SECURITIES AND EXCHANGE BOARD OF INDIA

BOARD MEMORANDUM

View on the Recommendations of Kotak Committee on Corporate Governance

1. Objective

1.1 This memorandum seeks approval of the Board for the proposal on the recommendations of Kotak Committee on Corporate Governance.

2. Background

2.1. In June 2017, SEBI constituted a Committee under the Chairmanship of Shri Uday Kotak to make recommendations to SEBI for improving standards of corporate governance of listed entities in India. The Committee was represented by different stakeholders including the Government, industry, stock exchanges, academicians, proxy advisors, professional bodies, lawyers etc. The Committee was requested to submit its recommendations to SEBI within four months.

2.2. The terms of reference for the Committee included to make recommendations to SEBI on the following issues:

1. Ensuring independence in spirit of Independent Directors and their active participation in functioning of the company;
2. Improving safeguards and disclosures pertaining to Related Party Transactions;
3. Issues in accounting and auditing practices by listed companies;
4. Improving effectiveness of Board Evaluation practices;
5. Addressing issues faced by investors on voting and participation in general meetings;
6. Disclosure and transparency related issues, if any
7. Any other matter, as the Committee deems fit pertaining to corporate governance in India.

2.3. The Committee submitted its report detailing several recommendations on October 5, 2017.

3. Public comments and consultation with stakeholders

3.1. The report of the Committee was placed on the SEBI website for public comments to be submitted latest by November 4, 2017.

3.2. Comments were received from more than 120 entities / persons. Comments were received from a variety of stakeholders including industry, government, global associations, institutional investors, lawyers etc. A summary of all comments is placed at **Annexure B**.

3.3. In addition to public consultation, meetings were also held with Ministry of Finance (MoF) and Ministry of Corporate Affairs (MCA) since many of the recommendations involved various aspects of the Companies Act, 2013 and both the Ministries had flagged certain issues which required deliberation.

4. Proposed decisions on the recommendations of the Committee

4.1. Based on the analysis of the public comments received and the consultation with the Ministries as stated above, a detailed proposal on decisions to be taken on the recommendations of the Committee has been prepared.

4.2. The proposal, after taking into account the views of all stakeholders involved, is presented in four parts:

a. Recommendations that may be accepted without modifications (Annex A.a)
b. Recommendations that may be accepted with modifications (Annex A.b)
c. Recommendations, the action points of which pertain to government/ other Regulators / professional bodies and need referral (Annex A.c)
d. Recommendations that may not be accepted. Some of these could be taken up for consideration later at appropriate time (Annex A.d)

4.3. While the details are placed at **Annexure A**, a gist of the proposal is placed hereunder.

a. Recommendations that may be accepted without modifications:

i. Minimum attendance of directors- If a director does not attend at least half of total number of board meetings over 2 Financial Years on a rolling basis, his/her continuance to be ratified at next AGM.

ii. Disclosure of Expertise/Skills of Directors (skills matrix) to be required to be disclosed in the Annual report.

iii. Expanding the eligibility Criteria for Independent Directors ("IDs")- To exclude Promoter group & Board inter-locks from definition of ID, self-declaration from ID and assessment and certification by the Board.

iv. Age criteria for Non-executive Directors (NEDs)- For continuation/appointment of NEDs over 75 years, special resolution of shareholders to be required.

v. Reduction in the maximum number of listed entity directorships- from the current 10 to 8 w.e.f. Apr 1, 2019 (Max IDships- 7) and to 7 w.e.f. Apr 1, 2020.

vi. Enhancing disclosures on Board Evaluation - incorporating observations of evaluation for the year, previous year's observations, actions taken and proposed actions based on current year's observations.

vii. Directors' & Officers' (D&O) insurance for all IDs – to be made mandatory for top 500 companies w.e.f. Oct 1, 2018.

viii. Alternate director for ID - not to be permitted.

ix. Enhanced role of the Audit committee – for scrutinizing the end utilization of funds to subsidiaries above a certain threshold.

