

# Key Takeaways of Kotak Committee Report on Corporate Governance

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## Brief background to Corporate Governance Reforms

- ✓ Recent boardroom battles,
- ✓ Recent Corporate practices,
- ✓ IDs – Change in Role & Liabilities,
- ✓ Cos.Act, 2013 – CG provisions

## Brief background of the Kotak Committee on Corporate Governance

- ✓ Members & their Experience,
- ✓ Deliberations,
- ✓ Outcome

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# Format of the Report

# Terms of Reference

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- Ensuring independence in spirit of Independent Directors
- ID's active participation in functioning of the Co.

- Improving safeguards & disclosures pertaining to RPTs
- Issues in accounting & auditing practices by listed Cos.

- Improving effectiveness of Board Evaluation practices
- Addressing issues faced by investors on voting & participation in general meetings

- Disclosure and transparency related issues, if any
- Any other matter, as the Committee deems fit

# Broad Contents of the Report

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# Chapter I: Composition & Role of BoD

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Minimum No. of Directors

Gender Diversity

Attendance of Directors

Disclosures of Expertise

NED – Age limit

Minimum No. of Board Meetings

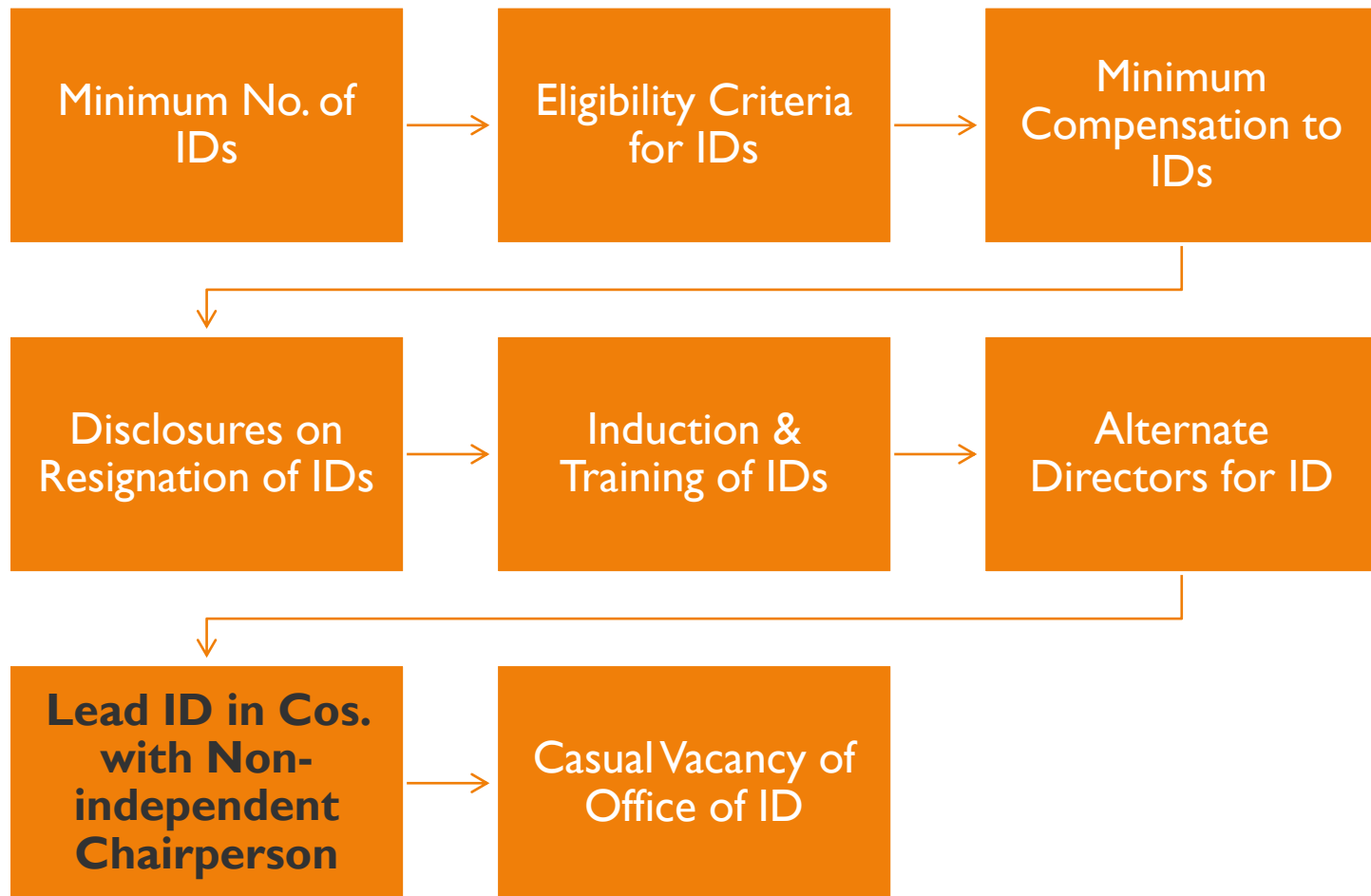
Updation of Knowledge of Board Members

Quorum for Board Meeting

**Separation of Non – Executive Chairperson and MD / CEO**

# Chapter II: Institution of Independent Directors

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# Chapter III: Board Committees

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Minimum Number of Committee Meetings

Role of Audit Committee

Role / Constitution of Nomination & Rem. Committee

**Composition & Role of Stakeholders  
Relationship Committee**

Quorum for Committee Meetings

Applicability & Role of Risk Management Committee

Information Technology Committee

# Chapter IV: Enhanced Monitoring of Group Entities

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Obligation on BoD of  
Listed Entity w.r.t.  
Subsidiaries.

*(ICSI Report referred)*

## Secretarial Audit

- (i) SA may be made compulsory for all listed entities under SEBI LODR Regulations in line with Cos. Act,
  
- (ii) SA may also be extended to all material unlisted Indian subsidiaries.  
This is in line with the theme of strengthening group oversight and improving compliance at a group level.

# Chapter V: Promoters / Controlling shareholders

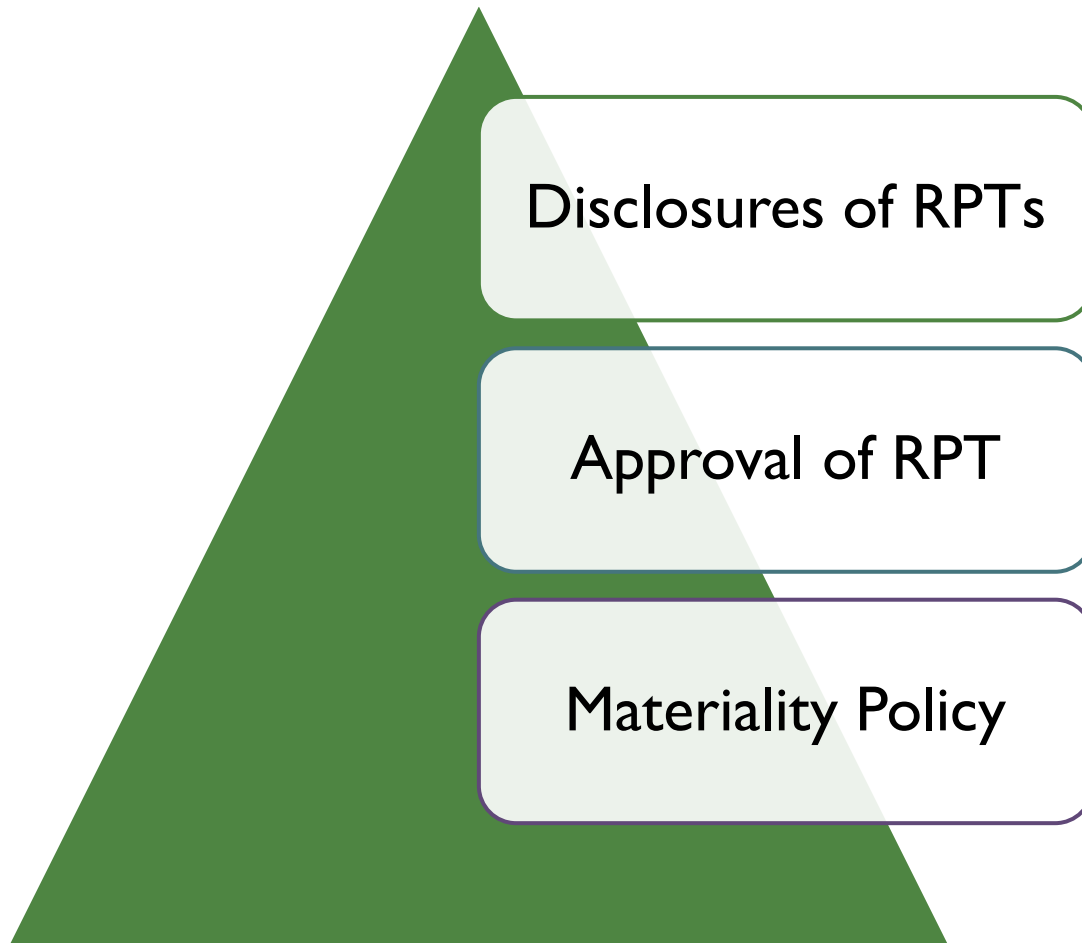
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- Sharing of Info. with Controlling Promoters / Shareholders with Nominee Directors

