

Business Standard

TUESDAY 7 JANUARY 2003

Sebi to look anew at multiple directorships

OUR MARKETS BUREAU
Mumbai, 6 December

The Securities and Exchange Board of India (Sebi) will take a fresh look at the issue of number of company directorships that a person could hold.

The market regulator's corporate governance panel, headed by Infosys, chairman N Narayana Murthy, will consider various issues including board agenda and reporting requirements, chairman G N Bajpai told reporters on the sidelines of a seminar organised by the Centre for Corporate Governance here today. Bajpai said, "Sebi plans to put in place an instrument (corporate governance rating) to help stakeholders in assessing how corporates are functioning, creating value and sharing the same". Bajpai said the company boards should not be a tea club packed with relatives but should, with assistance of able directors, manage the affairs of corporates. A board had tremendous power with large balance sheet size to make or mar the economy and fortunes of the company and investors, he added. The corporate functioning should be transparent and "stakeholders must know how their fortunes were being dealt with", he said. He said corporates should address the concerns of

all stakeholders and not just of one section such as shareholders. If they concentrate only on the latter, corporates would not be able to perform effectively, he added.

Meanwhile, MDamodaran, chairman, Unit Trust of India, speaking at the seminar, said that company boards should have a representation from diverse but relevant fields and one third to half the members should be whole time directors.

Disapproving the current practice of some persons sitting on 15-20 company boards, UTI chief said, "This is not useful to a company and regulators such as Sebi and the department of company affairs should lay down guidelines for limiting the number of directorships that a person can hold."

"Similarly, the scope of board agenda should be reviewed as they are burdened with far more things they need to", Damodaran said. The chief executives of listed companies were now focusing more on quarterly results and they may put pressure on the CEOs to create figures that do not reflect the performance, he added. Madhav Mehra, President of World Council for Corporate Governance said, investors were now sensitive to corporate social responsibility and corporate governance practices.