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Women directors not from promoter kin alone

BY ET BUREAU | UPDATED: OCT 06, 2017, 09:02 AM IST

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In a significant step towards promoting “gender diversity” on company boards, a committee on corporate governance appointed by [market](#) regulator Sebi has proposed that the requirement to have at least one woman director should exclude promoters' relatives.

The mandatory woman director has to be independent in the true sense, said the panel led by [Uday Kotak](#).

Several promoter-driven companies have adopted the easy way out to fulfil the governance requirement on gender diversity by co-opting women relatives on the board. “Diversity, including gender diversity, is often seen to have a positive impact on the decision making processes of corporate boards,” the Kotak committee said. “The Companies Act and Sebi LODR [Regulations](#) took a progressive step in requiring at least one woman director to be on the board of directors of listed entities. This was done as under-representation of women on boards was a significant concern in India.”

While India lags behind global [markets](#) in women participation on corporate boards, the broad reaction of corporate India on having to include at least one woman on every board has been largely positive, it said.

Women representation on the boards of Nifty 500 companies, which was at 5 per cent as on March 31, 2012, increased to 13 per cent as on March 31, 2017, the report said. To further improve gender diversity on corporate boards, the committee has recommended that every listed entity have at least one independent woman director on its board of directors.

[Maruti Suzuki](#) chair man RC Bhargava said that rules made by the government may be followed by companies just to fall in line and have a woman director on board. “But the point is do they believe in the value and diversity women directors bring to the board. Shareholders should also question the lack of women on boards. But the issue is that in many companies the promoter has a controlling interest at 35-40 per cent. So the question is whether the promoter subscribes to the spirit of the law,” he said.



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Former Sebi chairman M Damodaran said, “My view has always been that there should be at least two women directors on the board, with at least one of them being an independent director. There is nothing wrong with a promoter's relative being one of the women directors since no such question is raised when the promoter's son or nephew is appointed to the board. In boards where there is already a woman director, it becomes easier for the second woman director, to settle down even in the absence of a buddy system of the kind which exists in the US.”

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