x. Enhanced role of the Nomination and Remuneration Committee ("NRC")- Enhanced role to include recommending all remuneration payable to senior management.

xi. Applicability and Role of Risk Management Committee ("RMC")- extend applicability from current top 100 listed entities to top 500 listed entities and specifically include monitoring and reviewing of cyber security as a function of the Committee.

xii. Enhanced obligation on Board w.r.t subsidiaries- extend requirement of ID on Board to foreign subsidiary as well and reduce material subsidiary limit to 10% (except for appointment of ID on Board).

xiii. Dedicated group governance unit or Governance Committee – A guidance to formulate such unit/Committee for listed entities with a large number of unlisted subsidiaries.

xiv. Enhanced disclosure of Related Party Transactions (RPTs)- Disclosures to be made half-yearly and on a consolidated basis along with enhanced enforcement in case of non-compliance.

xv. Voting by Related parties in RPTs- Related Parties to be permitted to vote against such RPTs

xvi. Payments to executive promoter directors- Shareholder approval by special resolution to be required if the total remuneration paid to single executive promoter-director and to all such directors exceed a certain limit.

xvii. Payments to non-executive directors (NED)- Shareholder approval to be required in case the remuneration of a single NED exceeds 50% of the pool of remuneration to all NEDs.

xviii. Materiality policy- Such policy to include clear threshold limits and to be reviewed every 3 years and updated.

xix. Secretarial audit- To be mandatory for all listed entities and their material subsidiaries under SEBI LODR Regulations.

xx. Enhanced disclosures on Credit rating- Disclosure of all ratings of all outstanding instruments to be in one place on website and annually to exchanges (in addition to the disclosures currently required under SEBI Regulations).

xxi. Searchable formats- Disclosures to be required in XBRL format to exchanges and in searchable format on the company's website.

xxii. Annual reports- The recommendations on soft copies of Annual reports and disclosure to stock exchanges and making mobile number and email mandatory for all demat accounts may be accepted; linking of Aadhar with demat, is under implementation.

xxiii. Separate audited financial statements of each subsidiary to be on website at least 21 days prior to AGM – This will improve disclosures and hence may be accepted.

xxiv. Disclosure of key changes in financial indicators- Enhanced disclosure in case of significant change in certain ratios (E.g. Debtors turnover, net proft margin, etc.) and explanation therefor in the MD&A section of the Annual report.

xxv. Strengthening periodical financial disclosures: Since the recommendation would have a significant impact on the listed entities and it may be difficult for all entities to cope up immediately with the requirement, it is proposed that the recommendation may be implemented in the financial year 2019-20 after giving due time to the entities to be prepared for the same.

xxvi. Disclosure of utilization of funds from QIP/preferential issue- Appropriate disclosures of utilization of funds from QIP/preferential issue till the same is utilized in line with disclosures for utilization of funds from public issues.

xxvii. Disclosure on valuation in schemes of arrangement- Enhanced disclosure through guidelines by SEBI for overall improvement in standards of information in valuation reports of schemes.

xxviii. Disclosure of directorships- Disclosure of details of directorships to be made in Annual reports (name of entities, category of directorship).

xxix. Disclosure of debarred/disqualified directors- A certificate from a practicing CS that no such directors are there on the Board of the company.

xxx. Disclosures on website- All disclosures as required to be on the listed entity's website under the LODR Regulations to be in separate section at one place on the website.

xxxi. Disclosure on Medium Term & Long term (MT & LT) strategy- Guidance on disclosure of MT& LT strategy under MD&A section of Annual report and metrics.

xxxii. Advance notice for bonus issue- Should be required to be submitted to stock exchanges for bonus issue in line with such notice required for other matters.

xxxiii. Disclosure where board has not accepted any Committee's recommendations- to be disclosed along with reasons in Annual report.

xxxiv. Commodity risk disclosures- Detailed reporting format along with the periodicity of disclosures may be outlined by SEBI.

