

**GOVERNMENT OF INDIA
COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:4536

ANSWERED ON:23.12.2005

INDEPENDENT DIRECTORS IN COMPANIES

Chitthan Shri N.S.V.;Mehta Shri Alok Kumar;Muqueem Shri Mohammed;Sippiparai Shri A. Ravichandran;Yaskhi Shri Madhu Goud

Will the Minister of COMPANY AFFAIRS be pleased to state:

- (a) whether the Government has revised norms for appointment of independent directors in the companies;
- (b) if so, the details thereof; and the reasons for changing the norms; and
- (c) the stipulated number of independent directors required in the Board of Directors in each company?

Answer

MINISTER OF COMPANY AFFAIRS (SHRI PREM CHAND GUPTA)

(a), (b) & (c): The Government have not revised the norms for appointment of independent directors in companies. However, SEBI by Circular No SEBI/CFD/ DIL/CG/1/2004/12/10 dated 29-10-2004 has directed revision of clause 49 of the Listing Agreement of the stock exchanges. The revised clause 49 provides that in the case of companies where the chairman is executive, at least half of the Directors on the Board of Directors should be independent. In case of companies where the chairman is non-executive, at least one third of the Board of Directors should be independent. The Listing Agreement applies only to entities listed on the stock exchange.

As per SEBI, the revised clause 49 is scheduled to come into effect from January 1, 2006 and would also apply to entities seeking listing for the first time as also to existing listing entities which were required to comply with pre-revised clause 49. SEBI has further indicated that persons who are independent directors on the Board of such companies are expected to ensure that such companies are run in a smooth manner consistent with the interest of all the stakeholders and not only the promoters.