

Clause-by-Clause Analysis of amended SEBI LODR Regulations, 2015

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On June 2 2017 - SEBI Committee on Corporate Governance was formed under the Chairmanship of Mr. Uday Kotak with the aim of improving standards of corporate governance of listed companies in India. On October 5, 2017 - Kotak Committee on Corporate Governance submitted its Report to SEBI. The SEBI Board (in its meeting held on March 28, 2018) accepted certain several recommendations of the Committee without any modifications, whereas certain recommendations were accepted with certain modifications. The SEBI Board decided to refer certain recommendations to various agencies (i.e. Govt., other regulators, professional bodies). On May 9, 2018, SEBI issued a Notification and amended of the SEBI LODR Regulation, 2015. The below table is a summary and analysis of the amended SEBI LODR Regulations, it's applicability and effective date:

<i>Sr. No.</i>	<i>Title</i>	<i>Summary & analysis of amended SEBI LODR Regulations</i>	<i>Notification & Applicability</i>
1	Minimum No. of Directors on Board	Minimum 6 directors on the Board of listed entity. <ul style="list-style-type: none"> ◆ Top 1000 listed entities by market capitalization by April 1, 2019. ◆ Top 2000 listed entities, by April 1, 2020. 	April 1, 2019 April 1, 2020
2	Gender Diversity	At least one independent woman director on its board of directors <ul style="list-style-type: none"> ◆ In Top 500 listed entities by market capitalization by April 1, 2019. ◆ Top 1000 listed entities, by April 1, 2020. 	April 1, 2019 April 1, 2020
3	Approval for NED on attaining a certain Age	No listed entity shall appoint a person or continue the directorship of any person as NED who has attained the age of 75 years unless Special Resolution is passed to that effect, in which case the Explanatory Statement annexed to the notice for such motion	April 1, 2019

	shall indicate the justification for appointing such a person.	
4 Quorum for Board Meetings	<p>The quorum for every board meeting shall be 1/3rd of its total strength or 3 directors, whichever is higher, including at least 1 Independent Director.</p> <p>Director's participation by video conferencing or by other audio-visual means shall also be counted for the purposes of such quorum</p>	<p>Top 1000 listed entities with effect from April 1, 2019.</p> <p>Top 2000 listed entities with effect from April 1, 2020¹.</p>
5 Separation of Roles of Non-executive Chairperson & MD/CEO	<p>Chairperson of the board of the listed entity shall:</p> <p>(a) be a non-executive director;</p> <p>(b) not be related to MD or CEO (as per 'relative' defined under Cos. Act).</p> <p>The provision shall not be applicable to the listed entities which do not have any identifiable promoters as per shareholding pattern filed with stock exchanges.</p>	<p>Top 500 listed entities by Market Capitalization w.e.f. April 1, 2020².</p>
6 Remuneration payable to single NED	<p>The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single NED exceeds 50% of the total annual remuneration payable to all NEDs, giving details of the remuneration thereof.</p>	<p>April 1, 2019</p>
7 Compensation payable to EDs who are Promoters or members of Promoter Group	<p>The fees or compensation payable to EDs who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if:</p> <p>(a) Annual remuneration payable to such ED exceeds Rs. 5 crore or 2.5% of the net profits of the listed entity, whichever is higher; or</p> <p>(b) Where there is more than one such director, the aggregate annual remuneration to such</p>	<p>April 1, 2019</p>

directors exceeds 5% of net profits of listed entity.

Such shareholders' approval shall be valid only till the expiry of term. Net Profits shall be calculated as per Sec. 198 of the Cos. Act, 2013.

8	Maximum Number of Directorships	Directors of listed entities shall comply with the foll. conditions w.r.t. the maximum number of directorships, including any alternate directorships that can be held by them at any point of time: (a) A person shall not be a director in more than 8 listed entities w.e.f. April 1, 2019 and in not more than 7 listed entities w.e.f. April 1, 2020, (b) A person shall not serve as Independent Director in more than 7 listed entities, (c) Any person who is serving as WTD / MD in any listed entity shall serve as an Independent Director in not more than 3 listed entities. Count for number of listed entities on which a person is a director / independent director shall be only those whose equity shares are listed on a stock exchange.	April 1, 2019 & April 1, 2020, (as the case maybe)
9	Eligibility criteria for appointment of a person as ID	ID means NED, other than a nominee director of the listed entity – who is or was not a promoter of the listed entity or its Holding Co., Subsidiary Co. or Associate Co. <i>or member of the promoter group of the listed entity.</i>	October 1, 2018
10	Eligibility criteria for appointment of a person as ID	Independent Director means NED, other than a nominee director of the listed entity – <i>who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.</i>	October 1, 2018
11	Alternate director for ID	No person shall be appointed or continue as an alternate director for an independent director of a listed entity with effect from October 1, 2018 <i>(Earlier, a person shall not serve as</i>	October 1, 2018

Independent Director in more than 7 listed entities - deleted)

- 12 Declaration of independence by ID Every ID shall, at the first meeting of the board in which he participates as a director and thereafter at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his status as an ID, submit a declaration that: April 1, 2019

- (i) He meets the criteria of independence and
- (ii) He is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence.

