



WTD & MD appointment post rejection by shareholders - SEBI proposes shareholders' supremacy

INSIGHTS

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In order to ensure shareholders' supremacy in matters of appointment of Managing Director (**MD**) or Whole-time Director (**WTD**), SEBI has proposed following amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

▪ Appointment post rejection by shareholders subject to certain conditions:

A person whose appointment or re-appointment as a MD or WTD has been rejected by the shareholders of a listed entity shall not be appointed again as MD or WTD, unless the following conditions are satisfied:

- Nomination and Remuneration Committee (**NRC**) has recommended such appointment with detailed justification as to why such appointment, despite rejection by shareholders, is recommended
- Board has considered and approved the appointment after recording reasons for such appointment despite rejection by shareholders earlier

▪ Action points for the listed company where such appointment is done:

- The reasons for such appointments shall be disclosed to Stock Exchanges within 24 hours along with the recommendations of the NRC
- Shareholder approval for such appointments shall be obtained in the immediate next general meeting or within three (3) months from the date of appointment by the board, whichever is earlier
- The explanatory statement to the notice to the shareholders for considering the appointment of the director shall contain a detailed explanation and recommendation from the NRC and the board as to why such appointment is placed before the shareholders despite the rejection of the candidature earlier by the shareholders

▪ Second-rejection will lead to disqualification to act as director of the listed company for two (2) years:

In case the shareholders reject the candidature of the persons again, such persons cannot be considered for appointment as director, or continue as a director of that particular listed entity, for a period of two years from the date of rejection by the shareholders.

SEBI has proposed the afore-mentioned vide its consultation paper released on January 27, 2021 ([available here](#)) and has invited public comments till February 12, 2021.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

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