- Re-classification of Promoters / Classification of Entities as Professionally Managed

# Chapter V: Related Party Transactions

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# ... Chapter V: Related Party Transactions

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Remuneration to ED (Promoter)

Remuneration to ED (Non-Promoter)

Remuneration to NED (Promoter)

Remuneration to NED (Non-Promoter)

# Chapter VI: Disclosures & Transparency

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- Submission of Annual Reports

- Searchable Formats of Disclosures

- Harmonization of Disclosures – *Avoiding the risk of Disclosure arbitrage*

- Disclosures Pertaining to Disqualification of Directors – *Certificate of Practising CS*

# Disclosures Pertaining to Disqualification of Directors – Certificate of Practising CS

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*Certificate from Company Secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of the companies by the SEBI / MCA or any such authority.*

## **What is contemplated to check:**

- ✓ *Debar or Disqualify,*
- ✓ *From being appointed or continuing as Directors*
- ✓ *SEBI / MCA or any such authority.*

# Accounting & Audit-related issues

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Audit  
Qualifications

Independent  
External Opinion  
by Auditors

Quarterly Financial  
Disclosures

Disclosure of  
Reasons of  
Resignation of  
Auditors

Disclosures on  
Audit & Non-audit  
Services Rendered  
by Auditor

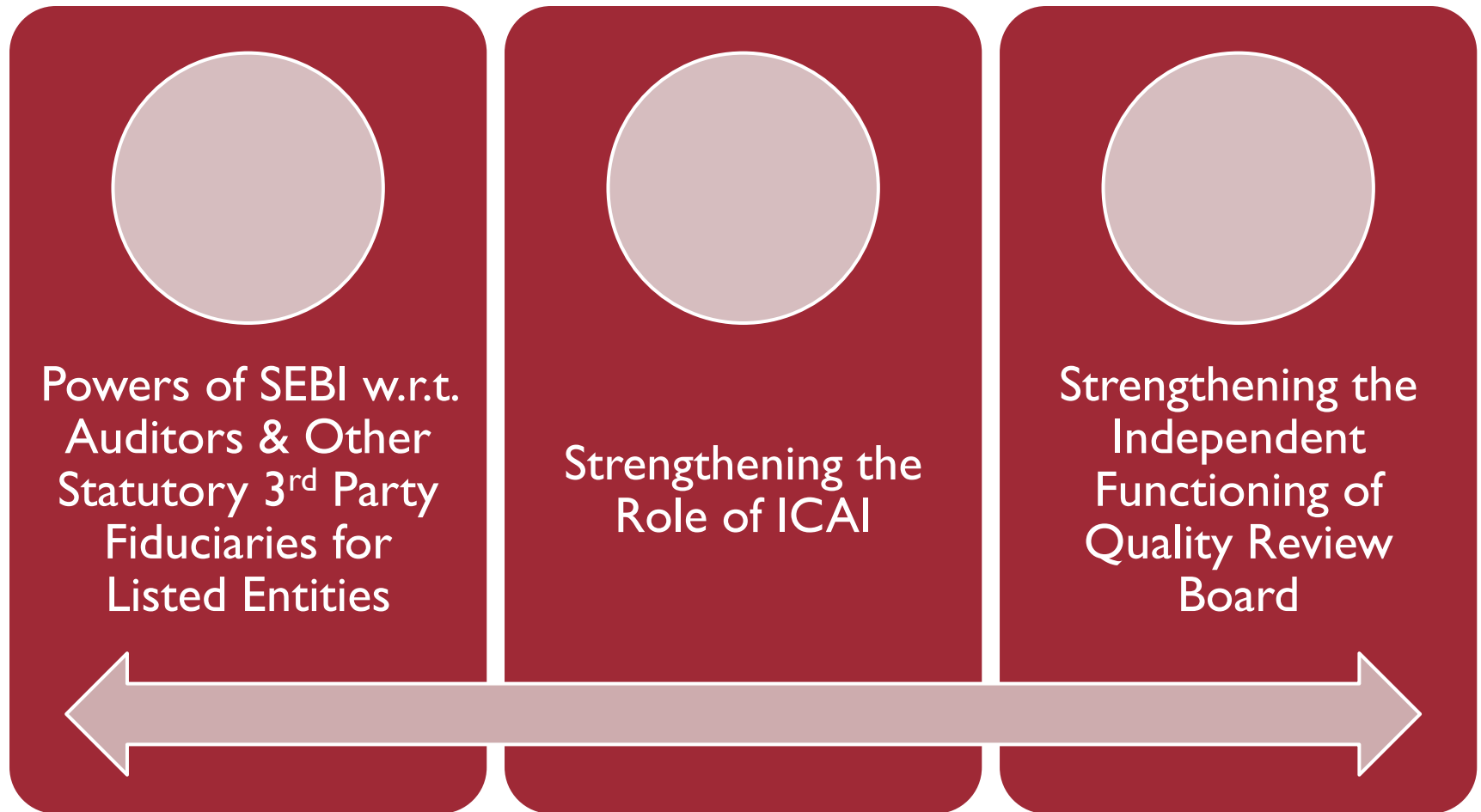
Disclosures of  
Credentials and  
Audit Fee of  
Auditors



