

DISSIDENT AFTER QUITTING

While Stepping Down, Very Few Independent Directors Speak Up

Putting in Papers

4 independent dirs of **180** (to date) who resigned, citing 'personal reasons', have been vocal

Trend may increase from October due to Sebi rules

1,471 independent directors of NSE-listed cos resigned last yr



From October, directors resigning for 'personal reasons' will have to answer for continuing on other boards: Sebi

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Mumbai: Independent directors have begun openly voicing dissent on corporate boards, emboldened by market watchdog Sebi's directives urging them to make more disclosures and uphold corporate governance standards.

Till date this year, out of 180 independent directors who resigned from corporate boards citing "personal reasons", only four have mentioned issues such as corporate governance or lack of transparency for doing so.

In recent weeks, though, Nisaba Godrej stepped down as independent director on the board of VIP Industries citing accountability issues while Marc Desaeleer resigned from Suzlon board citing "transparency" issues.

According to corporate lawyers, the trend might increase now as from October, those citing "personal reasons" for their resignations will be required to explain the logic behind staying on the boards of other companies as per the directives issued by the Securities and Exchanges Board of India (Sebi) in February.

"In view of the transparency issues surrounding the resignation of independent directors, Sebi had amended the listing regulations to mandate disclosure of the resignation letter containing detailed reasons for the resignation given by them along with a confirmation that there are no other material reasons for the resignation," said Vaibhav Kakkar, senior partner at Saraf and Partners. "Pursuant to these changes, several independent directors have now started citing corporate governance issues for their resignation, and this trend is likely to continue in the future as well."

He said listed companies need to be mindful of such resignations as they have had significant financial and operational implications on the companies in recent times.

Shareholder activist Anil Singhvi, founder and chairman of Ican Investment Advisors, said directors who do not give reasons should be barred from being appointed on other boards.

"We have been telling Sebi that IDs (independent directors) owe to their shareholders who appointed them and trusted them to give the reasons for their resignations. Accountability comes along with authority and, more importantly, they must stand up and say what's the reason," he said.

Last year, 1,471 independent directors resigned from NSE-listed companies, of which 173 cited personal reasons while 21 cited no reason. Only seven gave reasons such as non-cooperation or disagreement with the management.

The chairperson of a leading consumer company said the culture and board effectiveness is the responsibility of the chairperson or promoter. "A board is only as independent as encouraged by the chairperson or promoter. Diverse views and opinions benefit the organisation and build a strong corporate governance culture. Else, it will be a mediocre board in a mediocre organisation," the chairperson said, seeking anonymity.

In February, Sebi amended the norms, stating that if an independent director cites "personal reasons" for resigning from a company board, the individual may be required to explain the rationale behind remaining on the boards of other companies.

This proposed change is part of new corporate governance norms being finalised by the regulator for listed companies, which will come into force beginning October 2024.

Last year, two independent directors of PTC Financial Services resigned, citing corporate governance lapses. Earlier, independent directors in Zee resigned, citing concerns such as unjustified related-party transactions (RPTs).