

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

STARRED QUESTION NO:100  
ANSWERED ON:09.07.2009  
ROLE OF INDEPENDENT DIRECTORS  
Gaikwad Shri Eknath Mahadeo;Yaskhi Shri Madhu Goud

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

- (a) whether the Government proposes to scrutinise role of independent directors in the wake of the Satyam Scam;
- (b) if so, the details in this regard and the outcome thereof;
- (c) whether the Government is planning to bring some changes in the company regulations with regard to powers, responsibility and conflict of interests of independent directors; and
- (d) if so, the details thereof?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF CORPORATE AFFAIRS (SHRI SALMAN KHURSHID)

(a) & (d) A Statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN ANSWER TO LOK SABHA STARRED QUESTION NO 100 FOR 9.7.2009 REGARDING ROLE OF INDEPENDENT DIRECTORS

(a) to (d) The provisions of the Companies Act, 1956 do not define the term 'Independent Director'. The Act only defines the term 'Director', Managing Director/Whole Time Director'. However, as per Clause 49 of the Listing Agreement, SEBI has provided for induction of Independent Directors on the Board of the listed companies.

As per provisions of the Companies Bill, 2008 introduced in the Lok Sabha on 23rd October 2008, a provision has been made for appointment of independent directors on the Board of listed companies, having such amount of paid up share capital as may be prescribed. In order to have better corporate governance and management of companies, the duties and liabilities of the directors have been specified in the Companies Bill, 2008 and the term 'Independent Director' has also been defined.

The Companies Bill, 2008 lapsed in view of Article 107 (5) of the Constitution. The Government now proposes to re-introduce the Bill as the Companies Bill, 2009 in the Parliament. The role of independent directors may also come up, inter-alia, for deliberations during the scrutiny of the Bill by the Parliamentary Standing Committee on Finance.