BoD of the listed entity shall take on record the declaration and confirmation submitted by the independent director after undertaking due assessment of the veracity of the same.

- 13 D & O Policy Co. shall undertake Directors and Officers Insurance for all their independent directors of such quantum and for such risks as may be determined by its board of directors. October 1, 2018 Top 500 listed entities by market capitalization³.

- 14 Evaluation of IDs Evaluation of IDs shall be done by the entire board of directors which shall include: (a) Performance of the directors; and (b) Fulfillment of the independence criteria as specified in SEBI LODR Regulations and their independence from the management. April 1, 2019

In the evaluation, the directors who are subject to evaluation shall not participate.

(Earlier provision – Performance Evaluation of independent directors was required to be done by the entire board of directors. The said evaluation of directors who are subject to evaluation were not allowed to participate).

15 ID on the BoD of unlisted material subsidiary	At least one ID on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated <i>in India or not</i> (earlier, unlisted material subsidiary only in India)	April 1, 2019
16 Definition of 'material subsidiary'	Material Subsidiary shall mean a subsidiary, whose income or net worth exceeds <i>10% (earlier 20%)</i> of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. Listed entity shall formulate Policy for determining 'material' subsidiary.	April 1, 2019
17 Definition of 'Senior Management'	Senior management shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the <i>CEO/MD/WTD/Manager (including CEO /Manager, in case they are not part of the board) and shall specifically include CS & CFO.</i> (Earlier, executive directors, including all functional heads).	April 1, 2019
18 Role of NRC ⁴	NRC to recommend to the board, all remuneration, in whatever form, payable to senior management.	April 1, 2019
19 Quorum for meeting of NRC	Quorum for a meeting of Nomination & Remuneration Committee shall be either 2 members or 1/3rd of the members of the Committee, whichever is greater, including at least 1 independent director in attendance.	April 1, 2019
20 Meetings of NRC	Nomination & Remuneration Committee shall meet at least once in a year.	April 1, 2019
21 Role of Audit Committee	Role of Audit Committee now includes – Reviewing the utilization of loans and/ or advances from/investment by Holding Co. in subsidiary exceeding Rs. 100 crore or 10% of the asset size of subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.	April 1, 2019

- 22 Stakeholders Relationship Committee** April 1, 2019
- (a) Listed entity shall constitute Stakeholders Relationship Committee to specifically look into various aspects of interest (*earlier, the mechanism of redressal of grievances*) of shareholders, debenture holders & other security holders;
 - (b) At least 3 directors, with at least one being an independent director, shall be members of the Committee;
 - (c) The Chairperson of the Stakeholders Relationship Committee shall be present at the annual general meetings to answer queries of the security holders,
 - (d) Stakeholders relationship committee shall meet at least once in a year.

(Earlier, BoD directors shall decide other members of the Committee - deleted)

- 23 Role of Stakeholders Relationship Committee** April 1, 2019
- (a) Resolving grievances of security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
 - (b) Review of measures taken for effective exercise of voting rights by shareholders.
 - (c) Review of adherence to service standards adopted by the listed entity in respect of various services being rendered by R&TA.
 - (b) Review of the various measures and initiatives taken by the listed entity

for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

(Earlier – Committee shall consider and resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends – deleted)

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| 24 | Risk Management Committee | <p>(a) Risk Management Committee shall meet at least once in a year,</p> <p>(b) BoD shall define the role and responsibility of the Committee. It may delegate monitoring and reviewing of the risk management plan to the Committee and such function shall specifically cover cyber security <i>(earlier – as it may deem fit – deleted)</i>.</p> | <p>April 1, 2019.</p> <p>Applicable to Top 500 listed entities (earlier, Top 100)⁵.</p> |
| 25 | Definition of 'Related Party' | <p>All promoters/promoter group entities that hold 20% or above in a listed Co. to be considered "related parties" for the purposes of SEBI LODR Regulations.</p> | <p>April 1, 2019</p> |
| 26 | Policy on materiality of RPTs | <p>Listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions <i>including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.</i></p> | <p>April 1, 2019</p> |
| 27 | Statement of all significant transactions & arrangements entered into by the unlisted subsidiary | <p>Management of the unlisted subsidiary shall periodically bring to the notice of BoDs of listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.</p> <p>Explanation: For the purpose of this Reg., the term 'significant transaction or arrangement' shall mean any</p> | <p>April 1, 2019</p> |

