

# CHAPTER 3: BOARD EFFECTIVENESS/ BUILDING BETTER BOARDS

## QUESTION 1:

Alchemia Infratech Ltd, is a leading Execution, Procurement and Construction (EPC) company specializing in construction of national highways, expressways, railway tracks and other civil infrastructure projects and has a paid-up share capital of ₹ 500 crore. The Company has its registered office in New Delhi and has been a key player in infrastructure projects across India. AGP & Co LLP, Chartered Accountants are the statutory auditors of the Company and have two more years of tenure as per the provisions of the Companies Act, 2013. Presently, the Company has Kukur and Kusam on its Board of Directors as independent directors. The Company was planning to appoint another independent director to strengthen its governance practices. Meyil, a director of the Company had a good rapport with Praneyi, and wanted to appoint him as an independent director, given his expertise and understanding of finance. Praneyi was working as a Senior Audit Manager with AGP & Co LLP during the financial year 2019-20 and was well acquainted with the Company's processes and its management.

Since last five years, Praneyi was working as an independent consultant with few corporates providing them advisory services. He was delighted to be on the Board of Alchemia, when Meyil reached out to him with his request. Upon Praneyi's consent, Meyil asked Huma, the Company secretary to convene a board meeting to appoint Praneyi as an independent director. As it was annual return filing season, Huma was busy with completing the compliance requirements. While sending notices, she did not send the copy

of requisition to Meyil. As Articles of the Company does not provide for procedure of conducting the meeting, the meeting was convened on a public holiday at 6 p.m. at Meyil's residence in Chandigarh. Sufil, another director on the Board of the Company, raised the following objections pointing out procedural irregularities:

1. Notice did not contain the serial number of the meeting
2. Notice was served through courier rather than mail/registered post
3. Meeting was convened on public holiday, after working hours, and
4. Meeting was held in Chandigarh which is located in a State different from the State of Company's registered office.

Meanwhile, as the year end filings were being completed, Suma, a Senior Assistant working under Huma, wanted to send communication to all the teams regarding information required for preparation of annual report, as a yearly activity. Huma saw this communication and told Suma that collation of information for preparation is not a one-time activity, its an ongoing project.

In the background of above facts answer the following questions:

With reference to the provisions of the Companies Act, 2013 / Secretarial Standards,

- (i) examine the validity of objections raised by Sufil regarding the notice of board meeting.
- (ii) Outline the provisions under the Companies Act, 2013 regarding restrictions on employment and voting rights of independent directors and their relatives. Comment whether Praneyi is eligible to be appointed as an independent director.
- (iii) 'It is considered a good practice to designate an independent director as a lead independent director.' Elucidate the concept of lead independent director and his/her role in the Company.
- (iv) Is preparation of annual report an ongoing project throughout the year? Discuss the activities which secretarial department should follow in preparation of annual report.

**(JUNE,2025) (5 MARKS EACH)**

**Ans:**

- (i) Validity of Objections Raised by Sufil Regarding the Board Meeting Notice
  - (a) **Objection 1:** Notice did not contain serial number of the meeting first objection is valid as per Secretarial Standard-1 (SS-1), every notice of the Board Meeting shall specify the serial number of the meeting. This is to help track and maintain the chronology of meetings.

- (b) Objection 2:** Notice was served through courier rather than mail/registered post second objection is invalid as per SS-1 allows notice to be sent by hand, by post, or by electronic means. Courier is not specifically prohibited and may fall under “by hand” or “by post,” depending on company policy.
- (c) Objection 3:** Meeting convened on public holiday after working hours Third objection is valid as per SS-1, there is no stopping on holding a board meeting (BM) on a public holiday. However, for those BM’s which have been adjourned for want of quorum cannot be held on national holiday. Board meeting can be conducted at any reasonable time, the desirable time generally is the working hours, the rule is that the meeting should start in working hours but may continue even beyond.
- (d) Objection 4:** Meeting held in a different State Fourth objection is invalid as per SS-1. Venue of the meeting should be the registered office of the company or any place stated in notice, unless the articles provide for a special place and if that is not complied with then all the decisions passed in such meeting will have no effect.

