

AN OVERVIEW OF SEBI (LODR) REGULATIONS, 2015

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AN OVERVIEW

Definitions

**Board of Directors/
Committees & Key
Managerial
Personnel**

**Quarterly/ Half
yearly/ Annual/
Event Based
Disclosures**

**Secretarial Audit &
Annual Secretarial
Compliance Report**

**Corporate
Governance for
subsidiaries**

Disclosure
By Directors
To Shareholders
To Stock Exchange

**Annual General
Meetings**

Dividend

Policies

Website

**Newspaper
Advertisement**

**Liability for
non
compliance**

HISTORY

- Concept of listing agreement was inserted in Securities Contract (Regulation) Act, 1956; The section made it mandatory for every listed entity in India to comply with the Listing Agreement;
- The Listing Agreement prescribed various initial and continuous disclosure norms to be made by the listed companies with the stock exchanges;
- With a view to consolidate and streamline the provisions of existing listing agreements for different segments of the capital market, SEBI (LODR) Regulations, 2015 was introduced on September 02, 2015.
- Listing agreement becomes redundant.



IMPORTANT DEFINITIONS

Designated Securities

means specified securities, non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares, Indian depository receipts, securitized debt instruments, security receipts, units issued by mutual funds and any other securities as may be specified by the Board.

Specified Securities

‘specified securities’ means ‘equity shares’ and ‘convertible securities’ as defined under clause 27(eee) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

Listed entity

means an entity which has listed, on a recognised stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s).

BOARD OF DIRECTORS & KEY MANAGERIAL PERSONNEL



COMPOSITION (Reg. 17)

Optimum combination of Executive & Non Executive Directors

At least 1 woman Director

Top 1000 – At least 1 Independent Woman Director

Non Executive Directors (NED) - Not less than 50%

Top 2000 – Not less than 6 Directors [I(c)]

Plans in place for orderly succession for appointment of Board/KMP

Chairperson – NED – 1/3rd Independent Directors

Chairperson – Promoter – 1/2 Independent Directors

Director attained 75 years – Special Resolution (IA)

Approval of shareholders for Director/ Manager – Next GM or 3 months from appointment, (earlier)

MEETINGS OF THE BOARD – (REG 17)

- Frequency: 4 times/ year gap not exceeding 120 days;
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- Quorum: Top 2000 – 1/3rd (or) 3 Directors (higher) + 1 ID;
 - Minimum information to be placed – Part A Schedule II;



MINIMUM INFORMATION TO BE PLACED BEFORE THE BOARD

PART A OF SCHEDULE II

Annual operating plans & Capital Budgets

Quarterly reports of the company

Minutes of the BM & Committee Meetings

Compliance reports & regulatory updates

Recruitment & remuneration of senior officers

Show cause, demand, prosecution & penalty notices

Payment towards goodwill & brand equity

Non-compliance of regulatory, statutory, listing requirements

INDEPENDENT DIRECTORS – REGULATION 25

- Maximum tenure – As per Companies Act, 2013;
- Appointment/ Re-appointment/ Removal – Special Resolution;
- At least 1 Meeting/ Financial Year – with only IDs;
- Evaluate the performance of the Board/ Chairperson/Flow of information;
- Resignation/ Removal – Appoint an ID not later than 3 months from the date of vacancy;
- Familiarization programme to be undertaken;
- Company to undertake Directors and Liability Insurance;
- ID Resigns – Shall not be appointed as ED/WTD in the entity/ Holding/ Subsidiary/ Associate/Promoter Group – Cooling period – 1 year from date of resignation.
- Resignation of Independent Director: Letter of resignation along with detailed reasons, confirmation that there is no other material reason, present Directorships to be disclosed to Stock Exchange within 7 days from resignation.

BOARD INTERLOCK

The following criteria was added to SEBI (LODR), 2015 Regulations:

“Any director 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.”

