

Mayank Arora & Co.

Company Secretaries

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Composition of Board of Directors (AS PER COMPANIES ACT, 2013)

The Board of Directors of a Company is central to its decision making and governance process. Its liability to ensure compliance with the law underpins the corporate governance structure in a Company, the aspirations of the promoters and the rights of stakeholders, all of which get articulated through the actions of the Board. Simultaneously the Board has to ensure compliance with the legal framework, integrity of financial accounting and reporting systems and credibility in the eyes of the stakeholders through proper and timely disclosures.

Meaning of Board of Directors

As per sub section 10 of Section 2 of the Companies Act, 2013, "Board of Directors" or "Board", in relation to a Company, *means the collective body of the directors of the Company.*

A Board of Directors is a team of people elected by an organization's shareholders to represent the shareholders' interests and ensure that the Company's management acts on their behalf. The head of the board of directors is the chairman or chairperson of the board. The purpose of the Board of directors is to make sure management is acting in the best interests of the shareholders. This is why the board of directors lays at the heart of the notion of corporate governance -
- it has a fiduciary duty to the shareholders, and only to the shareholders.

Meaning of a Director

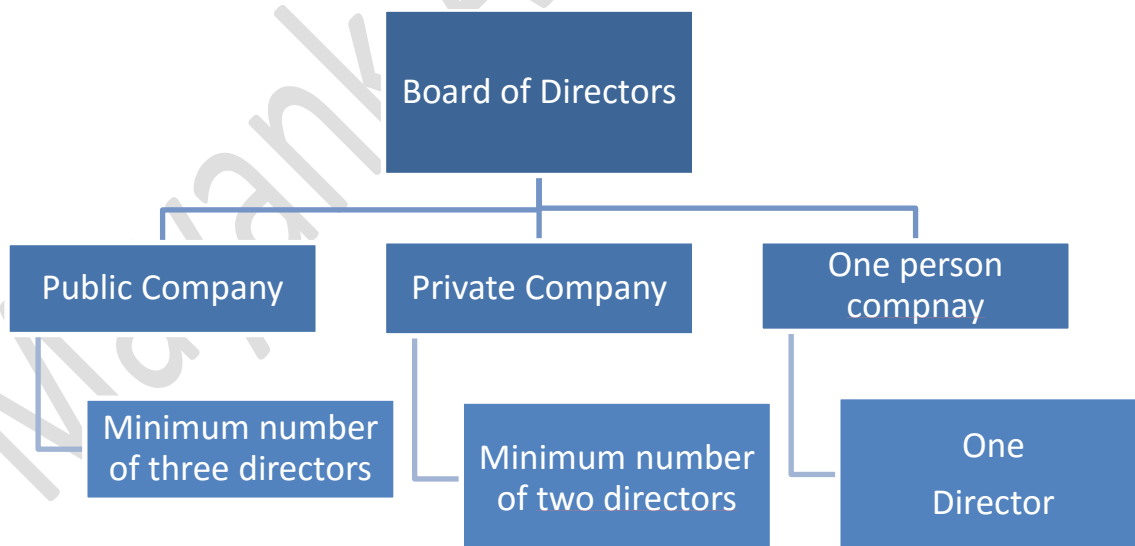
As per sub section 34 of Section 2 of the Companies Act, 2013, "Director" means a *director appointed to the Board of the Company*.

A director is someone who is validly appointed to be director of an organization. Together, the directors of an organization form an organization's board and collectively have ultimate responsibility for the Company.

