

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 216
ANSWERED ON FRIDAY, THE 2nd FEBRUARY, 2018/
MAGHA 13, 1939 (SAKA)**

FUNCTIONING OF INDEPENDENT DIRECTORS OF COMPANIES

QUESTION

**216. SHRI CH. MALLA REDDY:
PROF. SAUGATA ROY:**

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) whether the Government plans to carry out a comprehensive review of the functioning of independent directors, including analysing the reasons for their exit from the boards of companies, as part of efforts to strengthen the corporate governance framework;
- (b) if so, the details thereof; and
- (c) if not, the reasons therefor?

ANSWER

**THE MINISTER OF STATE FOR LAW AND JUSTICE
AND CORPORATE AFFAIRS**

(SHRI P. P. CHAUDHARY)

(श्री पी .पी .चौधरी)

विधि और न्याय एवं कारपोरेट कार्य मंत्रालय में राज्य मंत्री

(a) to (c):- Presently, there is no proposal before the Ministry for a comprehensive review of functioning of independent directors. The provisions related to appointment of independent directors are prescribed in Section 149 of the Companies Act, 2013 (the Act). The Schedule IV to the Act prescribes the code of conduct for independent directors for ensuring their independence while discharging their functions.

The provisions for removal of independent directors have been reviewed and it is proposed to provide that any independent director who has been re-appointed under section 149(10) of the Act shall be removed under section 169 only after passing a special resolution. Amendments have been made through Companies (Amendment) Act, 2017 (notified in the Government of India Gazette on 3rd January, 2018) in Section 149 of the Companies Act, 2013 w.r.t. the limits on pecuniary interest for independent Directors as well as their relatives.

Securities Exchange Board of India (SEBI), under the Department of Economic Affairs (Ministry of Finance) had appointed a committee in June 2017 under the chairmanship of Shri Uday Kotak to advise on the issues relating to corporate governance. The Committee has submitted its report to SEBI on 5th October 2017. The

report inter-alia includes a chapter on the institution of Independent Directors. But so far, this Ministry has not received any proposal from SEBI in this regard.