xxxv. Audit qualifications- Quantification of qualifications to be made mandatory except in certain cases where management to provide reasons and auditor to review the same and report.

xxxvi. Disclosures on reasons for resignation of auditor- as given by the said auditor to be disclosed to exchanges.

xxxvii. Disclosure on audit fees- Total fee paid to auditor and all entities on the network firms/network entity to be disclosed in annual report on a consolidated basis.

xxxviii. Disclosures of auditor credentials, audit fee, etc.- On the agenda's explanatory item, disclosure of basis of recommendation to be required including auditor credentials, proposed fees payable, terms of appointment, material change in the fee payable, etc.

xxxix. Stewardship Code- A common stewardship code be introduced in India for the entire financial sector by SEBI as the capital market regulator.

xl. Powers of SEBI against third party fiduciaries: Suitable Regulations may be formulated for the purpose clarifying powers of SEBI over such fiduciaries.

b. Recommendations that may be accepted with modifications:

i. Minimum 6 directors in all listed entities- While the recommendation is positive and may be accepted, it may not be possible to implement the recommendation for all entities at one go and may be implemented in a phased manner. i.e. w.r.t. the Top 1000 listed entities by market capitalization by Apr 1, 2019 and w.r.t. top 2000 listed entities, by Apr 1, 2020.

ii. At least one woman independent director on all listed entity Boards: It may be difficult to implement the recommendation for all entities at one go. The recommendation may therefore be implemented in a phased manner i.e. w.r.t. the Top 500 listed entities by Apr 1, 2019 by market capitalization and w.r.t. the top 1000 listed entities by Apr 1, 2020.

iii. Quorum for Board meetings (1/3rd of the Board or 3 directors, whichever is higher including at least one ID) – The recommendation on quorum as stated above may be applicable to top 1000 listed entities by market capitalization by April 1, 2019 and top 2000 listed entities by April 1, 2020.

iv. Separation of CEO/MD and Chairperson- It is proposed that separation may be initially made applicable to the top 100 listed entities (by market capitalization) w.e.f. April 1, 2019. Further, in such entities, Chairperson and MD/CEO should not be related to each other in terms of the definition of "relative" as defined under the Companies Act, 2013.

v. Disclosures of detailed reasons on resignation of IDs to the stock exchanges- While the recommendation may be broadly accepted, it is proposed that the detailed reasons for resignation by the ID may be required to be submitted within 7 days. Measures may be taken to harmonise the content of disclosure between the LODR and the Companies Act ND Rues made thereunder. The format for disclosures may be decided by MCA in consultation with SEBI to enable uniform reporting to RoC and Stock Exchanges.

vi. Minimum number of Committee Meetings (Audit Committee- increasing from four to five meetings, Other Committees- at least one meeting a year)- While the recommendation on Audit Committee meetings may not be accepted, the recommendation of at least once a year meeting for other Committees may be accepted for such Committees to function effectively.

vii. Composition and role of Stakeholders Relationship Committee (SRC)- The recommendation as regards the composition of SRC may be accepted. However, as regards the role of SRC, the recommendations may be accepted except the one on proactively engaging with institutional shareholders at least once a year along with members of the Committee/Board/KMPs.

viii. Quorum for NRC and SRC Meetings (to have at least 1 ID)- While the recommendation for quorum for NRC may be accepted, the same may not be accepted for SRC due to potential operational difficulties.

ix. Shareholder approval (majority of minority) for Royalty/brand payments to related party exceeding 5% of consolidated turnover- The recommendation may be accepted, with a lower threshold of 2% as suggested by MCA rather than the proposed 5%.

x. Re-classification of Promoters/Classification of Entities as Professionally Managed- While it is felt that this recommendation is positive and may be accepted, there are several policy concerns raised on this issue and hence, a revamp of the provision is being proposed separately.

xi. Harmonisation of disclosures: While the recommendations on harmonization between exchange formats and mandatory disclosure in XBRL format may be accepted, the recommendations on common filing platform and harmonization of disclosures made between MCA and the Stock Exchanges may be examined separately.

