

Kotak Committee on Corporate Governance



Shaping Governance

Raising Standards

An Overview of
accepted
recommendations
for Listed Entities



**Corporate
Professionals**

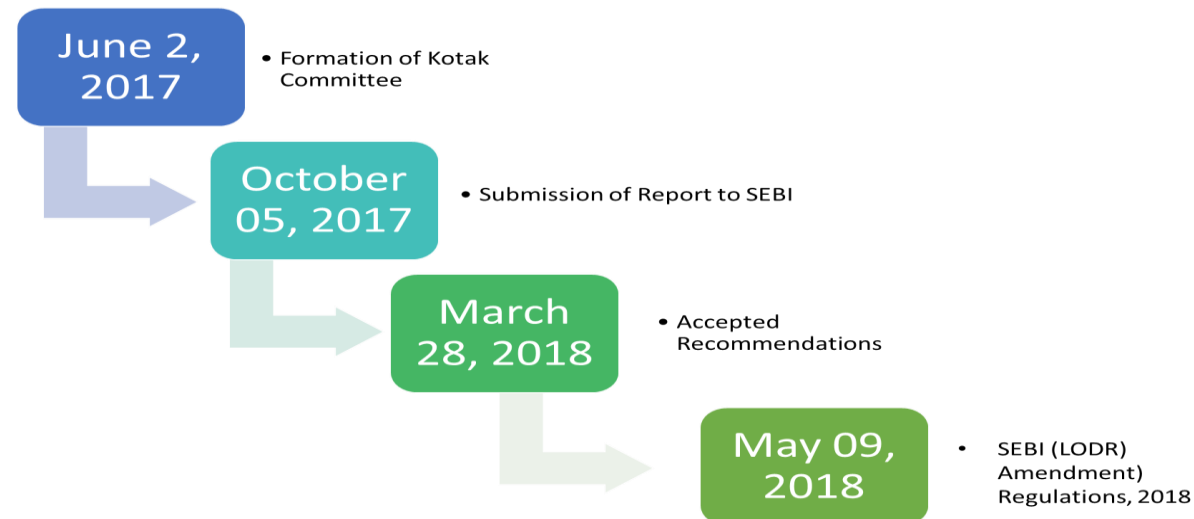
Amendment in SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015-

Dated May 09, 2018

Corporate Governance has been the buzzword for quite some time now. The Capital Markets Regulator, SEBI, has over the years made it amply clear that the listed entities have to go very strong on Governance provisions, with no scope for any fall outs.

With a view to strengthen the provisions, the Regulator formed the Committee on Corporate Governance under the Chairmanship of Mr. Uday Kotak ("Kotak Committee). The Committee submitted its detailed Report on October 05, 2017 w.r.t., suggesting varied changes required in the SEBI (LODR) Regulations, 2015 ("Regulations") pertaining to Corporate Governance practices in Equity Listed Companies. Later, SEBI in its meeting held on March 28, 2018 accepted 40 recommendations without modification and 15 with modifications, while 8 were referred to governments and other departments, out of 80-odd recommendations made by the said committee.

Accordingly, vide amendment dated May 9, 2018 detailed changes have been promulgated in the Listing Regulations, not just pertaining to the Corporate Governance provisions but having much wider implications.



The said Amendments are effective in phases: few from current FY and few in next 2 FYs. Herein, we have attempted to draw a comparative of the extant provisions, the respective amendments and the applicability year on year:

Amended Regulations applicable in the Financial Year 2018-19

Regulations/ Particulars	Headings	Extant Provision	Amended Regulation	Effective From
Independent Directors				
Regulation 16(1)(b)	Definition of Independent Director (ID)- Amended	Exclude promoters only	1. Exclude Promoter group as well; 2. No Board inter- Lock <i>For eg., If Mr. A is an executive director on Co. A (being a listed entity) and is also an independent director on Co. B, then no non-independent director of Co. B can be an independent director on the board of Co. A.</i>	01-Oct-18
Regulation 17(1)(a)	Woman Director-	Woman Director	Woman Independent Director	By 1-Apr-19 <u>(for Top 500 Listed Cos.)</u>
Regulation 17(1)(c)	Minimum Directors- Newly inserted	Governed by Companies Act, No such Regulation in LODR	Min 6 Directors on Board	By 1-Apr-19 <u>(for top 1000 cos.)</u>
Regulation 25(1)	Alternate Director for ID	Earlier no such restriction	No person to be appointed or continue as an alternate director for an ID	01-Oct-18
Regulation 25(10)-	Directors & Officers insurance for IDs- Newly Inserted	No such provision	Companies are required to undertake D and O insurance for all IDs #Risk covered and Quantum to be decided by the Board	01-Oct-18 <u>(Applicable to Top 500 Listed Cos.)</u>
Prior Intimation of Board meeting				

Proviso- Regulation 29(1)(f)	Prior Intimation of Board Meeting for Bonus Issue	If Bonus is not a part of Agenda Item, then intimation is not required to be given to Stock Exchanges	Now, advance intimation for Bonus is required to be given to Stock Exchanges in every case.	01-Oct-18
Documents & Information to shareholders				
Regulation 36(4)	Filing of Disclosures in XBRL and PDF searchable format	Requirement already exists as stock exchanges have issued circulars in this regard from time to time	# Any disclosure by listed entity shall be in XBRL format as specified by the Stock Exchange(s); #Disclosure of information to stock exchange and on website in a searchable format	09-May-18
Website				
Regulation 46(2)(r)	Credit Rating- Newly inserted	No such requirement	All credit ratings obtained by the entity for all its outstanding instruments, to be updated immediately as and when there is any revision in any of the ratings	01-Oct-18

Amended Regulations applicable in the Financial Year 2019-20

Relevant Regulation	Headings	Extant Regulations	Amended Regulations	Effective From
Board of Directors				
Regulation 17(1A)	Non- Executive- Age Criteria- Newly inserted	No such restriction	Non- executive Director > 75 years can be appointed only by Special Resolution	01-Apr-19
Regulation 17(2A)-	Quorum of BM- Newly inserted	Governed by Companies Act	Higher of 3 or 1/3 of the total strength + Independent Director + Video conferencing allowed	01-Apr-19 (Applicable to Top 1000 Listed Cos.)

Regulation 17(6)(ca)	Remuneration to Non-Executive Director- Newly inserted	Governed by Companies Act	Special resolution to be passed every year, if, Remuneration to any NED > 50% of the total remuneration to all NEDs.	01-Apr-19
Regulation 17(6)(e)	Fees payable to Executive Directors- Promoter/ Promoter Group	Governed by Companies Act	Special resolution, if , Remuneration > Higher of Rs 5 Cr or 2.5% of the net profit of the Company.	01-Apr-19
Regulation 17(10)	Evaluation of Independent Directors	Only Performance Evaluation is mandated- No evaluation have been prescribed	Fulfillment of criteria of Independence	01-Apr-19
Regulation 17(11)	Board Recommendation to shareholders- Newly inserted	Practice already persists	Board to clearly mention the intention whether recommended or not	01-Apr-19
Regulation 17A(1)&(2)	Max no. of Directorships	Governed by Companies Act	Max 8 Listed Companies	01-Apr-19
	Limit on no. of Independent Directorship	Same as amended	Max 7 Listed Companies	01-Apr-19
			WTD/ MD of Listed Company can be Independent Director in Max 3 Listed Companies (Equity Listed)	01-Apr-19
Audit Committee				
Regulation 18 read with Schedule II Part C	Audit Committee-Enhanced Role	No such role of Audit Committee in reviewing utilization of loans and/ or advances from/ investment in Subsidiary Company by the Holding Company	Audit Committee to review utilization of loans and/ or advances from/ investments by the holding company in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower.	01-Apr-19

