

*Independent Directors  
under  
the Companies Act, 2013  
and  
Listing agreement -*

*An Overview to  
VST Tillers Tractors Limited*

*March 30, 2015*

The following companies are required to have independent directors and Listing Agreement

- Under the Companies Act, 2013, listed public companies should have at least  $1/3^{\text{rd}}$  of the total number of directors as independent directors
- Under the listing agreement, at least  $1/3^{\text{rd}}$  of the Board should comprise independent directors and in case the company does not have a regular non-executive Chairman, at least  $1/2$  of the Board should comprise independent directors.

Under the Companies Act the following other companies are required to have independent directors on the Board:

- Public companies having paid up capital of Rs. 10 crore or more
- Public companies having a turnover of Rs. 100 crore or more
- Public companies whose aggregate outstanding loans, debentures and deposits, exceed Rs. 50 crores

An independent director should possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

Other than a managing director or a whole-time director or a nominee director and should not:

- be a promoter of the company or its holding, subsidiary or associate company;
- be related to promoters or directors in the company, its holding, subsidiary or associate company;
- have a pecuniary relationship
- None of his/her relatives should have a pecuniary relationship or transaction
- Transactions in ordinary course of business and at an arms length do not constitute pecuniary relationship
- Receipt of remuneration not a pecuniary interest

- Should not hold or have held the position of a KMP
- Should not be or have been an employee or proprietor or a partner of (i) a firm of auditors or company secretaries (ii) any legal or a consulting firm
- Should not hold together with his relatives 2% or more of the total voting power of the company; or
- Should not be the a Chief Executive or director, of any non profit organisation that receives 25% or more of its receipts from the company
- Similar criteria under the listing agreement

- The appointment should be approved by the shareholders
- Explanatory statement in the notice should indicate the justification for choosing the appointee as independent director and other prescribed particulars
- The appointment to be formalised through a letter of appointment containing the prescribed particulars – applicable to existing IDs
- The terms and conditions of appointment should be available for inspection by members and on the company's website
- The re-appointment will be on the basis of report of performance evaluation done by the entire Board of Directors, excluding the director being evaluated.

Every independent director should at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence

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- An independent director can hold office for a term up to 5 consecutive years on the Board of a company
- Eligible for reappointment on passing of a special resolution by the company
- no independent director can hold office for more than 2 consecutive terms, but will be eligible for appointment after the expiration of 3years of ceasing to become an independent director
- Not liable to retirement by rotation

An independent director may receive remuneration by way of -

- sitting fees
- reimbursement of expenses for participation in the Board and other meetings
- profit related commission as may be approved by the members

subject to the limits on managerial remuneration

An independent director shall not be entitled to any stock option

The independent directors should hold at least 1 meeting in a year, without the attendance of non-independent directors and members of management to:

- review the performance of non-independent directors and the Board as a whole;
- review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- assess the quality, quantity and timeliness of flow of information between the company management and the Board.
- All independent directors should strive to attend the meeting

- Should adhere to the code of conduct consisting of the guidelines of professional conduct, role and functions and duties as provided in Schedule IV
- Member of the audit committee, nomination and remuneration committee, CSR Committee
- In listed companies, at least 1 independent director of the holding company should be a director on the Board of a material non-listed Indian subsidiary company

- Should not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person
- Where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board
- Should not disclose confidential information, unless such disclosure is expressly approved by the Board or required by law
- Safeguard the interests of all stakeholders, particularly the minority shareholders

An independent director will be liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently

- As per the listing agreement, a person cannot serve as an independent director in more than 7 listed companies.
- Any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than 3 listed companies.

- An authorised body, institute or association will create and maintain a data bank of persons willing and eligible to be appointed as independent directors
- The data bank should be placed on the website of the Ministry of Corporate Affairs or on any other notified website



**THANK YOU FOR YOUR ATTENTION...**

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