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Independent directors should be entitled to ESOPS: Keki Mistry

BY VATSALA GAUR, ET BUREAU | UPDATED: FEB 20, 2017, 01:38 PM IST

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MUMBAI: [Independent directors](#) should be entitled to [ESOPS](#) for them to take genuine interest in the corporate governance of the boards they sit on, [Keki Mistry](#), CEO, HDFC said.

On the question of appropriate remuneration paid out to independent directors on boards of Indian companies, Mistry said, "Globally, ESOPS to independent directors is a model followed to attract the right talent. If the management is getting it, the independent directors too, are entitled to it, if the model is executed with right checks and balances."

ESOPs or Employee Stock Ownership Program is a programme through which employees can invest in stocks of the employer company.

Lately, the many dimensions of corporate governance in Indian companies are being highlighted as blue chip corporate groups like TATA and Infosys have been experiencing serious rifts in the boardroom over conflicts of interest.

Remuneration to independent directors becomes a crucial factor in determining their commitment to questioning assumptions and established business practices on the board they reside. Both more and less can affect their independence and lead to distorted outcomes.

"Their is no questioning that stock options should be resumed. This is the only way there can be alignment between directors and company affairs. On the issue of general compensation, it should be looked at that directors are compensated according to what they bring to the table," [M Damodaran](#), former chairman, [Sebi](#), said.



"Globally, ESOPS to independent directors is a model followed to attract the right talent," Keki Mistry, CEO, HDFC said.

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Independent directors that reside on the boards of different companies are currently compensated through commissions. There is a cap to how much can be given out to them but the cap is sufficiently high.

With the law providing no clarity on the element of optimum compensation to independent directors, the issue has become a contentious topic of discussion.

The speakers spoke as part of discussions carried out in the Governance Series, 2017-18, organised by Confederation of Indian Industries in Mumbai.

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