Law should provide for minimum number of directors necessary for various classes of companies. The present prescribed requirement is considered adequate. However new kinds of companies will evolve to keep pace with emerging business requirements. Law should therefore include an enabling provision to prescribe specific categories of companies for which a different minimum number may be laid down:

As per Section 149 of the Companies Act, 2013 read with rules Companies (Appointment Qualification of Directors) Rules, 2014-

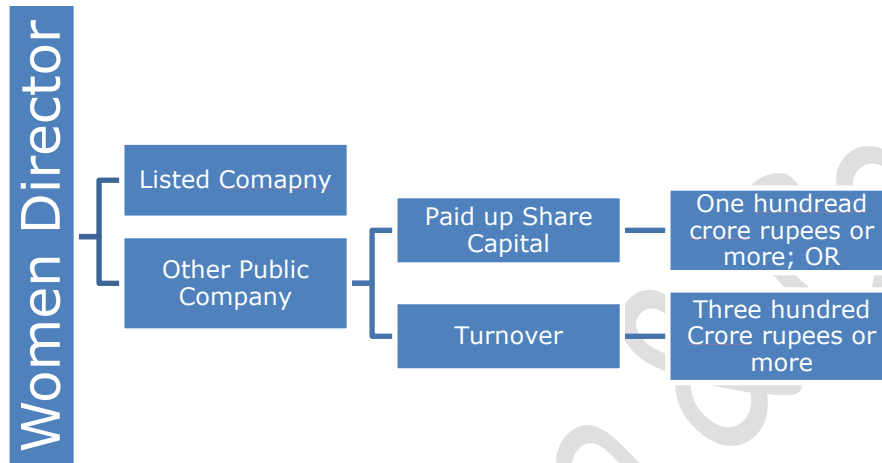
1. Every Company shall have a Board of Directors consisting of individuals as directors and shall have:
 - (a)



- (b) a maximum of fifteen directors:

Provided that a Company may appoint more than fifteen directors after passing a special resolution (Exemption to section 8 companies)

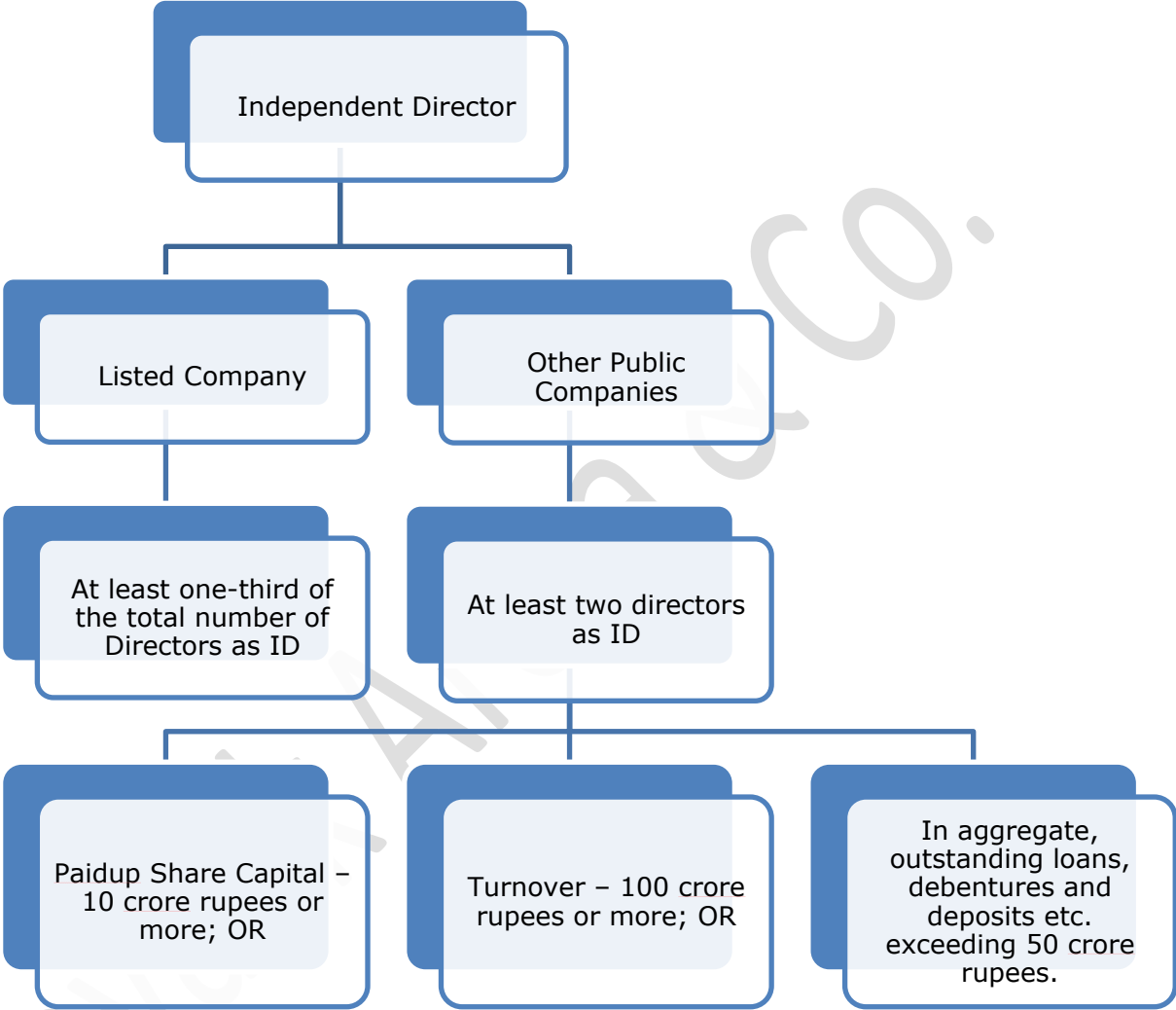
- 2. Women Directors:** The following class of companies shall appoint *at least one Women Director*-



