

Comments of the ‘Institute of Directors’

on

‘SEBI consultation paper’ on Review of Regulatory Provisions related to Independent Directors (IDs), on the boards of listed entities

1. Independent Directors (IDs)

1.1 The concept of Independent Directors (IDs) emerged from the need to have a certain number of directors on the board who would think and act independently to bring about a healthy balance between the interests of the promoters and other stakeholders including minority and small shareholders. The institution of IDs was introduced by SEBI in 1999, based on the ‘Kumar Mangalam Committee’ report on ‘Corporate Governance’. The Ministry of Corporate Affairs (MCA), Govt. of India introduced it through the ‘Company’s Act- 2013’, which covered a code of conduct for IDs.

1.2 The concept of IDs emerged from the need to have a certain number of directors on the board, who could think and act independently, to bring about a healthy balance between the interests of the promoters and other stakeholders, including minority and small shareholders. IDs are an important component in the overall framework of Corporate Governance (CG). The latest major amendments had emanated from a ‘committee on corporate governance’, set up under Shri Uday Kotak in 2017.

1.3 As per the Code of Conduct, IDs are expected to pay specific attention on:

- Integrity of Financial information
- Related Party transactions
- Safe-guarding interests of minority shareholders
- Independent judgement on board’s deliberations, specially strategy, risk management, resources, key appointments, and standards of conduct.
- Bring an objective view, in evaluation of board and management performance.

2. SEBI Consultation Paper

SEBI has been continually working to strengthen the independence of Independent Directors (IDs), and their effectiveness in protecting the interests of minority shareholders. SEBI has now come out with a consultation paper on review of their eight proposals, to amend the regulatory provisions related to IDs on the boards of listed entities. It has since solicited public comments on the proposed changes by 01 April, 2021.

3. Comments on SEBI Consultation Paper by the Institute of Directors (IOD)

3.1 The Institute of Directors (IOD) is the sole, not for profit, association of corporate directors, set up on 12 July 1990, as a registered society to look after their development and growth.

3.2 To solicit IOD member’s comments/ views on the proposals on ‘Review of Regulatory’, provisions related to Independent Directors (IDs) on boards of listed entities, an active drive was made by us to obtain personal views of prominent directors, including independent directors. A special team was set up to discuss these comments, and consolidate the final

institutional views to be conveyed to SEBI. The final suggestions of IOD, along with their rationale are briefly attached as Appendix 'A' to this letter.

4. Institute of Directors

4.1 The 'Institute of Directors' was set up as a 'not for profit', membership based, apex association of corporate directors in India on 12 July, 1990, to look after their development and growth.

4.2 The IOD's involvement as the only Association of Corporate Directors, dealing with the special requirements of 'Independent Directors' was in 2009, when a separate wing called 'organisation for Non-executive 'Independent Directors' (ONEID) was set up, with it's own independent website. The details on IOD and its special thrust on IDs is covered in Appendix 'B' attached.

Date: 1 April, 2021

With warm regards,



(J. S. Ahluwalia)

Lt Gen. J. S. Ahluwalia, PVSM (Retd.)
President, Institute of Directors

IOD's Comments and Recommendation's on SEBI's Proposals

31 March 2021

PROPOSAL 1. Definition of Independent Director:

Existing provisions	SEBI Proposal	IOD's comment and Recommendations
<p>1. Cooling-off period of 3 years, in case the person has been an employee / KMP, or his / her relative has been a KMP of the listed entity /its holding company/ subsidiary/associate company.</p> <p>2. Cooling-off period of 2 years in case of a material pecuniary relationship between person or his/her relative and the listed entity / its holding company / subsidiary / associate company.</p>	<p>1. It is proposed that KMPs or employees of promoter group companies, cannot be appointed as IDs in the company, unless there has been a cooling-off period of 3 years.</p> <p>2. The prescribed cooling-off period for eligibility condition at 2 above shall be harmonized to 3 years.</p>	<p>Comment</p> <p>1. Individual Status changes fast. Independence is an enigma and depends on a person's mind, not on regulations.</p> <p>Recommendation</p> <p>2. The cooling off period for both the existing provisions be harmonized for 2 years, in both cases.</p>

PROPOSAL 2. Appointment and Re-Appointment of Independent Director:

Existing provisions	SEBI Proposal	IOD's comment and Recommendations
<p>1. The Nomination and Remuneration Committee ("NRC") proposes a person as ID, who is then appointed by the Board. Subsequently, shareholders approve the appointment through an ordinary resolution (special resolution in case of re-appointment) at the AGM.</p> <p>2. Share holding can influence the present system of appointment.</p> <p>3. There is a need for minority shareholders to have a greater say in the appointment / reappointment process of IDs.</p>	<p>1. Appointment and re-appointment of IDs shall be subject to "dual approval", taken through a single voting process and meeting following two thresholds:</p> <p>i. Approval of shareholders</p> <p>ii. Approval by 'majority of the minority' (simple majority) shareholders. 'Minority' shareholders would mean shareholders, other than the promoter and promoter group</p> <p>2. The approval at point (i) above, shall be through ordinary resolution in case of appointment, and special resolution in case of re-appointment.</p> <p>3. If either of the approval thresholds are not met, the person would have failed to get appointed / re-appointed as ID. Further, in such case, the listed entity may either:</p> <p>i. Propose a new candidate for appointment / re-appointment</p> <p style="text-align: center;">OR</p> <p>ii. Propose the same person as an ID for a second vote of</p>	<p>Comments</p> <p>1. The initial selection of IDs by the NRC is a critical step. The initial short listing may require appointment of 'Head- Hunters', to help in special cases.</p> <p>2. NRC is to bring in more transparency for the detailed criteria covering required, qualifications and attributes of directors by identifying specific gaps in skill, experience, and diversity, as against the approved 'Board Skill Diversity Matrix' of the company.</p> <p>3. It is important that small shareholder voice be directly heard in the boardroom. For that It would be desirable that an appointment of a small shareholder director be made mandatory.</p> <p>Recommendations</p> <p>4. The 1st part of the SEBI proposal (at paras 1 & 2), are acceptable.</p> <p>5. The 2nd part covering the same person for a 2nd time vote, as covered in the proposed para 3 (ii), is not recommended. In case, the same candidate has to be put through a 2nd vote between after 90 days, (less than</p>

	<p>all shareholders (without a separate requirement of approval by ‘majority of the minority’), after a cooling-off period of 90 days (but within a period of 120 days). Such approval for appointment/re-appointment shall be through special resolution and the notice to shareholders will include reasons for proposing the same person despite not getting approval of the shareholders in the first vote.</p>	<p>120 days) the voting should only cover the voting threshold round, where he/ she failed in the 1st round.</p> <p>6. SEBI would need to consider how fresh voting would be arranged after 90 days, while the AGM may be one year away. The process of appointing independent Director could be brought in as a compulsory item under the items to be compulsorily passed as a Postal Ballot resolution, under Section 110(1)(a) of the Companies Act, 2013. If the concept of dual approval is approved as an amendment for the appointment of Independent Director, there will be practical difficulties in implementing the proposed system.</p>
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PROPOSAL 3. Removal of Independent Director:

Existing provisions	SEBI Proposal	IOD’s comment and Recommendations
<p>1. An ID can be removed through a simple majority in the first term, and through a special resolution in case of second term, after giving him a reasonable opportunity to be heard.</p>	<p>1. Removal of IDs shall be subject to “dual approval”, taken through a single voting process, and meeting the following two thresholds:-</p> <ol style="list-style-type: none"> i. Approval of shareholders. ii. Approval of ‘majority of the minority’ (simple majority) shareholders. ‘Minority’ shareholders would mean shareholders, other than the promoter and promoter group. <p>2. The approval at point 1 (i) above, shall be through ‘ordinary resolution’ in case of removal in the first term, and ‘special resolution’ in case of removal in the second term.</p>	<p>1. Comments</p> <ol style="list-style-type: none"> a. The promoter can significantly influence the removal process. b. The minority shareholders need to have a say in the IDs removal process. <p>2. Recommendations</p> <ol style="list-style-type: none"> i. The ‘Removal process’ should be similar to the ‘selection process’, as recommended in the proposal point 2 earlier. ii. The second consideration for ‘removal’ should also follow the same dual approval process, by single voting with two thresholds. iii. If failed again, the removal process should not be permitted to be taken up again.