xii. Group audit- Hold Co (listed) auditor should be responsible for audit opinion of all material unlisted subsidiaries- It is proposed that the auditor of the listed entities may be required to do a limited review of all the entities/ companies whose accounts are to be consolidated with the listed entity as per AS 21.

xiii. AGMs of listed entities (Top 100 entities - to hold AGMs within 5 months)- The recommendation would have a significant impact on the listed entities and it may be difficult for all entities to cope up immediately with the requirement and

therefore, it is proposed that the recommendation may be implemented for the top 100 companies by market capitalization i.e. AGM should be held within 5 months after the end of FY 2018-19 i.e. by Aug 31, 2019. The requirement may be extended to other entities based on experience.

xiv. Webcast and e-voting- It is felt that webcast of AGMs is a positive measure and will result in improved transparency and hence may be accepted. However, making it only recommendatory may not result in the measure taking off and therefore it is proposed to make the webcast compulsory for top 100 entities by market capitalization w.e.f. FY 2018-19. However, the recommendation on e-voting may not be accepted since it is felt that allowing e-voting till end of day of the AGM may create operational issues such as issues in declaration of closure of voting on resolutions.

xv. Resolutions without Board recommendation- It is important that Board provides appropriate recommendations to the shareholders on all resolutions. Therefore, it is proposed that in case of any resolution placed before the shareholders, the Board should clearly indicate its recommendation(s).

c. Recommendations that may be referred to government/ other Regulators / professional bodies

It is observed that there are certain recommendations that pertain to government / other regulators / professional bodies and need referral to such agencies as the matters pertain to them. Hence, they may be referred to such agencies as the action points pertain to them to examine and implement as they deems fit.

i. Recommendations that may be referred to ICAI/NFRA for necessary action as it deems fir:
   a. Strengthening the role of ICAI
   b. Internal Financial Controls
   c. Audit quality indicators
   d. Strengthening the Quality Review Board (QRB)

ii. Governance aspects of PSEs- It is felt that the recommendations which pertain to SEBI viz. all listed entities, government or private, to be at par on governance standards, harmonization of the legislation pertaining to the listed PSE in case

inconsistency with LODR to bring it in line with LODR and listed entities to fully comply with the provisions of SEBI LODR Regulations and the same be suitably enforced be accepted. The rest of the recommendations pertain to the government and accordingly, it is proposed that the implementation may be left to the government. It is therefore proposed that a copy of such recommendations may be sent to the government for necessary action at its end.

iii. Adoption of Ind-AS- Since the matter pertaining to effective dates of implementation currently falls under the purview of MCA/IRDAI/PFRDA, it may be left to the respective Ministry/ regulators to examine and implement as it deems fit.

iv. Treasury Stock: It is proposed that since the primary provision pertaining to treasury stock is in Companies Act, 2013, the recommendation may be sent to MCA for appropriate amendments to Companies Act, 2013 as may be required in this regard.

v. Leniency mechanism- The recommendation falls under the purview of the Ministry of Finance and hence, it is proposed that the recommendation may be sent to MoF for necessary action, as it deems fit, in the case.

d. Recommendations that may not be accepted

i. The following recommendations, may not be accepted at this stage:

a. At least once every year, an interaction to be required between the NEDs and senior management.
b. Minimum number of Board meetings to be increased from four to five and specific agenda items like strategy, ESG, Board evaluation etc. to be discussed
c. Minimum compensation to IDs
d. Formal updation programme to the Board on changes in laws every year:
e. Formal induction programme for independent directors
f. Appointment of Lead Independent Director
g. More exclusive meetings of independent directors
h. Setting up of an IT Committee

In all such cases, the matter may be left to the company/Board of Directors of the company.

ii. Matrix organization structures- The Board is already responsible for the overall affairs of the listed entity as per law irrespective of its internal structures. The same is acknowledged in the Committee's recommendation as well. Therefore, the recommendation may not be accepted.

