

637 NSE firms need to appoint women director

No independent woman director at 38% of NSE-listed cos

By India CSR Network - October 12, 2017



NEW DELHI: Of the 1,670 companies listed on the National Stock Exchange (NSE), as many as 637 firms need to appoint a woman independent director.

About 38% of companies listed on the NSE would have to appoint at least one independent woman director if the recommendation of a high-level panel on corporate governance were to be implemented, according to a report by Prime Database.

Of the 1,670 companies listed on the National Stock Exchange (NSE), as many as 637 firms need to appoint a woman independent director.

The panel headed by eminent banker Uday Kotak last week recommended that listed companies should appoint at least one woman as independent director.

The current rules require that there must be one woman on the board, irrespective of her being an independent or executive director.

The suggestion is aimed at increasing gender diversity, which is often seen to have a positive impact on the decision making processes of corporate boards.

"The Companies Act and SEBI Listing Regulations took a progressive step in requiring at least one woman director to be on the board of directors of listed entities. This was done as under-representation of women on boards was a significant concern in India," the panel noted.

All listed firms were required to have at least one woman director on their boards from April 1, 2015, according to a SEBI directive, as also under the Companies Act, 2013.

The panel also recommended limiting chairmanship to only non-executive directors. The proposal for only non-executive directors being allowed to be made chairman would eventually lead to a split in the posts of Chairman and Managing Director.

Currently, a total of 640 companies — or 38% — of the NSE-listed firms have the same person as chairperson and MD-CEO, and if the SEBI panel's suggestion of splitting the CMD roles was to be implemented, these 640 firms would have to segregate the roles, according to Prime Database.

2797 + 77
(64)
Besides, 860 firms would have to limit the role of chairperson to non-executive director.

The report said 256 NSE-listed companies would have to increase the size of their board beyond five and 326 firms need to change the board composition to ensure that at least 50 per cent of the total number of directors are independent.

If the minimum remuneration of Rs 5 lakh per annum for independent directors was to implemented, then many companies would have to shell out more money.

In 2016-17, only considering such independent directors who were on the board from April 1, 2016, till March 31, 2017, — excluding a# mid-year appointments and cessations — that worked out to 3,755 of the 5,686 independent directorship positions, the total remuneration paid to the independent directors was less than Rs 5 lakh each.

“Had this requirement been implemented in 2016-17, for all NSE-listed companies, an additional Rs 132.63 crore would have had to be paid to such directors,” the report noted.

It also noted 171 executive promoter directors in 116 companies earned a remuneration of more than Rs 5 crore in the past fiscal.

The Kotak panel suggested that if the pay package of executive promoter directors is more than Rs 5 crore, or 2.5 per cent of net profit, then it should be approved by shareholders.

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