PROPOSAL 4. Procedure of Appointing Independent Directors:

Existing provisions	SEBI Proposal	IOD's comment and Recommendations
<p>1. All members of the NRC should be non-executive, with a majority of independent directors.</p> <p>2. LODR Regulations prescribe the following role of the nomination and remuneration committee (NRC) in the matter of appointment of IDs:</p> <p>a. Formulation of the criteria for determining qualifications, required in the appointment apart from positive attributes and independence of a director.</p> <p>b. Identifying persons who are qualified to become directors in accordance with the criteria laid down, and recommend to the board of directors for their appointment.</p> <p>c. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of 'Annual Performance Evaluation' of independent directors.</p>	<p>1. Composition of NRC may be modified to include 2/3rd as IDs, instead of majority of IDs.</p> <p>2. The following procedure shall be followed by NRC for selection of candidates for the role of ID-</p> <p>a. The Process for short listing of the candidates for each appointment, NRC shall evaluate the balance of skills, knowledge and experience on the board. In the light of this evaluation, a description shall be prepared of the role and capabilities required for a particular appointment. For the purpose of identifying suitable candidates, the committee may:</p> <ul style="list-style-type: none"> • Use services of external agencies • Consider candidates from a wide range of backgrounds, having due regard to diversity. • Consider the time commitments of the appointees. <p>b. The notice for appointment of independent director shall include the following disclosures:</p> <p>i. Skills and capabilities required for the appointment of the ID</p> <p>ii. How the proposed individual meets the requirement of the role and channels used for searching appropriate candidates.</p> <p>iii. In case, any of the channels is used for 'recommendation of a person' the details and category of such person (Viz. promoters, institutional shareholders, directors (non-executive, executive, ID) etc) shall be disclosed.</p>	<p>Comment</p> <p>1. Changing the composition of NRC will not help improve the performance of NRC in any way. The current composition is well structured.</p> <p>Recommendation</p> <p>2. No change is recommended in the composition of NRC. IDs to remain in majority, and not mandatorily be 2/3rd in strength.</p> <p>3. Maintain a final 'Board skill diversity criteria Matrix' drawn, as the total requirement</p> <p>a. For the particular company board. It should be duly approved by the board and reviewed and updated annually after. 'Annual Board & Directors' performance Evaluation. It will cover diversity, gender including qualification, technology, industry experience and financial literacy requirements.</p> <p>b. The selection process should be wide, covering known industry professionals with good track record, suggestions by promoters, directors minority shareholders, and stakeholders, and use of services of external agencies if required.</p> <p>c. After short-listing, appoint a 'selection committee' of the board to help in final selection. A totally transparent process is required.</p> <p>d. Final selected candidates with full disclosure be proposed for acceptance of the board, before proposing for approval of the shareholders in AGM.</p>

PROPOSAL 5. Prior Approval of Shareholders for Appointment:

Existing provisions	SEBI Proposal	IOD's comment and Recommendations
<p>1. Companies appoint independent directors as additional directors, subjects to approval of the shareholders at the next general meeting. It is therefore possible that a person gets appointed as an additional independent director, just after an AGM and then serves on the board of directors, for a year without shareholder approval, till the next AGM.</p>	<p>1. Independent Directors shall be appointed on the board only with prior approval of the shareholders at a general meeting.</p> <p>2. In case, a casual vacancy arises, due to resignation / Removal/ death/ failure to get re-appointed etc., the approval of shareholders should be taken within a time period of 3 months.</p>	<p>1. Agree with the SEBI proposal that the appointment of ID be only after shareholders approval at the General Body Meeting.</p> <p>2. The appointment of IDs should be done well in advance, before the tenure of an ID is about to end.</p> <p>3. Boards to ensure casual vacancies are reduced to the minimum. In exceptional gaps the gap of ID be accepted, where it cannot be helped.</p>

PROPOSAL 6. Resignation of Independent Directors:

