

“WOMEN DIRECTORS ERA FOR BETTER CORPORATE GOVERNANCE”

❖ **BACKGROUND:-**

The Independent Directors are one of the most important pillars of the effective Corporate Governance system in companies and are treated as trustees of good governance. Over the years the expectations of stakeholders have enhanced from the independent directors and there are enormous responsibilities bestowed on them and are viewed as a solution to various corporate governance problems **especially the Women Independent Directors.**

The Board of Directors plays the most crucial role in management and growth of the company. The imperative need for women as a director in the Board was felt by all, including the regulators such as Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI), and accordingly relevant provisions for the same were introduced in the Act and Regulations. While the law requires mandatory woman director, independent or otherwise, the necessity should be appreciated more in the context of the contribution, which a woman on Board brings to the Company culture and contributes to the company performance.

A woman director, being highly educated and experienced, is perceived as cultural change agents and role model by other women stakeholders. Her presence encourages women at all levels to challenge their situations and empower them to grow in their chosen field. She can groom future directors from within and A woman, by her very nature, has certain inherent qualities, whereby presence of even one woman changes the Board dynamics. She is more inclusive, detail driven, patient and prudent in their reviews. She normally possesses better Communication skills.

❖ **WOMEN DIRECTOR FOOTPRINT IN THE INDIA CORPORATE WORLD: -**

As per PIB data published on 17th December,2024: Nearly 11.6 Lakh Women Directors associated with Public and Private Companies.

The cumulative number of women directors in listed companies, un-listed public companies and private companies as on 30 November 2024 are as follows;

Category	Count of women directors associated
Listed Public companies	8,672
Unlisted public companies	46,939
Private companies (including OPCs)	11,11,040

Recently Our Hon'ble Finance Minister Nirmala Sitharaman had informed while speaking at a conference on Women Rising - The Unseen Barriers in Power, Politics and Otherwise, organised by the FICCI-FLO Chennai Chapter that, the presence of **women directors** in active **corporate companies** has increased over three-fold in the last 10 years. Women are also rising on the corporate ladder and in the startup and financial technology space, about 18 per cent of 111 unicorns (valued at USD 1 billion) are led by women in India.

❖ **Provision under Companies Act,2013 with regards to Appointment of Women Director in the Board:**

Section 149 read with Rule No. 3 of Chapter XI of the Companies Act, 2013, requires the following class of companies to appoint at least One Women Director:

- i) Every listed company
- ii) Every other public company having:-
 - a) paid up share capital of one hundred crore rupees or more; or
 - b) turnover of three hundred crore rupees or more:

However, a company, which has been incorporated under the Act and is covered under provisions of second proviso to sub-section (1) of section 149 shall comply with such provisions within a period of six months from the date of its incorporation.

Furthermore, any intermittent vacancy of a woman director shall be filled up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

Explanation— For the above purpose, paid up share capital or turnover, as the case may be, as on the last date of latest audited financial statements shall be taken into account.

❖ **Provisions under Securities and Exchange Board of India (Listing Obligation Disclosure Requirements), Regulations 2015, with regards Independent Women Director on Board.**

Regulation 17(1) of the SEBI(LODR), Regulations 2015:-

Requires that the composition of board of directors of the listed entity shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty per cent of the board of directors shall comprise of non-executive directors.

*Provided that the Board of directors of the top 1000 listed entities shall have at least one **"Independent Woman Director"***

❖ **DUE DILIGENCE TO BE DONE BY WOMEN DIRECTOR BEFORE HER APPOINTMENT IN BOARD OF ANY COMPANY:-**

The directorship is neither a status symbol nor a ceremonial award. While there are various duties attached to directorship, there are heavy legal consequences for failing in such duties. An Women Independent director and a non-executive director, not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where she had not acted diligently. In the circumstances, it becomes imperative that prior to joining a board, a prospective Women director carries out their own due diligence process to gather as much information about the board, its processes, commitments and its members as can reasonably be gained. With such knowledge acquired and considered, the decision whether or not to join can be made with some assurance about what the newcomer is letting herself in for.

- Nature of industry, whether Start up, old manufacturing company or a technology company.
- Level of competition in market, competitor companies
- Quality of products and market share etc. Notes to Balance Sheet, proper follow up of Internal Finance Controls and consistent filing of annual accounts
- Consistent payment of interest and dividend
- Holding of promoters and pledging of shares by them
- Public shareholding, professional management
- Change in auditor in last few years
- Structure of corporate controls, no. of subsidiaries
- Cash flow and fund flow
- Debt Service Coverage Ratio, Price Earning (P/E) Ratio, Return on Equity (ROE), Return on Capital Employed (ROCE) etc.
- Past track record of Company with women director if any.
