# Norms on appointing Independent directors

## Why in news?

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Kotak Committee on corporate governance constituted by the SEBI, has recently proposed a fresh set of norms for appointing directors.

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## What is the trend in appointing chiefs of a company?

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- In India, most companies are run by the dominant shareholder, also known as “promoter” who is either an industrialist or the government.
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- Independent directors, who are supposed to represent ordinary shareholders, are chosen not by shareholders but largely by the management, i.e. the promoter.
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- There’s no way that any independent director would be chosen without the approval of the promoter.
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- In public sector enterprises, the appointment of independent directors is at least independent of the CEO because it’s the ministry concerned that appoints independent directors.
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## What are the highlight proposals of the committee?

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- The committee on corporate governance, or “making boards more effective”, ranks right up there in executive training programmes.
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- This committee asks for more directors and independent directors and dwells on the eligibility criteria for independent directors, and their induction.
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- It lays down requirements for the minimum number of board meetings and attendance requirements.
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- It specifies a minimum compensation for independent directors.
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## What are the unaddressed areas on independent directors?

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- In India, there are independent directors who are beholden to the promoter for their place on the board.
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- Theydon’t have considerable freedom to express themselves, as vast majority of private companies treat promoter and CEO in a same rank.
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- So it would be quite a challenge for an independent director to question decisions of a board.
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**Source: Business Standard**

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