Existing provisions	SEBI Proposal	IOD's comment and Recommendations
<p>1. As per current provisions of LODR, the resigning ID within 7 days of his resignation, has to disclose to stock exchanges, detailed reasons for his resignation along-with a confirmation that there is no other material reason for resignation, other than those already provided.</p> <p>2. It is observed that IDs often resign for reasons such as pre-occupation, other commitments or personal reasons, and then join the boards of other companies. There is, therefore, a need to further strengthen the disclosures around resignation of Independent Directors.</p> <p>3. Cases have also been observed where IDs have resigned, and then joined the same company as an executive director.</p>	<p>1. The entire resignation letter of an ID shall be disclosed along with a list of his/ her present directorships and membership in board committees.</p> <p>2. If an ID resigns from the board of a company stating reasons such as pre-occupation, other commitments or personal reasons, there will be a mandatory cooling-off period of 1 year before the ID joins another board.</p> <p>3. It is proposed that there should also be a cooling-off period of 1 year, before a director can transition from an ID to a whole-time director in the same company.</p>	<p>1. Comments</p> <p>a. More IDs take the exit route, fearing legal scrutiny today, while many more are declining to accept jobs as IDs, reflecting a growing trust deficit and reputational concerns in India Inc. In the Nifty 500 companies 316 IDs resigned in 2019 i.e. 32% increase from 2018.</p> <p>b. The prescription of a one year cool off period for IDs, before joining another company is likely to be more procedural than substantive.</p> <p>2. Recommendation Agree with SEBI proposals</p>

PROPOSAL 7. Composition of Audit Committee:

Existing provisions	SEBI Proposal	IOD's comment and Recommendations
<p>1. The LODR Regulations cast specific responsibilities on the Audit Committee (Two-thirds of its members are independent directors), review financial statements; scrutinize inter-corporate loans & investments and valuation of undertakings and assets of the listed entity, wherever applicable. In case of related party transactions, prior approval of the Audit Committee is mandatory.</p> <p>2. SEBI has mandated that a committee of Independent directors should give their recommendations on open offers and schemes of arrangements.</p>	<p>1. Considering the importance of the Audit Committee with regard to related party transactions and financial matters, it is proposed that audit committee shall comprise of 2/3rd IDs and 1/3rd Non- Executive directors (NEDs), who are not related to the promoter, including nominee directors, if any.</p>	<p>1. Comment: World over, the Audit committees are composed of independent directors only. One cannot audit one's own work.</p> <p>2. Recommendations</p> <p>a) Agree with SEBI proposal about the composition. Members to be financially literate.</p> <p>b) Also let the Chairman in variably be an ID with good finance background.</p>

PROPOSAL 8. Remuneration of Independent Directors:

Existing provisions	SEBI Proposal	IOD's comment and Recommendations										
<p>1. As per the Companies Act, apart from reimbursement of expenses, IDs are permitted to be paid sitting fees (max 1 lakh) and profit linked commission within an overall limit. Further, in terms of both Companies Act and LODR Regulations, IDs cannot be given stock options.</p>	<p>1. Remove profit linked commission and increase in sitting fees paid to Independent directors.</p> <p>2. Introduction of time based and value –based remuneration.</p> <p>3. To allow ESOPs with long vesting period of 5 years instead of profit linked commission</p>	<p>1. Comments</p> <p>a) Most of the IDs start at the age of 60 years and are between 60 to 75 years of age. They need immediate monetary returns. They will not be attracted by ESOPs. ESOPs given to employees are also under water, and this is unlikely to be passed by the parliament, where the standing committee has earlier felt that it promotes 'short termism'.</p> <p>b) Major concerns to consider are:</p> <p>i. Large remunerations may compromise independence of IDs.</p> <p>ii. Lesser compensation may not attract competent IDs on boards.</p> <p>iii. Remove profit linked commission, and increase sitting fees to IDs. But, than IDs will have no stake in long term growth of the company.</p> <p>c) The Company Act does not cover any remuneration for a company in loss.</p> <p>d) The board can pass a special resolution, if willing to compensate a good director adequately.</p> <p>e) Ministry of Company Affairs, Govt of India, vide a notification issued on remuneration to be paid to IDs on 18 March 2021, has linked the maximum limit of remuneration to be paid to effective capital, as under:-</p> <table border="1" data-bbox="927 1308 1501 1675"> <thead> <tr> <th data-bbox="927 1308 1225 1395">Effective capital</th> <th data-bbox="1230 1308 1501 1395">Limit of yearly remuneration to be paid to IDs</th> </tr> </thead> <tbody> <tr> <td data-bbox="927 1402 1225 1458">1. Negative or less than Rs 5 crore</td> <td data-bbox="1230 1402 1501 1458">Rs 12 Lakh</td> </tr> <tr> <td data-bbox="927 1464 1225 1520">2. Between Rs 5 to 100 crore</td> <td data-bbox="1230 1464 1501 1520">Rs 17 Lakh</td> </tr> <tr> <td data-bbox="927 1527 1225 1583">3. Between Rs 100 to 250 crore</td> <td data-bbox="1230 1527 1501 1583">Rs 24 Lakh</td> </tr> <tr> <td data-bbox="927 1590 1225 1675">4. >Rs 250 crore</td> <td data-bbox="1230 1590 1501 1675">Rs 24 Lakh + 0.01% of effective capital above Rs 250 crore.</td> </tr> </tbody> </table> <p>2. Recommendations: No change required in the Remuneration now authorized by the MCA (Govt. of India) on 18 March, 2021 notification.</p>	Effective capital	Limit of yearly remuneration to be paid to IDs	1. Negative or less than Rs 5 crore	Rs 12 Lakh	2. Between Rs 5 to 100 crore	Rs 17 Lakh	3. Between Rs 100 to 250 crore	Rs 24 Lakh	4. >Rs 250 crore	Rs 24 Lakh + 0.01% of effective capital above Rs 250 crore.
Effective capital	Limit of yearly remuneration to be paid to IDs											
1. Negative or less than Rs 5 crore	Rs 12 Lakh											
2. Between Rs 5 to 100 crore	Rs 17 Lakh											
3. Between Rs 100 to 250 crore	Rs 24 Lakh											
4. >Rs 250 crore	Rs 24 Lakh + 0.01% of effective capital above Rs 250 crore.											

