

Uday Kotak Committee on Corporate governance

March 26, 2021

About Kotak Committee

- It was constituted in 2017 under the chairmanship of Uday Kotak
- **Primary objective:** Improving standards concerning corporate governance of listed companies in India.
- **Composition:** Kotak Committee was represented by different stakeholders, including the government, the industry, stock exchanges, academicians, proxy advisors, professional bodies, lawyers, etc.
- This committee was requested to provide recommendations on diverse issues such as ensuring independence in spirit of independent directors and their active participation in the functioning of the company, and improving safeguards and disclosures pertaining to related party transactions.
- It was also asked to make recommendations on accounting and auditing practices by listed companies, board evaluation practices, disclosure and transparency related issues and addressing issues faced by investors on voting and participation in general meetings.
- SEBI accepted some of the recommendations of the committee, which submitted the report in the same year of its formation

Key recommendations of the committee

Proposals accepted without modifications

Following are proposals accepted by SEBI without any modifications:

- Reduction in the maximum number of listed entity

directorships from 10 to 8 by April 01, 2019 and to 7 by April 1, 2020

- Expanding the eligibility criteria for independent directors
- Enhanced role of the audit committee, nomination and remuneration committee and risk management committee
- Disclosure of utilization of funds from QIP/preferential issue
- Disclosures of auditor credentials, audit fee, reasons for the resignation of auditors
- Disclosure of expertise/skills of directors
- Enhanced disclosure of related party transactions (RPTs)
- Mandatory disclosure of consolidated quarterly results with effect from FY20
- Enhanced obligations on the listed entities with respect to subsidiaries
- Secretarial Audit to be mandatory for listed entities and their material unlisted subsidiaries

Proposals accepted with modifications

- Minimum six directors in the top 1,000 listed entities by market capitalization by April 1, 2019 and in the top 2000 listed entities, by April 1, 2020
- At least one woman independent director in the top 500 listed entities by market capitalization by April 1, 2019 and in the top 1000 listed entities, by April 1, 2020
- Separation of CEO/MD and Chairperson (to be initially made applicable to the top 500 listed entities by market capitalization w.e.f. April 1, 2020)
- Separation of CEO/MD and Chairperson (to be initially made applicable to the top 500 listed entities by market capitalization w.e.f. April 1, 2020)
- Top 100 entities to hold AGMs within 5 months after the end of FY 2018-19 i.e. by August 31, 2019
- Webcast of AGMs will be compulsory for top 100 entities

by market capitalization a w.e.f. FY19

- Shareholder approval for Royalty/brand payments to related party exceeding 2% of consolidated turnover (instead of the proposed 5%)

Note: Some of the proposals made by committee were rejected by the board and referred to other agencies. The proposals that were rejected or referred to other agencies were mostly those which infringed on other regulatory territories.