Nomination & Remuneration Committee				
Regulation 16(1)(d)	Senior management definition	Under the extant definition, it includes all members of management one level below the executive directors, including all functional heads.	Now, the definition has been elaborated, to specifically cover all members of management one level below the CEO/MD/MTD/Manager (including CEO /Manager, who is not a Director), and shall specifically include Company Secretary and Chief Financial Officer.	01-Apr-19
Regulation 16 read with Schedule II Part D(A)	Enhanced role of NR Committee	Doesn't specifically include CEO (who is not a Director), CFO and CS.	In addition to extant Roles, NRC to recommend to the Board all remuneration payable to all Senior Management as per the amended Definition	01-Apr-19
Regulation 19(2A)	Quorum	Governed by Companies Act	Min 2 or 1/3 of the strength, whichever is higher + Atleast 1 ID	
Regulation 19(3A)	Minimum number of meetings	Governed by Companies Act	Once in a year	01-Apr-19
Stakeholders Relationship Committee				
Regulation 20(2) read with Schedule II Part D(B)	Stakeholders Relationship Committee- Role Redefined	The object is to redress the grievances of Shareholders/ debenture holders/ other security holders.	Now, the object is widened to look into various aspects of interests of Shareholders/ debenture holders/ other security holders.	01-Apr-19
Regulation 20(2A)	Composition- Newly inserted	Governed by Companies Act	Min 3 directors Min 1 Independent Director	01-Apr-19
Regulation 20(3)	Chairperson to be present at AGM	Governed by Companies Act	Should be present at the AGM to answer queries	01-Apr-19
Regulation 20(3A)	Minimum Meetings	Governed by Companies Act	Once in a year	01-Apr-19
Risk Management Committee- Applicable to Top 500 Listed Company w.e.f., FY 2019-20				
Regulation 21(3A)	Minimum Meetings	Governed by Companies Act	Once in a year	01-Apr-19

Regulation 21(4)	Role Enhanced	Cyber Security was not specifically covered	Cyber Security of Listed Company	01-Apr-19
Related Party Transactions				
Regulation 2(1)(zb)	Related Party- Add on Definition- Newly inserted	As per Companies Act	Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity. + As per Companies Act	01-Apr-19
Regulation 23(1)	Policy on Related Party Transactions- Materiality and Dealing- Scope defined	No specific mention	1. Should mention Clear threshold limits, duly approved by the Board; 2. Review of Policy once in 3 years and updation thereof	01-Apr-19
Regulation 23(1A)	Materiality w.r.t., payment for Brand usage/ Royalty to a Related party	No such regulation	If single/ consolidated transaction in a FY > 2% of consolidated turnover	01-Apr-19
Regulation 23(4)&(7)	Vote by Related Parties	Related Parties were completely abstained from voting, whether party to a transaction or not.	Now, Related Parties will be allowed to vote negatively. Approval vote is still not allowed.	01-Apr-19
Regulation 23(8)	Disclosure of Consolidated Related Party Transactions	Disclosure on Annual Basis, forms the part of Annual Audited Financial Statements.	#Disclosure as per Accounting Standard # To Stock Exchange(s) and on website of the Listed Company. #Within 30 days from the date of publication of Half yearly Results.	Half year ending on March 31, 2019
Corporate Governance w.r.t., Subsidiary of Listed Company				

Regulation 16(1)(c)	Wider Definition of Material Subsidiary	any subsidiary whose income or net worth > 20% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.	any subsidiary whose income or net worth > 10% of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.	01-Apr-19
Regulation 24(1)	Appointment of minimum 1 ID of Listed Company on Board of Subsidiary Company	On Board of unlisted Material Subsidiary, incorporated in India	On Board of Material Subsidiary- Indian/ Foreign <i>For this clause, Material Subsidiary shall be a subsidiary whose Income/ Networth >20% of consolidated income/ networth of Listed Company</i>	01-Apr-19
Regulation 24(4)	Periodic noting of significant transactions by Listed Company of Unlisted Subsidiary Company	Noting of Material Unlisted Subsidiaries	Noting of all Unlisted Subsidiaries- Irrespective of materiality.	01-Apr-19
Regulation 24(A)	Secretarial Audit of material unlisted subsidiaries incorporated in India - Newly Inserted	No such provision for Secretarial Audit of Subsidiary Company	# Secretarial Audit of Material UnListed Indian Subsidiary Company. #Annex such report with Annual Report of Listed Company.	FY ended March 31, 2019