Institute Of Directors (IOD)

Special Thrust on IDs

Introduction

1. The 'Institute of Directors' was set up as a 'not for profit', apex association of corporate directors in India, on 12th July, 1990 as a registered society, to look after their development and growth. It's directors competency framework, mainly includes:
 - Membership of directors, and their group representation.
 - Training of directors in boardroom systems and procedures, legal and corporate governance areas, and their periodic updating.
 - Networking of directors to share experiences and problems, and exchange ideas & solutions, at national and international conferences, organised by the IOD in India and abroad (annually in London, Dubai and Singapore).
 - Organise annual 'Golden Peacock Awards' in 15 different professional corporate disciplines, based on competitive criteria, for their quality and achievements.
 - 'Board Research and Advisory' wing providing consultancy in board effectiveness, performance evaluation of boards and directors, and statutory compliance issues.
 - 'Organisation for Non-Executive Independent Directors' (ONEID) - a wing to provide special training and updating, guidance for placement, publications, and group representation for Independent Directors.

2. IOD is a major learned society covering boardroom systems, practices and leadership. It is a centre of excellence for preparing Executive and Independent 'Board Ready Directors', for the 'Boards of Tomorrow'. IOD has it's headquarter in New Delhi, and regional offices in Mumbai, Bengaluru, Hyderabad and Chennai, to provide closer membership services.
 - a) New areas for training of directors, being introduced by the IOD, include:
 - Evaluating economic impact of social-marketing, and role of NGOs.
 - Logistics, with focus on digitisation of service delivery, and closing the supply chain gap.
 - Cyber security framework.
 - Developing dynamic, strategic board leadership and diversity thinking.
 - Advancing business communication, negotiation, and presentation skills.

- Offer on-line updating programmes in most corporate governance areas, and in new boardroom concepts.
- b) IOD, on special demand, has also been organising structured, tailored-made courses for training directors of MSME and Micro-Finance units on leadership, legal and governance knowledge, skills for managing business growth, digitisation, and service delivery of their units. IOD is also contributing by preparing 'Governance Manuals' for guidance of MSMEs.

Vision

3. IOD is the premier institution for directors and functioning of corporate boards in India, responsible for the development of competent directors, with national and global outlook.

Mission

4. Enhance board effectiveness by developing systems and diversity for tomorrow's boards, and by equipping, corporate executive, nominee and Independent Directors with world class skills, knowledge and mind set.