Example

If Mr. X is a non independent director on the Board of ABC Limited, a listed company and he is also an independent director on the Board of XYZ Limited, then no Non – Independent director of XYZ Limited can be an independent director on the Board of ABC Limited.

In an informal guidance obtained from SEBI by Sundaram Finance with respect to the applicability of this provision whether retrospective or prospective, it is stated that “ The Regulation would apply both to existing Directors and to new appointments/re-appointments of directors with effect from October 1, 2018.

KEY MANAGERIAL PERSONNEL



- ✓ **Disclosure:** Key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity. (R. 26)
- ✓ enter into any agreement for themselves or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution. (R.26)
- ✓ **Dissemination to Stock Exchange:** (R.30 read with Sch. III)
 - Change in KMP;
 - Fraud/defaults by key managerial personnel or arrest of key managerial personnel;
 - KMP shall be authorized for the purpose of determining materiality of an event or information and for the purpose of making disclosures to stock exchange(s);
 - Details of such KMP to be disclosed to the Stock Exchange and Website.

Maximum Number of Directorships

Not more than 7 Listed Entities

Not more than 7 listed entities as Independent Director

WTD/ MD can't be IDs in more than 3 Listed Entities

Member – 10
Chairperson – 5
(AC/ SRC) (Public/ Listed)

COMMITTEES OF THE BOARD



AUDIT COMMITTEE (REG 18)

COMPOSITION

Minimum - 3 (2/3rds ID)
Chairperson – ID

MEETINGS

At least 4 times in a year
Gap not exceeding 120 Days



ROLE

- Oversight of the listed entity's financial reporting process.
- Recommendation for appointment, remuneration and terms of appointment of auditors.
- Reviewing, with the management, the quarterly financial statements before submission to the board.
- Evaluation of internal financial controls and risk management systems.
- Discussion with internal auditors.
- To review the functioning of the whistle blower mechanism.

COMMITTEES OF THE BOARD

Nomination & Remuneration (R.19)

COMPOSITION:

- Minimum – 3 NED'S (2/3rd ID)
- Chairperson – ID

FREQUENCY:

Minimum 1 Meeting/ year

QUORUM:

2 (or) 1/3rd + 1 ID

ROLE:

- formulation of the criteria for determining qualifications, positive attributes and independence of a director
- criteria for evaluation of performance
- identifying persons who are qualified to become directors/ senior mgt
- recommend to the board, all remuneration payable to senior management

Stakeholders Relationship (R.20)

COMPOSITION:

- Minimum 3 (1 ID)
- Chairperson – NED

FREQUENCY:

Minimum 1 Meeting/ year

ROLE:

- Resolving the grievances of the security holders
- Review of measures taken for effective exercise of voting rights
- Review of adherence to the service standards adopted by the RTA
- Review of the various measures and initiatives taken for reducing the quantum of unclaimed dividends

Risk Management (R.21)

APPLICABILITY:

Top 1000 Listed entities based on market capitalization.

COMPOSITION:

- Minimum – 3 (1 ID)
- Chairperson – BoD

FREQUENCY:

Minimum 2 Meetings/ year
Gap not exceeding 180 days

ROLE:

- formulate a detailed risk management policy
- To monitor and oversee implementation of the risk management policy
- To periodically review the risk management policy, at least once in two years

SEBI (LODR) Regulations, 2015 vis – a – vis Companies Act, 2013 BOARD

COMPLIANCE	COMPANIES ACT, 2013	SEBI (LODR) REGULATIONS, 2015 (R.17)
Composition of Board	3	6 (Top 2000)
Independent Director	2	Chairperson – NED – 1/3 rd No regular non executive chairperson/ related to promoter – 1/2
Minimum number of Board Meetings	4 (Gap not exceeding 120 days)	4 (Gap not exceeding 120 days)
Quorum	2 or 1/3 rd (Higher)	3 or 1/3 rd (Higher) + 1 ID (Top 2000)
Maximum number of Directorship	Public Companies – 10 Total - 20	Director – 7 Listed Entities ID - 7 Listed Entities MD/WTD – 3 Listed Entities as ID (R. 17A)