Independent Directors

Regulation 25(8)&(9)	Status of Independent Director w.r.t., criteria of independence -Newly inserted	No such requirement	# Declaration by Independent Director to Listed Company at: #1st Board meeting of every FY; and # Whenever there is a change in status. #Taking on record by Board after undertaking due assessment.	01-Apr-19
Statement of Deviation/ Variation				
Regulation 32(7A)	Raising of funds by Preferential Allotment/ QIP	Disclosure to be made to made to the Stock Exchanges on Quarterly basis only	# Disclosure in Annual Report as well, for utilization of funds until fully utilized	01-Apr-19
Financial Results				
Regulation 33(3)(b)	Submission of Consolidated Quarterly/ Year to date results	Consolidation mandatory for Last Quarter	# Mandatory submission of Consolidated Quarterly/ Year to date results; # Option to submit Standalone or Consolidated Quarterly results withdrawn	01-Apr-19
Regulation 33(3)(g)	Cash flow Statement(CFS)- Newly Inserted	CFS forms the Part of Annual Financial Statements	# Submission of CFS on Half yearly basis to the Stock Exchanges; # To be submitted as a footnote to Half-yearly results.	01-Apr-19
Regulation 33 (3)(4)(h)	Audit/ Limited Review of Consolidated Quarterly Revenue, Assets and Profits- Newly inserted	No such requirement	# Atleast 80% of the Consolidated quarterly revenue, assets and profits shall be subject to Audit/ Limited review, as the case may be	01-Apr-19

Regulation 33(3)(4)(i)	Effects of Material Adjustments- Newly Inserted	No such disclosure required	Disclose in the results for the last quarter in the FY, the aggregate effect of material adjustments made in the results of that quarter which pertain to earlier periods. #The said disclosure is required to be made by way of foot note in the quarterly results	01-Apr-19
Annual Report				
Regulation 34(1)	Change in timeline for submission of Annual Report to Stock Exchange	#Currently Annual report is required to be filed within 21 days after its adoption in AGM	# Annual Report is required to be submitted to stock exchange(s) and published on its website; #The same is required to be submitted within 1 day from the date of dispatch to shareholders ; #Any change in Annual Report after AGM shall intimated to the exchange along with revised copy within 48 hours of AGM .	Annual Reports filed for the year ended March 31, 2019 and thereafter
Documents & Information to shareholders				
Regulation 36(1)	Sending of soft copies of Annual Report	Soft copies to be sent to those shareholders who have provided their E-mail Ids for the said purpose	Soft copies to be sent to all those shareholders who have registered their E-mail Ids either with Listed Company or any Depositories.	Annual report filed for the year ended March 31, 2019 and thereafter
Regulation 36(5)	Appointment/ Re-appointment of Statutory Auditor- Newly inserted	No such disclosure required	Disclosure of following information in Explanatory Statement: 1. Proposed Fees Payable; 2. Terms of Appointment; 3. Any Material Change in fees as against the fee payable to outgoing partner; 4. Rationale for such change; 5. Basis of Recommendation of appointment	01-Apr-19

"Voting by Shareholders" to be replaced to "Meeting of Shareholding and Votings"- Applicable to Top 100 Listed Companies				
Regulation 44(5)	Timeframe for Holding AGM	Within 6 months from the close of FY i.e., September 30 of the relevant year- Section 96 of Companies Act 2013.	Within 5 months from the close of FY i.e, by August 31 of the relevant year	01-Apr-19
Regulation 44(6)	One- Way Live webcast of AGM Proceedings	No such requirement	Listed Companies are required to provide One- Way Live webcast of AGM Proceedings	01-Apr-19
Website				
Regulation 46(2)	Dissemination of Website under a separate section	Current contents mentioned sub(2) can be disclosed anywhere on the website	All information under sub Reg (2) shall disclosed on the website under a separate head	01-Apr-19
Regulation 46(2)(s)	Audited Financials Subsidiary Companies	No such disclosure required	Separate audited financial statements of each subsidiary of the listed entity in respect of a relevant FY, to be uploaded at least 21 days prior to the date of the AGM of that financial year	01-Apr-19
Disclosure in Annual Report				
Schedule V read with Part B	Management Discussion and Analysis	No such disclosure required	Disclosure of Change of 25% or more in key financial ratios, including: <ul style="list-style-type: none"> ▪ Debtors Turnover ▪ Inventory Turnover ▪ Interest Coverage Ratio ▪ Current Ratio ▪ Debt Equity Ratio ▪ Operating Profit Margin (%) ▪ Net Profit ▪ Margin (%) ▪ or sector- specific equivalent ratios, as applicable; 	For FY ended March 31, 2019