Objectives

5. IOD's major objectives also include:-

- i. Develop, advance and sensitize current and next generation of board directors, for effective and diverse board leadership and corporate governance.
- ii. Build a pipeline of high credential prospective board directors, from diverse backgrounds, experiences, ethnicities, and genders.
- iii. Significant improvement in board performance, by exposing participants to key structural, operational and cultural drivers, at each stage of company's growth.
- iv. Accelerate the development and proactively match talent, for placement of Independent Directors.
- v. Preparing women directors for challenges, facing them in the boards.
- vi. Developing role of marketing and human resource specialists, in the boardroom.
- vii. Activate enterprise value creation, through development of effective directors.
- viii. Incorporate a strong stakeholder-centric focus, in the director's training content.
- ix. Focus on understanding of finance for non-finance professionals, to comprehend financial analysis.
- x. Understanding concepts of 'Return on Investment' (ROI), GST, and value added services.

Professional Membership

6. It has three Grades of membership i.e. Associate, Member & Fellow. IOD 'Institutional' and 'Individual Membership' provide access to membership benefits, for a group of directors, providing discounted rates on all professional development, training, and conference services.

Training

7. Most directors receive no formal training for their role, responsibilities and skills required. IOD, through its professional development training programmes helps them learn the craft of board leadership, from knowledgeable talented business professionals, with hands on board insights.
8. Training helps senior executives to understand the legal landscape, concerning corporate governance. It helps participants to position corporate governance and compliance as strategic business partners, and gain leadership and communication skills to push the 'Corporate Governance' agenda internally.
9. IOD conducts over 40 training courses annually, including 'online course', covering condensed basic courses on boardroom practices and corporate directorship for senior executives and professionals. These prepare them for DIN certificates, as 'Board Ready Directors', specially meeting the needs for Independent Directors. The most popular training programme is 'Masterclass for corporate Directorship', a 3 days weekend basic condensed programme for senior executives and professionals. IOD now has a pool of high level professional faculty in different disciplines for Masterclass, in major metro towns in India.
10. The 'Institute Of Directors' (IOD) professional development programmes are a blue-print to help directors, boards and organisations to grow. IOD's 'Director Competency Framework' captures the essence of the competencies every director needs to perform effectively, and be a part of an innovative learning experience, that is setting the standards for directors. The training covers :
 - a. Basic Training of all directors, including executive, nominee, and independent and women directors, on corporate directorship.
 - b. Continuous Professional Development (CPD) of member directors.
 - c. Formal annual updation modules covering changes in applicable corporate laws, regulations and compliance requirements.
 - d. Periodically publish monthly journals, 'Directors' Handbooks', and publications briefly covering boardroom functioning, leadership, and governance issues, across management verticals for guidance of directors.
11. IOD's 'Open-House', 'In-House' and 'on-line' training courses are designed from the director's view-point, covering the wide spectrum of roles, responsibilities and leadership skills that are essential for success today. In-House training programmes for companies are designed and delivered by the IOD experts, with the organisation's success in mind. IOD can actively engage to outline the key challenges and skill gaps, directors face in the board and the organisation, to define training objectives. IOD training courses are delivered at most metro towns in India. Further information can easily be obtained from the website or by contacting the IODs Regional offices.
12. IOD's certified Training Programmes for directors provide professional recognition. The certified programmes equip one with knowledge and skills for boardroom governance and practices. The condensed Masterclass 'training programme' for directors cover 12 special

modules (2 hrs each), conducted by a state of art faculty, consisting of highly qualified and experienced professionals, to give an overview and understanding of boardroom practices. The course contents can be seen on IOD website www.iodglobal.com/masterclass.html. A copy of the **brochure on 'Masterclass' is enclosed as Annexure B-1.**

13. CPD Workshops – Continuing Professional Development (CPD) is a key part of every business professionals working life, and allows them to update their knowledge and skills through knowledge-sharing and networking in concerned national / international conferences / seminars, and IOD's updating workshops organised periodically.