SEBI (LODR) Regulations, 2015 vis – a – vis Companies Act, 2013 COMMITTEE

COMPLIANCE	COMPANIES ACT, 2013		SEBI (LODR) REGULATIONS, 2015	
Composition of Committee	AC	3 (ID Majority)	AC	3 (ID – 2/3rd)
	NRC	3 NED (ID - 1/2)	NRC	3 NED (ID – 2/3rd)
	SRC	Chairperson - NED	SRC	3 (IID)
	RMC	NA	RMC	3 (I ID)
Minimum number of Meetings	AC	NA	AC	4 (Gap 120 days)
	NRC	NA	NRC	1 /Year
	SRC	NA	SRC	1 /Year
	RMC	NA	RMC	2 /Year(Gap 180 days)
Quorum	AC	NA	AC	2/ 1/3 rd (Higher) (2 IDs)
	NRC	NA	NRC	2/ 1/3 rd (Higher) (1 ID)
	SRC	NA	SRC	NA
	RMC	NA	RMC	2/ 1/3 rd (Higher) (1 Board Member)

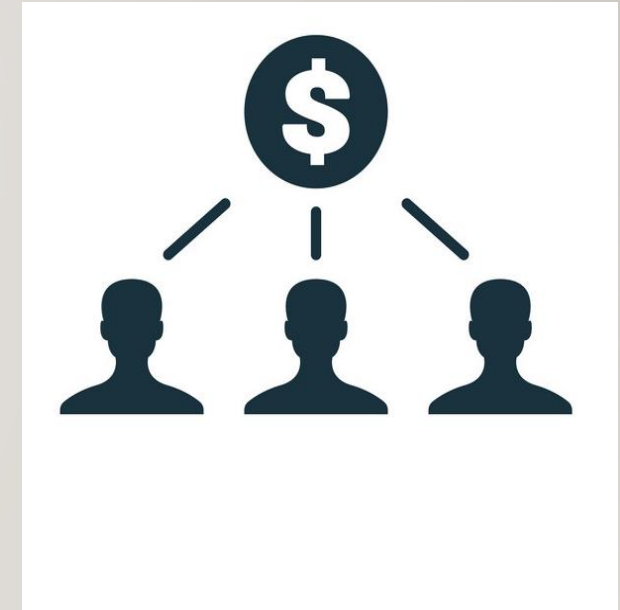
DISCLOSURES



BOARD OF DIRECTORS



STOCK EXCHANGES



SHAREHOLDERS

DISCLOSURES BY DIRECTORS

- Intimation of Committee positions/ changes in other listed companies; (R.26)
- Affirm compliance with the code of conduct; (R. 26)
- For IDs – Declaration that they meet the criteria for independence and that they are 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. (R. 25)

DISCLOSURE TO STOCK EXCHANGES (REG 30)

- Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events such as change in Board, Fund Raising, frauds, bonus shares, Financial Results etc.
- The listed entity shall make disclosure of events specified in Para B of Part A of Schedule III, based on application of the guidelines for materiality.
 - Guidelines for materiality:
 - the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly;
 - the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date;
 - In case where the criteria specified in sub-clauses (a) and (b) are not applicable, an event/information may be treated as being material if in the opinion of the board of directors of listed entity, the event / information is considered material.

DISCLOSURE OF MATERIAL/ PRICE SENSITIVE INFORMATION (REG 30)

- The Listed entity shall frame a policy for determination of materiality, based on criteria and disclose on its website;
- Key Managerial Personnel shall be authorized for the purpose of determining materiality of an event or information;
- Disclosure shall be made not later than 24 hours from the occurrence of the event;
- If made later than 24 hours, the listed entity shall, along with such disclosures provide explanation for delay;
- The listed entity shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under this regulation;
- The listed entity shall disclose all events or information with respect to subsidiaries which are material for the listed entity.

