



FACULTY OF JURIDICAL SCIENCES

Course : B.A.LL.B./BBALL.B IInd Semester

SUBJECT: COMPANY LAW
SUBJECT CODE: BAL 406/BBL 406

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FACULTY OF JURIDICAL SCIENCES



LECTURE-24

APPOINTMENT AND QUALIFICATIONS OF DIRECTORS:

(continued)

**Code of Conduct for an Independent Director and
Company-**

Section 149 (8) Section 149 (8) of the Act prescribed that the company and independent directors shall abide by the provisions specified in Schedule IV regarding code for independent directors. It is a guide to professional conduct for independent

directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors. Code of Conduct includes guidelines of professional conduct, role and functions, duties, manner of appointment, re-appointment, resignation or removal, separate meetings, evaluation mechanism.

Remuneration of an Independent Director-

Section 149(9) As per section 149 (9) of the Act an independent director shall not be entitled to any stock option. He may receive remuneration by way of sitting fee, reimbursement of expenses incurred for participation in the Board and other committee meetings and profit related commission as may be approved by the members as provided under section

197 (5) of the Act.

Appointment of an Independent Director-

Section 149(10) Subject to the provisions of Section 152, an independent director can be appointed for a term of up to five consecutive years on the Board. However, in case of his reappointment for further five year then special resolution passed in general meeting and disclosure of such appointment is made in the Board' s report shall be required. {Section 149 (10)}

Further independent director can be considered for re-appointment after expiration of three years of ceasing to become an independent director but he must not be appointed/associated with the company directly or indirectly in any other capacity during the said period of three years. Any tenure of an independent director on the date of commencement of this Act is not considered for the above term. {Section 149 (11)}

The provisions of retirement of directors by rotation are not applicable on Independent director. {Section 149 (13)} Further, in case of independent directors, the explanatory statement relating to their appointment should contain a declaration from the Board that in their opinion, the independent directors satisfy the conditions provided in the Act for such appointment. {proviso to Section 152 (5)}

(To be continued)

MCQs

1. The provisions of retirement of directors by rotation are applicable on Independent director.

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

2. Section 149(10) Subject to the provisions of Section 152, an independent director can be appointed for a term of up to four consecutive

years on the Board.

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

3. Section 149(9): As per section 149 (9) of the Act an independent director shall be entitled to any stock option.

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

4. Code of Conduct includes guidelines of professional conduct, role and functions, duties, manner of appointment, re-appointment, resignation or removal, separate meetings, evaluation mechanism.

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

5. However, in case of his reappointment for further four year then special resolution passed in general meeting and disclosure of such appointment is made in the Board' s report shall be required.

- i. True
- ii. False
- iii. Can not say
- iv. None of the above

