

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA

UNSTARRED QUESTION NO. 4135

TO BE ANSWERED ON FRIDAY, 10<sup>TH</sup> AUGUST, 2018 / SHRAVANA 19, 1940 (SAKA)

SEBI RECOMMENDATIONS ON TOP LISTED COMPANIES

QUESTION

**4135. SHRI DIBYENDU ADHIKARI:**

Will the Minister of Finance be pleased to state:

- (a) whether the Securities and Exchange Board of India (SEBI) has issued recommendations for top listed companies to split the position of Chairman and Managing Directors;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the time frame by which the said proposal is likely to be implemented?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PON. RADHAKRISHNAN)**

(a), (b) & (c): Securities & Exchange Board of India (SEBI) has informed that they had constituted a Committee in June 2017 under the Chairmanship of Shri Uday Kotak to advise on issues relating to corporate governance. The Committee submitted its report on October 5, 2017.

A copy of the report may be accessed at [http://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance-for-public-comments\\_36178.html](http://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance-for-public-comments_36178.html).

One of the recommendations of the Committee was separation of roles of Non-executive Chairperson and Managing Director/CEO of listed entities for implementation in a phased manner which is given as recommendation no.10 under Chapter I of the aforesaid report.

The recommendations of the Committee were analysed and based on public comments and discussion with various stakeholders, suitable amendments were made to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the purpose. The relevant extract of the said amendments is placed below for reference:

*"(1B). With effect from April 1, 2020, 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 capitalisation, as at the end of the immediate previous financial year."*

Accordingly, as per the amendments, the requirement for separation of roles of Non-executive Chairperson and Managing Director/CEO is applicable to the top 500 listed entities *(on the basis of market capitalisation, as at the end of the immediate previous financial year)* with effect from April 1, 2020.

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