

Independent directors are feeling obliged to stand up, says Ex-Sebi chief

113



M Damodaran

chairman Cyrus Mistry and Interim Chairman Ratan Tata has focused the light on the role of independent directors. Former chairman of the Securities and Exchange Board of India (Sebi), **M Damodaran**, tells *Shrimi Choudhary* independent directors applying their mind and articulating their thoughts were discharging their duties. Sebi, he said, would first inquire and ascertain facts before taking it up. **Edited excerpts:**

How do you see the deliberations that took place at the Tata Global Beverages board meeting where Cyrus Mistry claims his removal as chairman was illegal?

I honestly don't know what the real issues are. All that I have seen and read are in the media. Two sets of statements are coming out, where both claim to be factual, making it really difficult to fathom. For instance, one party says the meeting was over and the other party says the meeting went on with another chairman and resolutions were passed. It got to a stage where the company secretary's communication to exchanges is being questioned by the person who chaired the board meeting. This is somewhat unusual; we have never witnessed this type of a stand-off. However, in the absence of facts, it is difficult to say what the real issue was because what we are looking at are symptoms; we don't know what the disease is.

How are you looking at the role of independent directors in the boardroom battle that we are witnessing at Tata?

Independent directors have a very important role to play. Schedule IV of the Companies Act defines the duties and responsibilities of an independent director and they are expected to measure to all of that. So it is not about understanding the role. The current situation is a reason they are feeling obliged to stand up and speak. If you find directors who are applying their mind and who are articulating their thoughts, then clearly they are discharging their duties. You may not agree with what they are doing.

Keeping in view all the accusations made by both the parties, do you think Sebi should intervene?

It depends on what information is available with the regulator because the regulator will not take up everything reported in the media. It will inquire and ascertain what is happening and then do whatever is appropriate. Sebi would call for comments from the companies and it will then decide what has to be done.

Do you think companies are adhering to established corporate governance norms?

The huge positive is that the relevance of independent directors has gained significance. Till now, people thought independent directors did not have an important enough role in the boardroom, and that has been addressed. People are noticing their role unlike earlier, where they did not pay attention to the board as they believed that boards were about promoters. But today, boards and directors are the subject matter of increasing focus and since these are two instruments for corporate governance, it is a good thing.