Quarterly

Reg 13: Statement of Investor complaints	Within 21 days from the end of each quarter.
Reg 27: Corporate Governance	Within 21 days from the end of each quarter.
Reg 31: Shareholding Pattern	Within 21 days from quarter end.
Reg 29: Intimation of Board Meeting for Financial Results	At least 5 working days in advance excluding date of Intimation & Date of the Meeting.
Reg 33: Financial Results	Within 45 days from quarter end
Reg 32: Report of monitoring agency	Within 45 days from end of each quarter
Reg 32: Deviation in utilization of proceeds	Quarterly basis

Half Yearly

Reg 23: Related Party Transactions	Within 15 days from the date of publications for Financial Results for every half year.
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Annual

Reg 40: Compliance Certificate certifying maintaining physical & electronic transfer facility	Within one month of end of the financial year.
Reg 33: Financial Results	Within 60 days from end of Financial Year.
Reg 34: Annual Report	Within twenty one working days of it being approved and adopted in the annual general meeting.
Reg 44: Voting Results	2 working days from conclusion of General Meeting.
Reg 7: Certificate from Practicing Company Secretary	Within one month of the end of the financial year
Large Entity Disclosure	<ul style="list-style-type: none">• Within days of the beginning of FY, disclose if it identifies as Large Corporate• Within days 45 days of the end of the FY details of incremental borrowings done during the year.
Reg 32: Report of monitoring agency	Within 45 days from end of each quarter

Event Based Disclosures

Disclosure of Price-Sensitive Information (Schedule III)	Within 24 hours of occurrence of event.
Reg 29: Intimation of Board Meeting	At least 2 working days in advance excluding date of Intimation & Date of the Meeting.
Outcome of Board Meeting (Schedule III Part A)	Within 30 minutes of the closure of the meeting.
Reg 42: Notice for Record Date \ Corporate Action	Advance notice of at least 7 working days (Excluding the date of the intimation and record date/book closure start date)
Reg 24A: Annual Secretarial Compliance Report	Within 60 days from the end of the Financial Year

DISCLOSURE / APPROVAL TO SHAREHOLDERS



Appointment/ re-appointment of Director (REG 36)

A brief
resume of the
director

Nature of
expertise in
specific
functional areas;

Disclosure of
relationships
between
directors inter-se

Names of listed
entities resigned
in past 3 years

Names of listed
entities
(Directorships/
Committee
Memberships)

Shareholding of
non-executive
directors

IDs - the skills
and capabilities
required for the
role and
justification

Promoter EDs – Special Resolution

- >5 Cr / 2.5% of NP (Higher)
- More than 1 Director - >5% of the NP

Explanatory Statement shall set forth the recommendation of the Board to the Shareholders

All Material/ material modifications of RPTs shall require prior approval of the Shareholders

Re-classification of promoters

Where appointment/re-appointment of MD/WTD/Manager was earlier rejected by the shareholders.

Detailed explanation and justification by the NRC and the Board of directors for recommending such a person for appointment or re-appointment.

- Fees payable to NEDs & IDs
- No need for sitting fees to NEDs
- Max no of Stock Options granted
 - 1 NED > 50% of the annual remuneration payable to all NEDs

Appointment/ Re-appointment of Statutory Auditor (R. 36)

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graph TD; A[Appointment/ Re-appointment of Statutory Auditor (R. 36)] --> B[Proposed fees payable along with terms of appointment]; A --> C[New Auditor – Material change in fee compared to outgoing auditor]; A --> D[Basis of recommendation for appointment incl. the details in relation to and credentials of the statutory auditor];
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Proposed fees payable along with terms of appointment

New Auditor – Material change in fee compared to outgoing auditor

Basis of recommendation for appointment incl. the details in relation to and credentials of the statutory auditor

Secretarial Audit (R.24A)

Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity.