**(ii)**

- (a)** As per Section 149(6) of the Companies Act, 2013, an independent director shall:
- Not have been an employee or partner or proprietor In 3 past financial years in any firm of CA/CS/CMA of company its associate/subsidiary/holding amounting to 10% or more of the gross turnover of legal firm during the last 3 financial years.
  - Shall not have any pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters/directors, during the two immediately preceding financial years or the current year.
- (b)** In the instant case, Praneyi was a Senior Audit Manager at AGP & Co LLP during FY 2019–20, and the current year is 2025–26.
- (c)** Five years have elapsed since his employment. Thus, he fulfills the cooling-off period requirement as per provision and is eligible for appointment.
- (d)** His current role as an independent consultant is not disqualifying unless he has a pecuniary relationship with Alchemia in the past two financial years.
- (e)** To Conclude, Provided Praneyi did not render services to Alchemia in the last two years, he is eligible to be appointed as an independent director.

(iii)

- (a) There has been a new evolving practice to designate amongst the independent directors a lead independent director (ID) also known as the senior ID.
- (b) It acts as an intermediary between the chair, the board and the board's stakeholders.
- (c) Role of lead ID includes the following:
  1. Acts as a liason between the ID's and the chairman.
  2. Responsible to develop the agenda for the executive sessions of the ID's and also preside over those sessions
  3. Advises the chairman as to appropriate schedule of board meetings so as to allow ID's to perform their duties without any interruption.
  4. Approves the agenda of board and committees alongwith chairman.
  5. Advises the chairman as to the quality, quantity and timeliness of the information submitted by the management which is necessary for ID's to function effectively.
  6. Interviews along with the NRC all the board candidates and makes recommendations as well.
  7. Serves as chairman of board when chairman is not present.

(iv)

- (a) Yes, preparation of the Annual Report is an ongoing process, not a one-time activity. It involves year-round data tracking, regulatory compliance, coordination, and documentation
- (b) It includes the below activities
  1. Compliance Tracking: Monitoring compliances with ROC filings, SEBI regulations, CSR obligations, etc. Ensure resolutions passed are properly recorded and implemented.
  2. Board and Committee Records: Maintain minutes and attendance of Board/committee meetings. Update registers such as Members, Directors, Contracts, etc.
  3. Stakeholder Communication: Coordinate shareholder correspondence, dividend payment info, etc.
  4. Financial Coordination: communication with finance team for timely finalization of financial statements. Support statutory auditors during audit process.

5. Corporate Governance Reporting: Track and report disclosures, related party transactions, director appointments.
6. Content Compilation: Director's Report, Management Discussion & Analysis (MD&A), Corporate Governance Report. Ensuring inclusion of CSR Report, Auditor's Report, Secretarial Audit Report, etc.

**QUESTION 2:**

**Mrugan Ltd, a luxury products manufacturing company was planning to raise funds by way of an IPO in next year. As a part of preparation, they appointed Trika Consultants, as advisors to IPO. Trika reviewed the existing board processes, procedures and provided recommendations to the management for their consideration. Sri Mrugan, the Managing Director of the Company, sought further clarification on one of the recommendations regarding separation of role of Chairman and Chief Executive Officer (CEO). Trika provided a brief note stating, it is perceived that separating the roles of Chairman and CEO increases the effectiveness of a company's Board and a clear demarcation of the roles and responsibilities of the Chairman of the Board and that of the Managing Director/CEO, promotes balance of power. State the provisions of the Companies Act, 2013 that provides for the separation of roles of Chairman and the CEO. Also indicate the circumstances wherein such provisions do not apply. (JUNE,2025) (5 MARKS)**

**Ans:**

- (a) Lately there has been a lot of discussion as to a new practice of good governance wherein, the chairman and the CEO/ MD of the company should be two different persons as they have different roles to play.
- (b) The leadership role and the supervisory role must be vested with the chair who should be responsible for overall leadership of the board, on the other hand the managerial role must be kept with the CEO.
- (c) The chairman's role under the act are as follows:
  1. Demonstrating ethical leadership.
  2. Focusing on long term value creation.
  3. Setting up board agenda to decide upon strategy to achieve the overall objectives.
  4. Monitoring the composition of board as well as its succession planning.
- (d) On the other hand CEO's main role is:
  1. Developing and implementing high level strategies.
  2. Making major corporate decisions.