# Powers of ICAI vis-à-vis SEBI

## Strengthening Monitoring & Enforcement by SEBI

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# Chapter VIII: Investor Participation in Meetings of Listed Entities

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## Chapter IX: Governance Aspects of Public Sector Enterprises

- ✓ Establish a transparent mandate for PSEs and disclose its objectives & obligations;
- ✓ Ensure independence of PSEs from Administrative Ministry,
- ✓ Consolidate the Govt. stake in listed PSEs under holding entity structure(s)

## Chapter X: Leniency Mechanism

- ✓ *Committee felt that Leniency Programme would improve effective detection of violations and enhance ease of investigation and enforcement, while also acting as a deterrent that could result in an increase in the overall compliance of securities regulations;*
- ✓ *Committee felt that SEBI may be empowered to grant leniency and offer protection against victimisation to whistle-blowers in certain instances determined on case by case basis*

## Chapter XI: Capacity building in SEBI for Enhancing Corporate Governance in Listed Entities

Committee recommended enhancing SEBI's capacity in line with global best practices:

- ✓ Enhance No. & skill-sets of its human resources;
- ✓ Exploit power of data science & technology; and
- ✓ Strategically work with other agencies, especially for monitoring and enforcement.

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# Deliberation on the Key Takeaways

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# Q & A Session

**Thank you Pune Chapter of ICSI for this wonderful opportunity!! 😊**

**Thank you Students & Members for active participation!! 😊**

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