ONEID (Organisation of Non- Executive Independent Directors)

14. IOD has set up a separate division at the HQ to specifically focus on the needs of Independent Directors since 2009. It is looking after the initial and progressive training of Independent Directors, their net working through conferences and workshops, special website, quarterly journal and publications including Handbooks on related subjects for keeping them 'Board Ready'. It's role includes:-

- I. Independent Directors basic training, and continuous professional development.
- II. Maintain 'Independent Director's Portal' for qualified & willing professionals, for help in their sourcing and board placement.
- III. Provide guidance to corporates for suitable induction of qualified independent directors, covering the organisation's specific role, strategy, governance, functioning & performance.
- IV. **A brochure on ONEID is enclosed, as Annexure B-2.**

15. ONEID maintains a 'Panel' of all certified members, willing to become Independent Directors. The mission of this organization is to take care of specific needs of all Independent Directors, i.e., Training, Empanelment, and assist in placement in varied corporates, i.e., Public, Private or NGOs etc. An up-to-date domain wise list of qualified personnel, willing to become Independent Directors along with their career profile, is covered on the ONEID website, www.certifiedcorporatedirectors.com

Independent Directors

16. The concept of Independent Directors (IDs) was introduced in India through clause 49 in SEBI's 'Listing Agreement', in the year 2000. The current definitions of IDs in the Companies Act 2013 and SEBI Regulations 2015 have not materially changed over the past 18 years. All listed companies since 2000, and certain specified unlisted companies since 2014, are dealing with appointment of Independent Directors. Approximately 17,000 listed / unlisted companies are legally required to have Independent Directors on their board.
17. Corporates need ID with specific domain knowledge and strategic leadership skills, apart from knowledge of concerned CG and Compliance Codes, Financial literacy, and Management Expertise. They are not looking for another set of qualified executives. There is definite requirement for a short basic certification course for qualified ID aspirants, to prepare them

for corporate directorship with basic knowledge of corporate governance code, legal compliance requirements, and understanding of essential boardroom standards and practices.

18. The Companies Act 2013 does not specify any minimum qualifications, for appointment as ID. These are left to the concerned company's 'Nomination and Remuneration Committee' of the board. The only two conditions laid in the Act, are to be '**Above 18 Years Old**', and have a 'Directors Identification Number' (DIN).
19. The 'placement panels' should only be for registering qualified persons, who wish to place themselves for selection. Existing IDs, not desirous of joining any other firm, as ID need not be registered on such 'placement panels', crowding it unnecessarily. The issue of DIN number does need to be looked into, for it should only be issued, if all other requirements for, an eligible director are fully met. It should not be required to be renewed, and be the like PAN number.
20. The IOD's present roadmap for Independent Directors is, as under:
 - a) Senior corporate professionals, retiring/retired PSU/ Private Unites /Administrative/Defence officers, corporate management professionals, (Engineers, Chartered Accountants, Lawyers, Company Secretary etc) men and women, who are desirous of serving as Independent Directors, undergo the condensed 3 day "Masterclass for Directors" training programme, to prepare them as 'Board Ready', for joining company boards as Independent Directors.
 - b) After obtaining the DIN certificate, they apply with ONEID (a wing of IOD) to join the 'ONEID's Panel' of qualified, willing, & board-ready Independent Directors. The panel is maintained on the ONEID portal.
 - c) Corporates needing Independent Directors for their boards, search this panel for a suitable person, qualifying to fill the gap in their "Board Diversity Matrix". The responsibility for selection is purely with the concerned boards.
 - d) ONEID keeps the Independent Directors updated, through IOD journals / circulars / website and periodic local workshops, on statutory changes and information, as well as on new opportunities emerging for them.

21. **Board Research and Advisory**

The IOD's 'Board Research and Advisory Division' offers:

- a. Regular assessment of current issues of board effectiveness, corporate governance, and role of directors.
- b. Board and corporate statutory, consultancy and compliance guidance.
- c. Third party Annual Performance evaluation of boards and directors, evaluated by a pool of IOD's highly knowledgeable and independent assessors for improvements. The

evaluation and review of the board, and its committees for diversity, strengths and weaknesses is followed by a tailored roadmap for improvement.

d. BR&A brochure is placed as Annexure B-3.

22. Qualification, Training and Appointment of Independent Directors (IDs)

A. Qualifications

i) Education – A university graduate or equivalent professional certified qualification would be adequate.

ii) Experience – At least 10 years of organisational experience, with minimum 3 years in senior management positions. *(This is considered necessary to enable IDs to live up to their role).*

iii) Basic Board Training – A brief high level one week's (5 days) training on Boardroom practices, corporate governance and statutory requirements (Covering Companies Act & Rules, SEBI listing Requirements, Competition Law and IBB), financial literacy, and exposure to risk, digitisation and sustainability is necessary.