iii. Minimum Number of IDs- Implementation of this recommendation would entail additional requirement of independent directors on the Boards of listed entities. There is already a concern on the low number of quality independent directors available today. Therefore, it is proposed that status quo may be maintained.

iv. Requirement of shareholder approval on appointment in case of casual vacancy of directors- While it is felt that the recommendation may strengthen governance, it is noted that through Companies Act (Amendment) Act, 2017, the provision has already been introduced in the Companies Act, 2013 and therefore, there may not be any need to introduce a similar provision under SEBI LODR Regulations.

v. At least two third of the NRC to be independent- It is felt that since the NRC is already required to be composed of non-executive directors, have half of its directors as independent and have an independent Chairperson, sufficient norms are already in place and there may not be any need to increase number of independent directors in the Committee as of now.

vi. To add NRC in calculation of Membership and Chairpersonship Limit- In line with several comments received on this recommendation, it is felt that adding NRC to calculate maximum number of memberships/Chairpersonship may create shortage for right individuals to be part of the Committees. Therefore, the recommendation may not be accepted as of now.

vii. Information sharing with promoters/other shareholders- It is felt that giving any shareholder preferential treatment compared to other shareholders for getting access to information have far reaching implications and therefore may not be desirable; the recommendation may not be considered.

viii. Enhanced disclosures on Depository Receipt (DR) holders- It is understood that there are issues on availability of desired information with the global depositories. Further, there is already a Working Group in DEA with SEBI, RBI, CBDT and MCA looking into the issue. Therefore, in view of the ongoing discussions on this matter, the recommendation may not be accepted.

ix. To do away with the disclosure of Institutional investor meets- Accepting the recommendation may go against transparency and may deprive the retail investors of key alerts about such calls. Therefore, the recommendation may not be accepted.

x. Permit obtaining of independent external opinion by auditor at the cost of the listed entity- It is felt that this may be an additional burden on the listed entity and therefore may not be accepted. Further, if the auditor is not in agreement with the expert opinion, there already exists an option for the auditor to qualify the statements accordingly.

xi. Scrutiny of audit qualifications and revival of QARC/similar mechanism- It is felt that there is already a requirement for the entities to disclose impact of audit qualifications in the financial statements. There appears to be no specific need for reviving QARC/similar mechanism.

4.4. With respect to the recommendation on capacity building in SEBI, while the recommendations of the Committee are overall positive, capacity building is an internal organizational matter for SEBI; it may be referred to the Human Resources Department of SEBI.

4.5. While various recommendations may be for implementation as per the above proposals, it may be noted that due to operational and other issues, the actual implementation timelines for different recommendations may differ from the Committee's recommendations (for which timelines have not been specified in Annex A).

4.6. It may also be noted that even if certain recommendations may be accepted as per the above proposals, the language of the amendments to SEBI Regulations/ circulars, etc. may not be the same as recommended by the Committee.

5. Proposal

5.1. The Board is requested to:

5.1.1. approve the proposed actions on the recommendations of the Kotak Committee on Corporate Governance as placed above and detailed at **Annexure A**.

5.1.2. authorize the Chairman to give effect to the decisions including through amendments to SEBI Regulations, issue of circulars, etc. as may be required.

Annexure A

KOTAK COMMITTEE ON CORPORATE GOVERNANCE

RECOMMENDATIONS AND PROPOSAL

a. Recommendations that may be accepted without modifications

Sr. No	Recommendation	Analysis & proposed action
i.	Minimum attendance of directors: If a director does not attend at least half of the total number of board meetings over two financial years on a rolling basis, his/her continuance on the board should be ratified by the shareholders at the next annual general meeting	To contribute effectively to the governance of a listed entity, participation of directors in the Board meetings is critical. The recommendation may contribute positively in this aspect and may therefore be accepted.
ii.	Disclosure of Expertise/Skills/competence of the Board of Directors (skills matrix) should be required in the Annual report: • List of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and • Names of directors who have such skills/expertise/competence, with effect from financial year ended March 31, 2020.	The measure will improve transparency and therefore may be accepted.
iii.	Eligibility Criteria for Independent Directors (IDs): a) To exclude Promoter group & Board inter-locks b) Undertaking from ID that he/she is not aware of any circumstance/situation, which exists or may be reasonably anticipated, that could impair or impact his/her ability to discharge his/her duties with objective independent	The measure may improve the quality of independent directors by having more stringent independence requirements and therefore may be accepted.

