

Many top firms skirt rules on independent directors

Ingovern study says 21 of BSE 200 companies had financial dealings other than sitting fees and commission with those designated as such directors

Several top companies are found to be having a pecuniary relationship with their independent directors (IDs) or the legal/ consultancy companies the latter are part of.

Corporate governance experts see these dealings, which are in addition to the payment of sitting fees and commission, as a worrying phenomenon.

The S& P BSE 200 Index, a collection of the top 200 companies on the bourse by market capitalisation, contains 21 companies that have had such a relationship with their 25 IDs, according to Bengaluru- based corporate governance firm Ingovern Research. Of these, six companies from the Nifty 50 Index and four from Nifty Next 50 Index have had such a relationship.

The report also found such relationships in 34 smaller companies outside the BSE 200 index.

“(Such) relationships severely violate the independence of the ID concerned,” says an Ingovern report. Companies, it says, should enter into no professional relationship with either their IDs or the companies where the latter are owners or partners or employees.

Ingovern identified a Mumbai- based elderly lawyer as the ID with the highest number of such pecuniary relationships. This director’s law company acted as a solicitor to the companies. It has had pecuniary relationships with 14 companies where the person was an ID for all or part of FY15.

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