- (e) Section 203 of the companies act, 2013 mandates separation of role of chairman and CEO and states that no person shall be appointed or reappointed as a chairman and CEO at the same time unless the articles permit and the company does not carry on multiple businesses.
- (f) Section 203 also does not apply to public companies having paid up capital of 100 crores and turnover of 1000 crores or it is engaged in multiple business and they have separate CFO's for each such business.

### QUESTION 3:

Royal Chemicals Limited (RCL), a company listed with National Stock Exchange (NSE) is having 60% market share in paint manufacture industry. It also deals in petrochemicals, which are used in numerous household products like wax, detergents, dyes, carpeting, safety glasses, etc. RCL is one among the top 1000 companies listed on NSE. As per the latest audited financial statements as on March 31, 2024, its paid-up capital stood at ₹ 300 crore against its authorized Capital of ₹ 500 crore and it had a revenue of ₹ 2,250 crore. RCL has thirteen Directors on its Board, of which five were independent directors. The Articles of Association of the Company restricts the maximum number of Directors to fifteen. RCL remains ever-conscious to corporate governance and ensures compliance with the statutory and legal provisions in both letter and spirit. Roy, an executive director, is chairperson of the Company and Minu is the only woman Director. The Company has constituted requisite committees as per the requirements of Companies Act, 2013 and SEBI LODR. The Audit Committee consists of five Directors as members—Aman, Jatin, Rohan, Keyn and Jitu. Among the five independent directors, Rohan was reappointed on August 1, 2019 after completing his term of 5 years. His efficient performance was ranked first in the performance evaluation carried out as per SEBI guidelines. To recognise the outstanding results towards the Company's growth, the Board wanted to reappoint Rohan for the third term. The Board also sought Company Secretary's opinion in this regard.

The Company had successfully concluded its Annual General Meeting (AGM) for the financial year ending March 31, 2024, on May 25, 2025, at its registered office at Pune. On the fateful day of AGM, while returning to Mumbai from Pune by road, after her re-appointment at AGM, a fatal accident claimed the life of Minu, thus snatching an efficient and trustworthy Director from the Company. Later on, a Board Meeting was held on August 9, 2024 and Neeru, a finance professional and daughter of deceased director Minu, was appointed as Director to fill the vacancy of woman director. RCL is a growing company

which wants to diversify its business into the sphere of agrochemicals and therefore, desires to bring on its Board Ojas, who is a chemical engineer with hands-on experience of about twenty years post his qualification in the field of agrochemicals and other petroleum products. Besides production, he is well versed in marketing of agrochemicals, both in India and abroad. It is hoped that he shall prove to be a valuable asset to the Company. Accordingly, in the Board Meeting held on August 9, 2024, Ojas was appointed as an additional Director. Ojas already held directorships in one dormant company, two Section 8 companies, eight public limited companies and nine private limited companies. However, out of nine private limited companies, two are subsidiaries of public limited companies. Based on the above facts, answer the following questions:

- (i) Do you think RCL's Board Composition is as per SEBI (Listing Obligations and Disclosure Regulations) Regulations, 2015? Also narrate the suggested Board Size as per NSE and Proxy Advisory Guidelines. **(5 MARKS)**
- (ii) The Board of Directors are willing to appoint Rohan from August 1, 2024, for a term of another five years. Is such re-appointment valid? Outline the tenure of independent directors and minimum attendance requirements at Board and Committee Meetings for the re-appointment of Directors as per IAS Proxy Advisors Guidelines. **(6 MARKS)**  
**(DEC,2024)**

Ans.

- (i)
  - (a) The composition of board of directors of the listed entity shall be as follows:
    1. Top 2000 listed entities minimum 6 directors.
    2. Board of directors 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
    3.  $\frac{1}{3}^{\text{rd}}$  of the board should be independent if chairman happens to be non-executive directors.
    4.  $\frac{1}{2}$  of the board should be independent if chairman happens to be an executive director or if non-executive director is related to promoter or to a person occupying management position at the level of BOD or one level below.
    5. Related to promoter here means:
      - a. The directors and employees in case the promoter is listed entity

- b. And in case of unlisted entity it further also includes its nominees.
- (b) In the instant case, RCL should have minimum seven independent directors since the Chairperson is an executive director and one women independent director on the Board. So, the present Board Composition of RCL is not valid according to the above Regulation.
- (c) NSE prime companies:
1. shall have minimum 8 to 15 directors.
  2. The Chairperson of the Board of Directors shall not be a Relative of the Managing Director or Chief Executive Officer.
  3. Where the public shareholding is in excess of 50%, more than half of the Board of Directors shall comprise Independent Directors.
  4. Where the public shareholding is 50 % or less, at least half of the Board of Directors shall comprise of Independent Directors.
- (d) Preferable board size as per Proxy Advisory Guidelines is between 6 to 15.