	judgements and without any external influence c) Board to record above undertaking after due assessment of its veracity d) Board to certify every year that each of its IDs fulfills above conditions and is independent of management	
iv.	<u>Age criteria for Non-executive Directors:</u> Special resolution to be required for listed entities for the appointment/continuation of Non-Executive Directors (NEDs) on attaining the age of 75 years for the relevant term. All shareholders should be permitted to vote on such a resolution.	It is important to have an upper age limit for NEDs to ensure better productivity by directors and therefore, the recommendation may be accepted. It is also noted that the recommendation only requires a special resolution in such cases and does not prohibit the listed entities from having such directors.
v.	<u>Reduction in the maximum number of listed entity directorships:</u> Maximum number of directorships in listed entities - should be reduced (from existing 10) to seven (irrespective of whether the person is appointed as an independent director or not). However, in the interest of providing adequate transition time, the maximum number of listed entity directorships held by a person be brought down to eight by April 1, 2019 and to seven by April 1, 2020.	The measure may have a positive impact on effectiveness of the boards and therefore may be accepted.
vi.	<u>Disclosures on Board Evaluation:</u> A guidance should be issued, specifying in particular, the following disclosures to be made part of the disclosures on Board evaluation<u>:</u>	The measure may have a positive impact on transparency and therefore may be accepted.

	a) Observations of board evaluation carried out for the year b) Previous year's observations and actions taken c) Proposed actions based on current year observations.	
vii.	<u>Directors & Officers (D&O) insurance for all IDs:</u> It may initially be mandatory for Top 500 companies by market capitalization to undertake D&O insurance for its IDs, with effect from October 1, 2018, which may be subsequently extended to all listed entities. However, it may be left to the board of directors of the listed entity to determine the quantum and type of risks covered under such insurance.	The recommendation may have a positive impact in attracting more quality independent directors and hence, may be accepted.
viii.	<u>Alternate director for IDs</u> Appointment of an alternate director for IDs should not be permitted.	In light of the Committee's rationale that the qualities of the ID appointed are unique to the relevant appointee and are not replaceable with an alternate, the recommendation may be accepted.
ix.	<u>Enhanced role of the Audit committee:</u> Audit committee should be required to scrutinize the end utilization of funds where the total amount of loans/ advances/ investment from the holding company to the subsidiary exceeds Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower.	The recommendation is in line with the overall intent of strengthening subsidiary oversight and hence, may be accepted.
x.	<u>Enhanced role of the Nomination and Remuneration Committee ("NRC"):</u> Nomination and Remuneration Committee (NRC) to recommend to the board all remuneration, in whatever form, payable to	The recommendation is in line with the nature of the role of NRC and in the interest of the investors and therefore, the recommendation may be accepted.

	senior management. (Senior management to include members of core management team including all persons one level below CEO/MD + Company Secretary + CFO)	
xi.	<u>Applicability and Role of Risk Management Committee (RMC):</u> a) Function to specifically include cyber security b) Applicability to be extended to top 500 companies (from current top 100)	This recommendation will overall strengthen the RMC as an institutional mechanism and therefore, the recommendation may be accepted.
xii.	<u>Enhanced obligation on the listed entity w.r.t. subsidiaries:</u> • The requirement of having at least one ID on Board of Directors of the listed entity on the Board of Directors of the unlisted material subsidiaries to be extended to foreign material subsidiaries as well. • Significant transactions and arrangement of even those companies which are not material subsidiaries (which could be higher than the prescribed limits) should also come under the purview of the Board of the listed entity. • The definition of the term “material subsidiary” to be revised to mean a subsidiary whose income or net worth exceeds 10% (from the current 20%) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year, other than for requirement of appointment of independent directors on the boards of material subsidiaries (where the threshold of 20% continues)	This recommendation is in the interest of better monitoring at a consolidated level and may therefore be accepted.