Annual Secretarial Compliance Report (R.24A)

Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year

Secretarial Audit



COMMON OBSERVATIONS IN ANNUAL SECRETARIAL COMPLIANCE REPORT

- ❖ Delayed/ Non Submission of intimation of date of Board Meeting. (Reg 29)
 - ❖ Delayed filing of outcome of Board Meeting (30 Minutes from the conclusion of the Meeting). (Schedule III)
 - ❖ Delayed submission of Financial Results. (Reg 33)
 - ❖ Non Compliance with Composition of Board/ Committees i.e. woman Independent Director, Independent Directors etc. and payment of fines to the stock exchanges.(Regulation 17 to 21, 25)
 - ❖ Statement of detailed reasons for resignation of Independent Director filed later than 7 days from the date of resignation. (Schedule III)
 - ❖ Delayed/ Non closure of trading window for declaration of Financial Results. [SEBI (PIT) Regulations]
 - ❖ Delayed submission of quarterly/ half yearly compliances (Reg 13, 27, 31 etc.)
 - ❖ Omission to report the action taken by the Stock Exchange against the Company by the PCS.
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CORPORATE GOVERNANCE FOR SUBSIDIARIES (REG 24)

- “Material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- 1 ID of the holding company shall be a Director on the Board of an unlisted material subsidiary, whether incorporated in India or not
(“material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.)
- Audit Committee of Holding Company shall review Financial Statements and Investments made. Minutes/ Significant Transactions or arrangements of the Unlisted Subsidiary shall be placed at the Board Meeting of Holding Company.
- Disposal of shares in material subsidiary to less than or equal to 50%/ Ceasing exercise of control is allowed subject to passing special resolution in General Meeting.
- Selling/Disposing/leasing of assets to more than 20% of the assets in a financial year of the material subsidiary – Special Resolution.

ANNUAL GENERAL MEETINGS



- The Chairperson of the AC/NRC/SRC shall be present at AGMs to answer questions;
- Soft copies of full annual report to be sent all those shareholder(s) who have registered their email address;
- Hard copy of statement containing the salient features of all the documents, as prescribed in Section 136 of Companies Act, 2013 who have not so registered;
- Hard copies of full annual reports to those shareholders, who request for the same;
- Shall be sent not less than 21 days before AGM;
- Mandatorily provide e-voting facility;
- Shall submit scrutinizer's report within 2 working days of conclusion of GMs;
- Shall send proxy forms;
- Top 100 listed entities –
 - Hold AGMs within 5 months from closure of FY;
 - One way live webcast of proceedings of AGMs.
- Proceedings of Annual and extraordinary general meetings shall be filed within 24 hrs.

DIVIDEND (REG. 12)

- Shall declare dividend on per share basis;
- Shall not forfeit unclaimed dividends before claim becomes barred and if effected, shall be annulled in those cases.
- Listed Entity shall use any of the electronic mode of payment facility approved by the RBI for payment of dividend;
- If not - 'payable-at-par' warrants or cheques may be issued, If amount exceeds Rs. 1,500/- 'payable-at-par' warrants or cheques shall be sent by speed post.
- Recommend/declare dividend at least 5 working days before records date fixed.
- Top 1000 entities – Frame and disclose Dividend Distribution Policy (R.43A)
- Prior intimation of BM date to consider dividend – 2 working days in advance (R. 29)
- Dividends declared at Board Meetings shall be disclosed to St. ex. Within 30 minutes of the closure of the Meeting, (S.III)

FINANCIAL RESULTS (REG 33)

- Prepared :
 - on the basis of accrual accounting policy;
 - in accordance with the recognition and measurement principles laid down in AS 25 or Ind AS 31;
 - as per Generally Accepted Accounting Principles in India
- LLR/AR shall be given by Auditor who has subjected themselves for peer review process of ICAI;
- FR shall be approved by the Board of Directors;
- Certificate from CEO & CFO that financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.
- Signed by Chairperson/MD/WTD/ Any other Director duly authorized by the Board;
- Quarterly Results – 45 Days from end of Quarter; Annual Results – 60 days from end of the Financial Year;
- Half Yearly Results – Cash Flow statement to be submitted;
- Intimation of BM Date – 2 working days;
- Disclosed to the St. ex. Within 30 minutes of conclusion of Board.