- 3. Residential Director:** Every Company shall have *at least one director* who has stayed in India for a total period of not less than one hundred and eighty-two days in the previous calendar year.

(As per general circular no. 11/2020 F No. 2/1/2020-CL-V dated 24th March, 2020, In order to support and enable companies and Limited Liability Partners (LLP) in India to focus on taking necessary measures to address the COVID-19 threat, including the economic disruptions caused by it, Ministry of Corporate affairs implemented that Non- Compliance of minimum residency in India for a period of at least 182 days by at least one director of every Company, under section 149 of the Companies Act, 2013 shall not be treated as a non compliance for the financial year 2019-20.)

4. Independent Director: The following class of companies shall appoint Independent Director in the Company.



Composition of Board

(AS PER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015)

As per sub regulation (1) of Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

(a) Board of directors shall have

- ✓ An optimum combination of executive and non-executive directors with at least one woman director and
- ✓ not less than fifty per cent of the board of directors shall comprise of non-executive directors;

[By April 1, 2020: The Board of directors of the top 1000 listed entities shall have at least one Independent Woman Director.

The top 1000 entities shall be determined on the basis of market capitalization, as at the end of the immediate previous financial year.]

(b) Where the chairperson of the

- ✓ Board of Directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and;
- ✓ where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors:

Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

Explanation.- For the purpose of this clause, the expression "related to any promoter" shall have the following meaning:

- (i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;
- (ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

(c) The Board of directors of the top 2000 listed entities shall comprise of not less than six directors.

[The top 2000 entities shall be determined on the basis of market capitalization, as at the end of the immediate previous financial year.]

(d) Where the listed Company has outstanding SR equity shares, at least half of the board of directors shall comprise of independent directors.

(1A) No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

(1B) With effect from [April 1, 2022,] the top 500 listed entities shall ensure that the Chairperson of the board of such listed entity shall –

(a) be a non-executive director;

(b) not be related to the Managing Director or the Chief Executive Officer as per the definition of the term "relative" defined under the Companies Act, 2013:

Provided that this sub-regulation shall not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern filed with stock exchanges.

Explanation - The top 500 entities shall be determined on the basis of market capitalization, as at the end of the immediate previous financial year.]

By - Kajal Khetani

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Date: 1st June 2020