xiii.	<u>Dedicated group governance unit or Governance Committee:</u> Where a listed entity has a large number of unlisted subsidiaries: a) Entity may monitor governance through a dedicated group governance unit or Governance Committee (of directors). b) Strong and effective group governance policy may be established. c) Decision of having above left to the Board It has been recommended that guidance to the above effect may be provided by SEBI	This recommendation is in the interest of better monitoring of group entities and therefore be accepted.
xiv.	<u>Enhanced disclosure of Related Party Transactions (RPTs):</u> (a) Half yearly disclosure of RPTs on a consolidated basis, in the disclosure format required for RPT in the annual accounts as per the accounting standards, on the website of the listed entity within 30 days of publication of the half yearly financial results. Copy of the same to also be submitted to the stock exchanges. (b) Strict penalties may be imposed by SEBI for failing to make requisite disclosures of RPTs	This recommendation is positive especially to strengthen transparency of RPTs and may therefore be accepted. Further, minimum RPT thresholds may be considered to be harmonized between CA, 2013 and SEBI LODR Regulations.
xv.	<u>Voting by Related parties in RPTs:</u> Related parties to be permitted to vote against RPTs	Such voting will not have a conflict of interest with the related party transaction and hence, may be accepted.
xvi.	<u>Payments to executive promoter directors</u>- Shareholder approval by special resolution if total remuneration paid to:	With several cases of disproportionate payments made to executive promoter directors as compared to other executive directors, it is accepted that this issue should be subjected to greater

	a) Single executive promoter-director > Rs. 5 crore or 2.5% of the net profit, whichever is higher; or b) All executive promoter-directors > 5% of net profits. SEBI may review status in future based on experience gained.	shareholder scrutiny and accordingly, the recommendation may be accepted.
xvii.	<u>Payments to non-executive directors:</u> In case the remuneration of a single NED exceeds 50% of the pool being distributed to the NEDs as a whole, shareholder approval should be required. However, it is clarified that the promoter should also be allowed to vote	In view of the observation that certain NEDs (generally promoter directors) are receiving disproportionate remuneration from the total pool available vis-à-vis all other NEDs, greater shareholder scrutiny may be required and hence, the recommendation may be accepted. However, in line with the requirement for special resolution for executive promoter directors, it is proposed that approval in this case may also require special resolution.
xviii.	<u>Materiality policy</u>: • Materiality policy to include clear threshold limits duly approved by the Board. • Policy to be reviewed and updated by the Board at least once every 3 years.	The recommendation will enhance transparency and therefore, may be accepted.
xix.	<u>Secretarial audit:</u> Secretarial audit may be made compulsory for all listed entities under the SEBI LODR Regulations in line with the provisions of Companies Act and may also be extended to all material unlisted subsidiaries.	This recommendation may enhance compliance and hence, may be accepted.

