proxy advisory scrutiny, the incentive to hedge, abstain, or stay silent grows considerably.

This is the paradox at the heart of Indian corporate governance today. We are asking boards to be simultaneously more independent and more transparent. In a promoter-dominated system, these goals are not always compatible. True independence — the kind that involves uncomfortable questions, genuine dissent, and candid peer assessment — requires a protected space. The paradox resolves only when we are willing to draw a line — and hold it.

Drawing the Line

There is a clear line between what must be public and what must remain protected. On one side sits the board's accountability to its shareholders — the decisions made, the directors appointed, the transactions approved or rejected, the rationale for shareholder proposals, the outcomes delivered. Shareholders have an unqualified right to know what their board decided, who sits on it, and whether oversight is being exercised with rigour. SEBI's evolving disclosure framework, for all the compliance burden it imposes, is directionally correct.

On the other side sits the process — the deliberation that precedes the decision, the disagreement that stress-tests the assumption, the candid feedback on leadership that no director would offer if they knew it would surface in a proxy advisory report. This is the domain of judgment — and judgment, to be worth anything, must be exercised freely.

The two are easily conflated. A shareholder asking whether a related-party transaction was approved is asking a legitimate governance question. A shareholder asking which director raised concerns about it is asking for something different — not accountability, but access to the internal mechanics of deliberation. Granting that access does not produce better decisions. It produces more guarded ones. When a board debates CEO performance or an ambitious acquisition, directors must be willing to be wrong in front of their peers. That honesty is only possible when the room is protected. The moment directors calculate how their words might appear externally, the conversation becomes a record rather than a deliberation.

Cross that line — expose the process in the name of transparency — and you do not get more honest boards. You get more performative ones. Directors who speak for the record rather than for the decision. Governance that looks rigorous from the outside precisely because the rigour has been stripped from the inside.

The Middle Ground

None of this means the choice is binary. Governance frameworks globally have developed mechanisms that protect deliberation while preserving accountability. Executive sessions, independent directors meeting without management present are standard in US and UK boardrooms and remain underutilised in India. Delayed disclosure provisions, permitted under Securities & Exchange Commission rules where premature release would cause harm, offer a model for time-sensitive decisions. Anonymised dissent reporting — recording that dissent was registered without attributing

it to a named director — protects the individual while preserving the integrity of the record. Confidential regulatory access, where SEBI or RBI are granted supervised visibility into board deliberations without public disclosure, offers oversight without exposure. These are not loopholes, they are architecture — the careful design of systems that hold both values at once.

The boardroom is not a place to hide. It is a place to think — and thinking, when it matters most, needs a closed door. Boards that are truly accountable are not boards whose every conversation is visible. They are boards whose decisions can be scrutinised, whose appointments can be questioned, and whose outcomes can be judged — precisely because the deliberation that produced them was honest enough to be worth scrutinising. Protect that space, and governance works. Erode it in the name of openness, and what remains is the appearance of governance — which is, in the end, far more dangerous than opacity ever was.
