

Kotak Panel - Recommendations

Why in news?

\n\n

Uday Kotak committee established by SEBI has recently released its recommendations addressing rising concerns in corporate governance.

\n\n

What are the highlights?

\n\n

\n

- **Board** - It recommended a minimum of 6 directors and a maximum of 8 to be on the board of listed entities.

\n

- And at least 50% (currently one-third) of the board should have independent directors and compulsorily one woman among them.

\n

- It also called for more transparency on appointment of independent directors and a more enhanced role for them.

\n

- It proposed a mandatory formal induction for every new Independent Director appointed to the board.

\n

- It said that stakeholders should approve the application to fill a casual vacancy of office of any Independent Director.

\n

- It held that no person be appointed as alternate director for an independent director of a listed company.

\n

- **Other Recommendations** - The panel suggested making a distinction between the roles of chairman and MD/CEO of listed companies.

\n

- It emphasized on regular interaction between NEDs (non-executive director) and the senior management.

\n

- It also suggested an Audit Committee review for the use of loans or investment by holding company for over Rs 100 crore.

\n

- It suggested increasing the number of Audit Committee meetings to five every year.

\n

- It also proposed making D&O (Directors and Officers) insurance for independent directors mandatory, for top 500 companies by market capitalization.

\n

\n\n

What is the way forward?

\n\n

\n

- The recent instances of rift between the founders and the management of companies drew serious attention to the shortfalls in corporate governance.

\n

- These have considerably weakened the confidence in the quality of board supervision and auditing.

\n

- The panel has thus suggested a host of changes for bringing in transparency at companies' boards.

\n

- It is now up to the market regulator, SEBI to move forward on implementing the panel's recommendations.

\n

\n\n

Glossary

\n\n

Independent Directors

\n\n

\n

- An Independent director is a non-executive director who does not have any kind of relationship, material or financial, with the company.

\n

- At present, the Companies Act, 2013, says that one-third of the directors on board of every public-listed company must be independent directors.

\n

- Independent directors are to ensure the independence of decisions taken in matters related with the board.

\n

\n\n

D&O insurance

\n\n

\n

- Directors and officers Insurance is a liability insurance payable to the directors and officers of a company, or to the organization itself.

\n

- It is provided as reimbursement for losses or advancement of defense costs in the event of loss as a result of a legal action brought for alleged wrongful acts in their capacity as directors and officers.

\n

\n\n

\n\n

Source: Economic Times

\n