**(ii)**

- (a) In accordance with the Companies Act, 2013, an independent director shall hold office for a term of five years and shall be eligible for reappointment for another term of five years upon the passing of a special resolution.
- (b) No independent director who has held office for a consecutive 2 terms shall be eligible to be reappointed unless a cooling off period of 3 years has passed.
- (c) During those 3 years of cooling off he cannot be associated with the company in any capacity.
- (d) In the instant case, the decision of the Board of Directors is not valid. Rohan was originally appointed on 1st August 2014 and has completed two consecutive terms of five years each. He can be reappointed only after completing a cooling-off period of three years.
- (e) Tenure of independent directors as per IIAS:
1. Unlike the Companies Act, 2013, the IIAS computes a director's tenure on a retrospective basis, i.e., from the date of first appointment.
  2. IIAS will consider independent director seeking re-appointment as non-independent if they will be completing their 10 year tenure within 6 months of their re-appointment.

3. For those directors who have been on the board of the holding/ subsidiary/ parent for more than 10 consecutive years.
  4. Former ED/NED who have not had a cooling off of 3 years.
  5. Former executive director who are still on board.
  6. Directors who are on the board of large number of group companies with a tenure of more than 10 years.
- (f) The aggregate of 3 year attendance of ID's for board and respective committees shall be at least 75%

#### QUESTION 4:

On May 1, 2024, Sruja, who owns 3% equity shares in Crown Ltd, was appointed as a director in the Board Meeting. The Company was mainly into manufacturing of plastic products and toys and had commercial agreements and business transactions with Chariot Ltd, for purchase of raw materials. It came to the knowledge of Company's management that, Sruja is holding 1.5% and her husband is holding 3% of the equity share capital of Chariot Ltd. In the board meeting held on June 6, 2024, the Board of Directors proposed to discuss about price revisions for the raw material procured from Chariot Ltd. With reference to provisions of Companies Act, 2013, answer the following:

- (i) Whether Sruja should make a disclosure of her interest in Chariot Ltd, assuming that the Company is going to have transactions with the said Company on a continuous basis? If yes, when and at what frequency?
- (ii) Can she vote in the price revision resolution in the Board Meeting? **(DEC,2024)**  
**(4 MARKS)**

Ans:

- (i)
  - (a) Sruja was appointed as the director of Crown Ltd on 1st May 2024. As per the Companies Act, 2013, she needs to make general as well as specific disclosure as mentioned below.
  - (b) General disclosures:  
She is obligated to declare all her interests in other companies, including shareholding, in the Form MBP-1 at the following intervals
    1. When she becomes a director
    2. At the start of every financial year
    3. Whenever there is a change in her interests

Since she owns 1.5% shares in Chariot Ltd, she must submit this disclosure before attending her first board.

- (c) Sruja must disclose her specific interest in any contract or arrangement between Crown Ltd and another company, but only if she, along with other directors, holds more than 2% of the share capital in that other company. Additionally, she must not participate in the discussion or vote on that particular matter.

(ii)

- (a) In the arrangement between Crown Ltd and Chariot Ltd, Sruja holds only 1.5% of the equity. Legally, she is not required to disclose her interest as it is below the 2% threshold.
- (b) However, her husband holds 3% of the shares in Chariot Ltd. So, even though the law doesn't require it, from a governance perspective, it would be a good practice for Sruja to inform the board about both her and her husband's shareholding and to avoid participating in the discussion or voting on matters related to Chariot Ltd.