	individual transaction or arrangement that exceeds or is likely to exceed 10% of total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted (<i>earlier – material – deleted</i>) subsidiary for the immediately preceding accounting year.	
28 RPTs – Royalty Payment	Transaction involving payments made to a related party w.r.t. brand usage or royalty shall be considered material if transaction(s) to be entered into individually or taken together with previous transactions during a FY, exceed 2% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.	April 1, 2019
29 Voting on RPTs	<p>(a) All material RPTs shall require approval of the shareholders through resolution and no related party shall vote to approve (<i>earlier – the related parties shall abstain from voting on – deleted</i>) such resolutions whether the entity is a related party to the particular transaction or not;</p> <p>(b) For the purpose of Reg. 23, all entities falling under the definition of 'related parties' shall not vote to approve the relevant transaction (<i>earlier – abstain from voting – deleted</i>) irrespective of whether the entity is a party to the particular transaction or not.</p>	April 1, 2019
30 Disclosure of RPT	Listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of RPTs on a consolidated basis, in prescribed format and publish the same on its website.	Effective from half year ending March 31, 2019.
31 Related Party Disclosures (Schedule V)	Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more	April 1, 2019

	shareholding in the listed entity, in the format prescribed in relevant AS for annual results.		
32	Secretarial Audit	Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit and shall annex with its annual report, a Secretarial Audit Report, given by a Company Secretary in practice, in such form as may be specified w.e.f. the year ended March 31, 2019.	FY ending March 2019
33	Notice of AGM	Notice being sent to shareholders for an AM, where the statutory auditor(s) is/are proposed to be appointed/re-appointed shall include the following disclosures as a part of the Explanatory Statement to the notice: <ul style="list-style-type: none"> (a) Proposed fees payable to the statutory auditor(s) along with terms of appointment and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change; (b) Basis of recommendation for appointment including the details in relation to and credentials of the statutory auditor(s) proposed to be appointed. 	April 1, 2019
34	Shareholders Meeting & Voting	Certain companies shall hold their AGMs within a period of 5 months from the date of closing of FY.	Top 100 listed entities ⁶
35	Shareholders Meetings & voting	Certain companies shall provide one-way live webcast of the proceedings of AGMs.	Top 100 listed entities ⁷
36	Explanatory Statement	Explanatory Statement (u/s 102 of the Act) for each item of special business to be transacted at a general meeting shall also set forth clearly the recommendation of the BoD to shareholders on each of the specific items.	April 1, 2019
37	Documents & Information to shareholders	Listed entity shall send the annual report in the prescribed manner to the shareholders soft copies of full annual report i.e. to all those shareholder(s) <i>who have registered their email</i>	Annual report filed for the year ended March 31,

		<i>address(es) either with the listed entity or with any depository (earlier – for the purpose).</i>	2019 and thereafter
38	Documents & Information to shareholders	The disclosures made by the listed entity: (a) To the stock exchanges shall be in XBRL format in accordance with the guidelines specified by the stock exchanges from time to time; and (b) To the stock exchanges and on its website, shall be in a format that allows users to find relevant information easily through a searching tool (exception in certain cases)	With immediate effect from date of notification of these amendments
39	Website content	Listed entity shall disseminate certain information under a separate section on its website (<i>earlier – on its website – deleted</i>)	April 1, 2019
40	Website content	All credit ratings obtained by the entity for all its outstanding instruments, updated immediately as and when there is any revision in any of the ratings.	October 1, 2018
41	Website content	Separate audited financial statements of each subsidiary of the listed entity in respect of a relevant FY, uploaded at least 21 days prior to the date of AM which has been called to inter-alia consider accounts of that FY.	April 1, 2019
42	Prior Intimation – Stock exchange reporting	The listed entity shall give prior intimation to stock exchange about board meeting in which certain proposals are due to be considered. <i>Proviso deleted – In case the declaration of bonus by the listed entity is not on the agenda of the meeting of board of directors, prior intimation is not required to be given to the stock exchange(s).</i>	October 1, 2018
43	Statement of deviation(s) or variation(s)	Where an entity has raised funds through preferential allotment or QIP, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.	April 1, 2019
44	Financial		April 1, 2019

Results

- (a) Listed entity shall also submit quarterly/year-to-date consolidated financial results,
- (b) Listed entity shall also submit the audited *or limited review* financial results in respect of the last quarter along-with the results for the entire financial year, with a note stating that the figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures upto the third quarter of the current financial year,
- (c) Listed entity shall also submit as part of its standalone and consolidated financial results for the half year, by way of a note, statement of cash flows for the half-year,
- (d) Listed entity shall ensure that, for the purposes of quarterly consolidated financial results, at least 80% of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.
- (e) Listed entity shall disclose, in the results for the last quarter in the financial year, by way of a note, the aggregate effect of material adjustments made in the results of that quarter which pertain to earlier periods;
- (f) Statutory auditor of a listed entity shall undertake a limited review of audit of all the entities/ companies whose accounts are to be

consolidated with listed entity as per AS 21.

