

Review of Regulatory provisions related to Independent Directors

The Board approved amendments to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) pertaining to regulatory provisions related to Independent Directors (IDs), which include the following:

1. Appointment/Re-appointment and Removal of IDs -

- Appointment/Re-appointment and Removal of IDs shall be through a special resolution of shareholders for all listed entities.
- The process to be followed by Nomination and Remuneration Committee (NRC), while selecting candidates for appointment as IDs, has been elaborated and made more transparent including enhanced disclosures regarding the skills required for appointment as an ID and how the proposed candidate fits into that skillset.
- The composition of NRC has been modified to include 2/3rd IDs instead of existing requirement of majority of IDs.
- Shareholder approval for appointment of all directors including IDs shall be taken at the next general meeting, or within three months of the appointment on the Board, whichever is earlier.

2. Eligibility Requirements -

- A cooling off period of three years has been introduced for Key Managerial Personnel (and their relatives) or employees of the promoter group companies, for appointment as an ID.
- Relatives of employees of the company, its holding, subsidiary or associate company have been permitted to become IDs, without the requirement of a cooling off period, in line with Companies Act, 2013.

3. Resignation of IDs-

- The entire resignation letter of an ID shall be disclosed along with a list of her/his present directorships and membership in board committees.
- A cooling-off period of one year has been introduced for an ID transitioning to a whole-time director in the same company/ holding/ subsidiary/associate company or any company belonging to the promoter group.

4. Audit Committee -

- At least 2/3rd of the members of the audit committee shall be independent directors and all related party transactions shall be approved by only Independent Directors on the Audit Committee.

5. Directors and Officers insurance -

- The requirement of undertaking Directors and Officers insurance has been extended to the top 1000 companies (by market capitalization).

These amendments shall be made applicable with effect from Jan 01, 2022. The Board also agreed to make a reference to the Ministry of Corporate Affairs (MCA), for giving greater flexibility to companies while deciding the remuneration for all directors (including IDs), which may include profit linked commissions, sitting fees, ESOPs, etc., within the overall prescribed limit specified under Companies Act, 2013.