			<ul style="list-style-type: none"> ▪ details of any change in Return on Net Worth as compared to the immediately ▪ previous financial year along with a detailed explanation thereof. 	
Schedule V read with Part C	Core Skills/ Expertise/Competencies of the Board	No such requirement	List of core skills/expertise/competencies	For FY ended March 31, 2019
Schedule V read with Part C	Resignation of Independent Director	No such requirement	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	For FY ended March 31, 2019
Schedule V read with Part C	List of Credit Ratings	No such requirement	<ol style="list-style-type: none"> 1. list of all credit ratings along with revisions thereof ; 2. any fixed deposit programme or 3. any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad 	For FY ended March 31, 2019
Schedule V read with Part C	PCS Certificate for disqualification of Directors	No such requirement	Certificate from a PCS w.r.t., disqualification of Directors from being appointed or continuing as directors of companies by the SEBI/MCA or any such statutory authority	For FY ended March 31, 2019
Schedule V read with Part C	Total fees to the Statutory Auditor	No such requirement	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	For FY ended March 31, 2019

Amended Regulations applicable in the Financial Year 2020-21

Relevant Regulation	Headings	Current Regulation	Amended Regulation	Effective From
Board of Directors				
Regulation 17(1)(a)	Board of Directors- Woman Director	Woman Director	Woman Independent Director	By 1-Apr-20 (Applicable to Top 1000 Listed Companies)
Regulation 17(1)(c)	Min- Directors- Newly inserted	Governed by Companies Act	Min 6 Directors on Board	By 1-Apr-20 (Applicable to Top 2000 Listed Companies)
Regulation 17(1B)-	Splitting of Chairperson & MD- newly inserted	Chairperson can be Executive or Non- Executive	Chairperson can be: # Non -executive Director #Not related to/ relative of MD/CEO	01-Apr-20 (Applicable to Top 500 Listed Companies)
Regulation 17A	Max no. of Directorships	Governed by Companies Act	Max 7 Listed Companies	01-Apr-20
Regulation 17(2A)-	Quorum of BM- Newly inserted	Governed by Companies Act	Higher of 3 or 1/3 of the total strength + Independent Director + Video conferencing allowed	01-Apr-19 (Applicable to Top 2000 Listed Cos.)
Disclosure in Annual Report				
Schedule V read with Part C	Core Skills/ Expertise/Competencie s of the Board	No such requirement	Names of the Directors along with list of core skills/expertise/competencies	For FY ended March 31, 2020