- It is recommended that the ministry may specify broad syllabi for a basic one week (5 days) training programme, (**Recommended 5 days programme is attached as Annexure B-4**), which could be followed by a few competent and experienced organisations, throughout the country, like IOD and IICA etc. To ensure high quality of training and certification. 'Quality Council of India' (QCI) could be involved to certify these organisations and specific course standards, for the normal 3 year certification process.
- Once a professional is qualified and certified as 'Board Ready', the DIN number could be allotted by the Ministry of Corporate Affairs, in the normal manner.

a. IOD's present 'Masterclass for Corporate Directorship as a 3 days condensed programme, leading to 'Certified Corporate Directorship'. A highly innovative programme, that provides a unique learning experience about the role, functions and responsibilities of directorship, Corporate governance, Strategic planning, Finance, Balanced Scorecard, CRM, CSR, Sustainability, Risk Management, and Maximizing effectiveness of corporate boards. It is specially designed as both In-house and Open-house training programme to suit the vital needs of directors. The range of modern adult teaching and learning methods including case studies, presentations on strategic and contemporary issues, simulations through workshops, quizzes, assignments, contests and role playing are used. The faculty acts and works in close association with the participants to help them gain a better understanding of current economic and non-economic issues, discussing live corporate situations, while grasping a more realistic and holistic approach to decision making. The teaching is designed to develop integrated skills, global thinking at macro level and spark innovation, creativity and effective participation in the boardroom deliberations.

b. The present IOD's 'Masterclass' for Directors' training programme meets the above needs adequately. It is a special condensed 3 days programme, followed by a 'Dissertation Project'. The course is run by specially selected, highly qualified, trained professionals, with rich board room experience, and is being organised in most of the major metro towns in India. As per IOD's experience, company directors, Senior Executives, Nominee Directors and Independent Directors require similar programmes, delivered close to their workplace.

B. Induction Training

Once an independent director has been selected by a company, his/her basic company induction programme could be of 2 to 5 days, depending on the size and complexity of the organisation. It will familiarise the independent director with the company's stakeholders, technology, product, clientele, marketing set up, latest Annual Report, Financial Statements, and 'Board Meeting Minutes', etc.

C. Creation and Maintenance of Database for Independent Directors

- a. The board diversity matrix, including periodic replacements, need the boards to have a pool of 'Board Ready Directors', (with basic qualifications and necessary professional business/ industry experience), with DIN Numbers to fill these gaps. 'Authorised ID Placement Portal' with suitable database is now being maintained by IICA, on behalf of Ministry of Corporate Affairs, Govt. of India. The corporates could get their requirement of Independent Directors, matching their need for their 'Specialized Diversity Matrix', directly from these authorized panels.

Specialized Basic Training for Board Directors

Director Certification Training Programme

Sessions				
S.No	A	B	C	D
1	Corporate Laws Company Act 2013 & SEBI Listing Requirements	The Board's Legal Environment – The duties, responsibilities & liabilities of directorship	Financial Literacy for Directors	Driving organisation's Financial performance
2	Corporate Governance – Principles, codes and the compliance Issues	Strategic leadership and diversity for maximising effectiveness & accountability of corporate boards	Overview of role and effective functioning of board committing, including / internal Audit system.	Emerging role of independent directors in the board
3	Strategy governance and delivery and Performance Monitoring (including Balance Scorecard)	Competition Law & Compliance Issues	Corporate Risk Management – Risk, Fraud & Cyber Security	Sustainability- Corporate Social 7 Environmental Responsibilities
4	Leading Corporate Transformation for Change, Creativity and Innovation	Shaping Integrity, culture, values and business ethics	Performance Reporting Systems (a) Annual Reports of Company, Directors and Sustainability (b) Integrated Reporting System	Performance Evaluation of Corporate Boards, Board Committees and individual Directors
5	Insolvency & Bankruptcy Code & Directors Liability Insurance	Sensitizing board directors- communication and business negotiations	Learning into practice boardroom simulation	

Note: Monday to Friday (5 days) with 4 modules of two has each, from 0900 to 1800hrs.