POLICIES

Policy for preservation
of documents
(R. 9)

Policy for
determination of
Material Subsidiary
[R. 16(I)(C)]

Whistle Blower/Vigil
Mechanism Policy
(R.22]

Policy on Related
Party Transactions
(R.23]

Dividend Distribution
Policy – Top 1000
(R.43A]

Policy for
determination of
materiality of
events/information
(R.30]

Policy on Risk
Management
(Schedule II)

Policy for appointment/
remuneration of
Directors/KMP/ Other
Employees
(Schedule II)

Policy on Diversity of Board of
Directors
(Schedule II)

WEBSITE (REG 46)

- ✓ The listed entity shall maintain a functional website containing the basic information about the listed entity.
- ✓ Disseminate information under separate section on website
 - Details of business
 - Composition of Board/ Committees
 - Policies
 - Familiarization Programmes
 - Investor grievance details/ Contact Information
 - Filings made with Stock Exchanges
 - Investor/ Analyst Meet intimation/transcripts/ Audio-Video recordings
 - Credit Ratings etc.
- ✓ Update contents within 2 working days from date of change;
- ✓ St.Ex. Circular dated 04th July, 2022 – Disseminate information under specific heading with proper indexing
 - **Home>Investors>Disclosures under Regulation 46/62 of the LODR> and details of requirements mentioned in sub-regulation 2 of Regulation 46 of Listing Regulation.**
 - **updated with effective date or last amended date of the policies uploaded on the website.**

NEWSPAPER ADVERTISEMENTS (REG 47)