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| 45 Annual Report | The listed entity shall submit to the stock exchange and publish on its website:

(a) Copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders;

(b) In the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the AGM.

<i>(Earlier – Listed entity shall submit the annual report to the stock exchange within 21 working days of it being approved and adopted in AGM – deleted)</i> | Annual report filed for the year ended March 31, 2019 and thereafter |
| 46 Events which shall be disclosed without any application of the guidelines for materiality | <i>In case of resignation of the auditor of the listed entity</i> – Detailed reasons for resignation of auditor, as given by the said auditor, shall be disclosed by the listed entities to the stock exchanges as soon as possible but not later than 24 hours of receipt of such reasons from the auditor.

<i>In case of resignation of ID of the listed entity</i> , within 7 days from date of resignation, foll. disclosures shall be made to stock exchanges by listed entities:

(i) Detailed reasons for the resignation of ID as given by the said director shall be disclosed by the listed entities to the stock exchanges,

(ii) ID shall, along with the detailed reasons, also provide a confirmation that there is no other material reasons other than those provided,

(iii) Confirmation as provided | April 1, 2019 |

by ID – shall also be disclosed by the listed entities to the stock exchanges along with the detailed reasons.

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| 47 | Disclosure in Financial Results | Listed entity shall disclose the certain information in the financial results. W.r.t. the audit qualifications where the impact of the qualification is not quantifiable: | April 1, 2019 |
| | | (i) Management shall mandatorily make an estimate which the auditor shall review and report accordingly, | |
| | | (ii) Notwithstanding the above, management may be permitted to not provide estimate on matters like going concerns or sub-judice matters; in which case, the management shall provide the reasons and the auditor shall review the same and report accordingly. | |
| 48 | Disclosures in Management Discussion and Analysis | Details of significant changes (i.e. change of 25% or more as compared to the immediately previous FY) in key financial ratios, along with detailed explanations therefore, including: (i) Debtors Turnover, (ii) Inventory Turnover, (iii) Interest Coverage Ratio, (iv) Current Ratio, (v) Debt Equity Ratio, (vi) Operating Profit Margin (%), (vii) Net Profit Margin (%), or sector-specific equivalent ratios, as applicable.

Details of any change in return on net worth as compared to the immediately previous financial year along with a detailed explanation thereof. | April 1, 2019 |
| 49 | Corporate Governance Report (Disclosure about BoD) | Number of other board of directors or committees in which a director is a member or chairperson, <i>and w.e.f. Annual Report for FY ended March 31, 2019, including separately the names of the listed entities where the person is a director and the category of directorship.</i> | Annual Report for FY ended March 31, 2019 |
| 50 | Corporate | Chart or Matrix setting out | FY ending |

Governance Report	skills/expertise/competence of BoDs specifying foll.:	March 31, 2019 and FY ending March 31, 2020
	(i) W.e.f. FY ending March 31, 2019, list of core skills/expertise/competencies identified by BoD as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board;	
	(ii) W.e.f. from FY ended March 31, 2020, the names of directors who have such skills / expertise / competence.	
51 Corporate Governance Report (general shareholder information)	(i) Confirmation that in the opinion of the board, the IDs fulfill the conditions specified in these regulations and are independent of the management,	April 1, 2019
	(ii) Detailed reasons for the resignation of an ID who resigns before the expiry of his tenure along with a confirmation by such director that there are no other material reasons other than those provided,	
	(iii) List of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad.	
52 Corporate Governance Report (other disclosures)	(i) Details of utilization of funds raised through preferential allotment/QIP,	Annual reports filed for the year ended March 31, 2019 and thereafter
	(ii) Certificate from CS in practice that none of the directors on the board of the company have been debarred or disqualified	

from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority,

- (iii) Where the board had not accepted any recommendation of any committee of the board which is mandatorily required, in the relevant FY, the same to be disclosed along with reasons thereof,
- (iv) Total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

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- 1. Market Capitalisation, as at the end of immediate previous FY.
 - 2. Market capitalization, as at the end of the immediate previous FY.
 - 3. calculated as on March 31 of preceding FY
 - 4. Nomination & Remuneration Committee
 - 5. Determined on the basis of market capitalisation, as at the end of the immediate previous FY
 - 6. By market capitalization (as on March 31 of every FY)
 - 7. Based on Market capitalization, as at the end of the immediate previous FY