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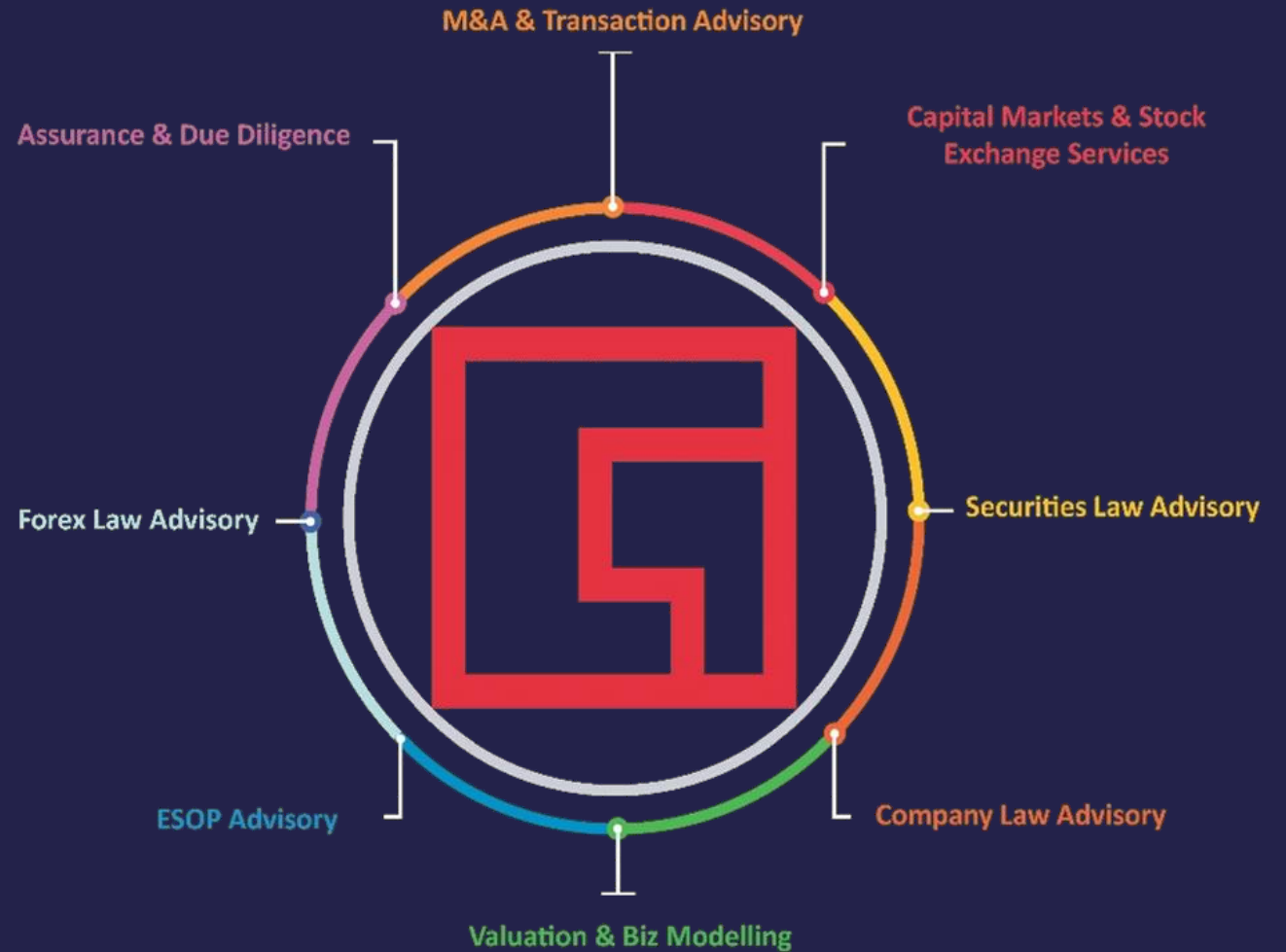
WHO ARE WE

Corporate Professionals (CP), a group of dedicated, research oriented and skilled professionals is pioneer in delivering innovative and distinguished corporate business solutions through a unique model of integrated financial and legal consulting services.

The Group for over one and a half decades, has been rendering high quality services in Company Law and Corporate Advisory, Corporate Restructuring, Stock Exchange, Securities Laws & Capital Market Advisory, Corporate Compliances & Due Diligence, Global Business Setup, FEMA, Corporate Taxation and various Regularity services. The Group as a SEBI Registered (Category-I) Merchant Banker, also offers a boutique Investment Banking & Transaction Advisory services, ESOP, Valuation & Biz Modelling services, etc., all under one roof. The group has completed nearly 5000 assignments of over 1000 Corporate Houses comprising 2500 clients.

The Group with its focus on helping the clients most effectively, integrates its knowledge and expertise with Information Technology to customize the products and offers path breaking solutions to meet their business strategies.

The Group has deep exposure in dealing with complicated transactions. High Integrity and confidentiality in dealing with clients and assignments undertaken is deeply inculcated in the team.



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