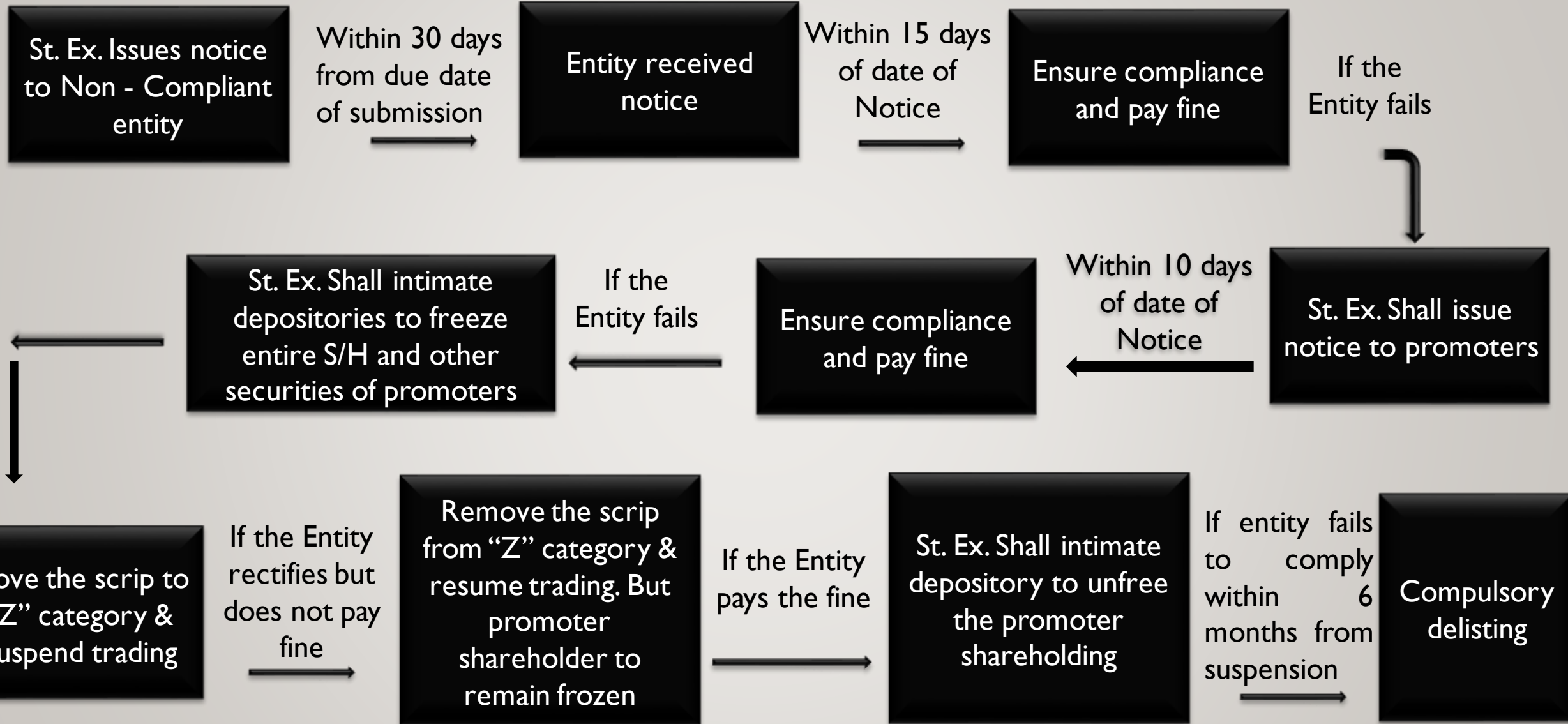
- Financial Results – Within 48 hours of the conclusion of Board Meeting
- Reference to link of the website of listed entity and stock exchange(s);
- Publish information in the newspaper simultaneously with the submission of the same to the stock exchange(s);
- Published in 1 English language and 1 in the language of the Region where Registered office is situated;
- Notice given to Shareholders by Advertisement.



LIABILITY FOR NON COMPLIANCE

- SEBI has specified uniform structure :
 - for imposing fines as a first resort for non-compliance with certain provisions of the Listing Regulations,
 - freezing of entire shareholding of the promoter and promoter group and the standard operating procedure for suspension of trading in case the non-compliance is continuing and/or repetitive.
- Fines specified shall continue to accrue till the time of rectification to the satisfaction of the concerned St. Ex. or till the scrip of the listed entity is suspended from trading for non-compliance.

STANDARD OPERATING PROCEDURE



Regulation	Fine payable
<p>Regulation 6(1) Non-compliance with requirement to appoint a qualified company secretary as the compliance officer</p>	₹ 1,000 per day
<p>Regulation 17(1) Non-compliance with the requirements pertaining to the composition of the Board including failure to appoint woman director</p>	₹ 5,000 per day
<p>Regulation 17(1A) Non-compliance with the requirements pertaining to appointment or continuation of Non-executive director who has attained the age of seventy five years</p>	₹ 2,000 per day
<p>Regulation 17(2), (2A) Non-compliance with the requirements pertaining to the number of Board meetings</p>	₹ 10,000 per instance
<p>Regulation 18(1), 19(1),20(2), 21(2) Non-compliance with the constitution of AC/NRC/SRC/RMC</p>	₹ 2,000 per day
<p>Regulation 24A Non-compliance with submission of secretarial compliance report</p>	₹ 2000 per day
<p>Regulation 28 (1) Non-compliance with obtaining in-principle approval of stock exchange(s) before issuance of securities.</p>	₹ 50,000 per instance
<p>Regulation 44(5) Non-convening of annual general meeting within a period of five months from the close of financial year.</p>	₹ 25,000 per instance

Thank
you!