

Companies face action for lapses in listing regulation

Bourses slap penalties for lack of women directors, improper board composition

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Nearly two dozen companies have faced regulatory action this week for violation of listing regulations.

While the quantum of penalties has been minuscule vis-à-vis the size of these companies, the development has put the spotlight on important issues such as appointing women directors and having a proper board composition.

The stock exchanges, which also act as first-level regulators, have slapped penalties on companies such as ACC, Rail Vikas Nigam, Indian Oil Corporation, Adani Enterprises, and GAIL (India) for violations of listing regulations, mainly around the appointment of women and independent directors, as disclosed by individual companies.

In cases where there are no women independent directors, the penalties issued amount to ₹5.37 lakh. Some companies have disputed the action on technical grounds.

However, data shared by PRIME Infobase, a firm that tracks listed company data, shows that there are currently as many as 394 listed firms with no woman independent director on the board. Some of them include big names like State Bank of India, Adani Green, Zee Entertainment, and Coal India.

Under the Listing Obligations and Disclosure Requirements (LODR), the top 1,000 listed companies are required to have at least one woman independent director on their boards. Furthermore, at least 50 per cent of their boards should comprise independent directors.

Among companies that have disclosed the penalties imposed, most fall in the public sector enterprise

space. These firms have requested exchanges to waive the penalties, as they have no role to play in such appointments and the power to do so lies with the government.

"The rule around the compulsory appointment of women directors aims at fostering greater gender diversity on corporate boards and encourage a broader representation of perspectives in decision-making. There might have been some challenges in the implementation. However, over time, the hope is that companies would adapt and benefit from the diverse skill sets and insights that women directors could bring to the table," said Sameena Jahangir, partner, Kochhar & Co.

It has been nearly three years since the Securities and Exchange Board of India (Sebi) mandated the presence of at least one woman independent director on the board. Earlier, companies were required to have at least one woman director, not necessarily independent.

"The legislature had taken a good initiative in recognising women on the boards of Indian companies by making the appointment of

women directors on the boards of Indian companies mandatory. This legislature's initiative is in furtherance of the fundamental right to equality provided under the Constitution of India. Companies should appreciate that non-compliance is always more expensive compared to compliance," said Supreme Waskar, partner, P&A Law Offices.

While there have been discussions within the industry about the limited talent pool for choosing independent directors, data from PRIME Infobase shows that nearly half of the total 2,623 appointed women directors hold a postgraduate degree, and nearly 7 per cent hold a doctorate.



ILLUSTRATION: BINAY SINHA

UNFAIR GAME

- > Nearly 20 companies have received penalty notices from stock exchanges
- > Penalties for lack of women independent directors, lapses in board composition
- > PSUs request for waiving penalty as appointment of independent

director is to be done by the government

- > According to PRIME Infobase, 394 listed companies do not have any woman director
- > Data shows that a total of 2,623 women hold directorship positions in India's listed space

Last month, Sebi further tightened the LODR regulations, mandating disclosure of arrangements made by promoters and directing companies to clarify market rumours that could lead to a material impact on the company's shares. Sebi further quantified and introduced thresholds for material

events. However, the industry has voiced implementation challenges with some of these new norms.

As a pilot project, Sebi, along with various industry stakeholders, is working on formulating an industry standard to smooth the implementation of new and existing regulations.