#### QUESTION 6:

**Mr. Manoj was acting as an Independent Director of Cine Movies Limited (CML), a listed entity, during his second term of his appointment as an Independent Director. Unfortunately due to sudden demise of his son on 01.10.2023, in a tragic road accident, Mr. Manoj resigned from his coveted position as an independent Director of CML w.e.f. 15.10.2023 which was duly accepted by the Board. However, due to his extreme potential in effectively guiding the Board, he was approached by CML on 15.04.2024 and was offered the position of Executive Director in one of the Companies belonging to the Promoter's Group. Referring to SEBI (LODR) Regulations, 2015, answer whether the proposed offer of Executive Director to Mr. Manoj is valid in law as per Company Act, if it is accepted by him?**

**(JUNE ,2024) (2 MARKS)**

**Ans:**

- (a) In accordance with SEBI (LODR) Regulations, 2015, no Independent Director who resigns from a listed entity shall be appointed as an Executive or Whole-time Director on the Board of the listed entity, its holding, subsidiary, or associate company, or on the board of any company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an Independent Director.

- (b) In the instant case, Mr. Manoj resigned from his position as an Independent Director of Cine Movies Limited (CML) on 15th October 2023. On 15th May 2024, CML approached him with an offer to become the Executive Director of a company within the Promoters Group. However, since less than one year has passed since his resignation, the offer to appoint him as Executive Director is not legally valid.

**QUESTION 7:**

Blue Star Limited has borrowed a sum of ₹ 50,00,000 from its director, Mr. Timothy Edwin. In this regard, the Company failed to obtain the prior approval of the Audit Committee constituted under the provisions of Section 177 of the Companies Act, 2013. The Statutory Auditors of the Company expressed the view that the approval of Audit Committee was mandatory being a related party transaction. However, the Company Secretary submitted his comment that since this transaction is not covered under the related party transaction as per Section 188 of the Act, approval of Audit Committee was not required and hence, the Company has not committed any violation of the provisions of the Act. Referring to the provisions of the Companies Act, 2013, examine:

- (i) Whether omnibus approval of Audit Committee was needed to the borrowings, if the transaction was not a 'Related Party Transaction' under Section 188 of the Act? **(3 MARKS)**
- (ii) Can a post transaction approval of Audit Committee be obtained for related party transaction and if not done so, what will be the effect on the transaction? **(2 MARKS)**  
**(JUNE,2024)**

**Ans:**

- (i)
- (a) As per the Companies Rules, 2014, all related party transactions must be approved by the Audit Committee. The Audit Committee may give omnibus approval for related party transactions that the company plans to enter into, subject to certain conditions.
- (b) As per Section 177, the Audit Committee must follow the Board's written terms, which include approving or modifying related party transactions. The Committee may also grant omnibus approval for such transactions, subject to conditions. If a transaction not covered by Section 188 is not approved by the Audit Committee, it must refer the matter to the Board for consideration.

(c) In the instant case, borrowings of sum of Rs. 50,00,000 by Blue Star Limited from its director Mr. Timothy Edwin reflects that they are related parties and the transaction is a related party transaction though the transaction between them is not Related Party Transaction as per Section 188. Hence, in the given case, said transaction of borrowings, was a Related Party Transaction other than the transaction given under Section 188.

(ii)

(a) As per Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, all related party transactions require approval from the Audit Committee. If the transaction is unforeseen and information is not available in advance, the Audit Committee may grant omnibus approval for transactions up to ₹1 crore each.

(b) If a transaction under ₹1 crore is entered into by a director or officer without prior Audit Committee approval and is not ratified by the Committee within three months, the transaction becomes voidable at the Committee's option. In such cases, the concerned director must compensate the company for any losses incurred.

**QUESTION 8:**

**MNO Limited is an unlisted public limited company having 7 directors on its board. Key financial information of MNO Limited as per audited financial statement for financial year ended 31st March, 2023 is as follows:**

Particulars	FY 2021-22	FY-2022-23
Authorized share capital	12	12
Paid up share capital	8	9
Turnover	75	90
Outstanding loans	45	60

**Being the practicing company Secretary, you have been requested to analyze whether M/s MNO Limited is required to appoint Independent directors. Check and state the minimum number of independent directors which needs to be appointed by the company. Would your answer be different, if MNO limited is a listed company and the Chairperson of the board is a non-executive director? (DEC,2023) (5 MARKS)**

