

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 154
ANSWERED ON MONDAY, THE 03rd FEBRUARY, 2020
MAGHA 14, 1941 (SAKA)**

**EXAM FOR BOARD MEMBERS
QUESTION**

154. SHRI VISHNU DAYAL RAM:

**Will the Minister of CORPORATE AFFAIRS
be pleased to state:**

कारपोरेट कार्य मंत्री

- (a) the details of the qualifying examination that is to be held for independent members of the company boards in December every year;**
- (b) the manner in which such a measure would boost corporate governance in India; and**
- (c) whether such a step would reduce the pool of people who are eligible to be appointed as independent directors and if so, the details thereof?**

ANSWER

**THE MINISTER OF STATE FOR FINANCE
AND CORPORATE AFFAIRS**

(SHRI ANURAG SINGH THAKUR)
(श्री अनुराग सिंह ठाकुर)

वित्त एवं कॉर्पोरेट कार्य मंत्रालय में राज्य मंत्री

(a) Keeping in view the enabling provisions of Section 149(6), Section 150, Schedule IV of the Companies Act, 2013 and the importance of role of Independent Directors in promoting accountability, transparency and good corporate governance, on 22nd October, 2019, the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 have been notified through which Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 has been amended. As per the said amended Rule 6, every individual –

- (i) who has been appointed as an independent director in a company, on the date of commencement of such Amendment Rules, 2019 (i.e. 01/12/2019), shall within a period of three months from such commencement; or**

(ii) who intends to get appointed as an independent director [ID] in a company after such commencement, shall before such appointment, apply online to the Institute [i.e. Indian Institute of Corporate Affairs (IICA)] for inclusion of his name in the data bank.

As per the said Rule, every individual whose name is so included in the data bank is required to pass an online proficiency self-assessment test conducted by the Institute within a period of one year from the date of inclusion of his name in the data bank. The test is available online without any separate charge and there is no restriction on number of attempts for passing the test. An individual who has experience of not less than 10 years as director or key managerial personnel in listed or bigger public companies is not required to pass such online test.

(b) The person who is appointed as an Independent Director in a company has to function as a member of various committees of the Board of Directors. Therefore, it becomes essential that such person should have reasonable knowledge relating to the basic corporate governance aspects, regulatory obligations and Board processes and its meetings, etc. Keeping in view the importance of role of IDs from good corporate governance angle, this initiative will result into capacity building of the independent directors.

(c) The newly amended Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 allows every eligible and willing individual, whether or not he is an existing independent director in a company to apply for inclusion of his name in the databank. Thereby, every company required to appoint an independent director may be able to get access to the details of such individuals. Therefore, such initiative is likely to enlarge the pool of persons who are willing and eligible to be appointed as IDs in companies.