**Ans:**

- (a) As per Rule 4 of the Companies Rules, 2014, the following unlisted public companies are required to appoint at least two independent directors:
1. Paid-up share capital of ₹10 crore or more;
  2. Turnover of ₹100 crore or more;
  3. Outstanding loans, debentures, and deposits of ₹50 crore or more.
- (b) In the instant case, Since the outstanding loans exceed ₹50 crore, MNO Limited is required to appoint at least two independent directors.
- (c) Further, If MNO Limited is a Listed Company; As per Section 149 of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015:  
A listed public company must have at least 1/3rd of the total board as independent directors.
- (d) The company currently has 7 directors so 3 of which shall be independent.
- (e) Further, If the chairperson happens to be a Non-executive director 1/3<sup>rd</sup> of the board shall be independent i.e. 3 directors.

**QUESTION 9:**

**National Infrastructure Ltd., a Government Company appointed Z, a senior retired IAS officer on its Board as an Independent director. The retired IAS officer wants to know the qualifications of an independent director and also wishes to know any code of professional conduct with reference to the provisions of the Companies Act, 2013. State the same. (OLD SYLLABUS) (5 MARKS)**

**Ans:**

- (a) Independent director (ID) is a directors other than managing director/ whole time director/ nominee director, who in the opinion of board is a person of ability, integrity, standing and experience.
- (b) An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other areas related to company's business operations.
- (c) In accordance with code of independent directors an ID is expected to:
1. Maintain high ethical standards of honesty and integrity.
  2. Perform duties with a constructive and practical approach.
  3. Discharge responsibilities prioritizing the company's interests.

4. Dedicate adequate time and attention to fulfill their duties effectively and make informed decisions.
5. Avoid any outside influences that could compromise their independent and impartial judgment, particularly when agreeing or disagreeing with decisions made by the Board.
6. Not misuse their position for personal benefit or for the benefit of related parties.
7. Refrain from any actions that could compromise their independence.
8. Promptly notify the Board if any situation arises that affects their independence.
9. Support the company in adopting and upholding the highest standards of corporate governance.

**QUESTION 10:**

**SBL Limited is an unlisted public company having paid-up share capital of ₹ 10 crores and turnover of ₹ 300 crores. The Board of directors comprise of one nominee director, five non-executive directors, two non-resident directors and one managing director. Is the composition of the Board of directors valid? Answer with reasons. (OLD SYLLABUS) (5 MARKS)**

**Ans:**

- (a) As per Rule 4 of the Companies Rules, 2014, the following class of public companies must appoint at least two independent directors:
  1. Public companies having paid-up share capital of ₹10 crores or more; or
  2. Public companies having turnover of ₹100 crores or more; or
  3. Public companies with, outstanding loans, debentures, and deposits exceeding ₹50 crores.
- (b) In the instant case SBL limited has a paid-up share capital of 10 crores and turnover of 300 crores; hence it should have at least two independent directors.
- (c) Additionally, nominee directors as excluded from being considered as independent. Hence the nominee director cannot be considered as independent director.
- (d) Furthermore, appointment of 1 women director is mandatory in
  1. Every listed company; and
  2. Every public company having:
    - a. Paid-up share capital of ₹100 crores or more, or
    - b. Turnover of ₹300 crores or more.

- (e) Since SBL Limited has a turnover of ₹300 crores, it is also required to appoint at least one woman director.
- (f) With reference to the above provisions, the current composition of SBL Limited's Board of Directors is not valid as It does not have two independent directors, and It does not have a woman director.

**QUESTION 11:**

**Whether the receipt of sitting fee for attending the board meeting by an Independent Director from a company would be considered as having pecuniary interest while considering his appointment in the holding company, subsidiary company or associate company of such company? (OLD SYLLABUS) (3 MARKS)**

**Ans:**

- (a) In accordance with section 149 of the companies act, 2013:  
An Independent Director shall not have or had any pecuniary relationship other than remuneration with the company, its holding, subsidiary or associate company, or their promoters or directors, during the two immediately preceding financial years or during the current financial year.
- (b) Additionally, Receipt of sitting fees, reimbursement of expenses for attending board meetings, or profit-related commission approved by shareholders does not amount to a pecuniary relationship.
- (c) Hence, receiving sitting fees for attending board meetings does not amount to pecuniary interest, as it is permissible remuneration & does not affect the director's independence.