xx.	<u>Enhanced disclosures on Credit rating:</u> Disclosures pertaining to Credit rating: In addition to current requirements under SEBI Regulations, the following disclosures to be required: a) All credit ratings obtained by the entity for all its outstanding instruments annually to stock exchanges and also on its website which shall be updated on a regular basis as and when there is any change b) SEBI may consider requiring the credit rating agencies and the stock exchanges to set up a mechanism by which the ratings may be sent directly from the credit rating agencies to the stock exchanges.	The recommendation may improve transparency and may be accepted in addition to the existing disclosure requirements in this regard.
xxi.	<u>Searchable formats:</u> 1) All the disclosures made by the listed entity on its website and submitted to the stock exchanges should be in a searchable format that allows users to find relevant information easily. 2) All disclosures made to the stock exchanges by listed entities should be in XBRL format	The recommendation will improve readability and comparability of the disclosures and may be accepted. It is informed that with respect to disclosures in XBRL format, measures are under progress.
xxii.	<u>Annual reports</u> (i) Wherever email available with company/ depositories, only soft copy should be sent (ii) Mobile numbers and emails should be mandatory for all demat accounts; demat may be linked with Aadhar (email can be taken from there) (iii) Annual report to stock exchanges & website along with dispatch of notice; If amended, revised copy within 48 hours of AGM	Recommendations (i) and (iii) will enhance disclosures and will be in the interest of the environment and hence, may be accepted. With respect to (ii), making mobile number and email mandatory for all demat accounts may be accepted; linking of Aadhar with demat is under implementation.

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xxiii.	Separate audited financial statements of each subsidiary to be on website at least 21 days prior to AGM	The recommendation will improve disclosures and may be accepted.
xxiv.	Disclosure of key changes in financial indicators: a) To disclose in MD&A in the Annual Report certain key financial ratios (or sector-specific equivalent ratios), as applicable, wherever there is a change of 25% or more in a particular financial year, along with detailed explanations thereof. b) Ratios include Debtors & Inventory Turnover, Interest Coverage, Net Profit Margin, Return on Net Worth, etc.	The recommendation will improve disclosures and may be accepted.
xxv.	Strengthening Periodical financial disclosures: a) Consolidated quarterly results to be mandatory b) Cash flow statement to be mandatory on half yearly basis c) 80% of each of consolidated revenue, assets & profits to be audited/ ltd review every quarter Last quarter results- to disclose by way of a note, aggregate effect of material adjustments made in the results of the last quarter which pertain to earlier periods.	This recommendation will improve disclosures and hence, may be accepted. It is proposed that the recommendation may be implemented after giving due time for the entities to be prepared for the same. **It is therefore proposed that all the four recommendations may be made mandatory for the financial results w.e.f. the FY 2019-20.**
xxvi.	Disclosure of utilization of funds from QIP / preferential issue: Appropriate disclosures may be required on utilisation of proceeds of preferential issues and QIPs till the time such proceeds are utilised.	The recommendation will improve disclosures and may be accepted.

xxvii.	<u>Disclosure on valuation in schemes of arrangement:</u> • SEBI may consider issuing guidelines for overall improvement in standards of information in the valuation reports that are included as part of schemes of arrangement disclosures. • Specific disclosures on assets, liabilities and turnover of the entities involved should be disclosed in the valuation reports on schemes of arrangement.	The recommendation may improve disclosures and may be accepted.
xxviii.	<u>Disclosure of directorships:</u> Disclosures on details of directorships of a director as included in the Corporate Governance section of the Annual Report may additionally include details of directorships (e.g. Independent/executive) in other listed entities	The recommendation will improve disclosures and may be accepted.
xxix.	<u>Disclosure of debarred / disqualified directors:</u> A certificate from a company secretary in practice to be required in the Annual report 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 SEBI/MCA or any such statutory authority.	The recommendation will improve disclosures and may be accepted.
xxx.	<u>Disclosures on website:</u> Companies shall maintain a separate section for investors on its website and provide all the information mandated under Regulation 46 of SEBI LODR Regulations in a separate section.	The recommendation will improve disclosures and may be accepted.
xxxi.	<u>Disclosure on Medium Term & Long term (MT & LT) strategy:</u>	The recommendation will improve disclosures and may be accepted.

	Guidance to be issued by SEBI with respect to disclosure on- a) Medium Term and Long Term (MT & LT) strategy under MD&A section of Annual report (MT/LT to be defined by entity itself) b) For measurement of progress of LT strategy, disclosure of LT metrics specific to the company's LT strategy SEBI may review the status in future based on experience gained.	
xxii.	<u>Advance notice for bonus issue:</u> Prior Intimation of Board Meeting to Discuss Bonus Issue- in view of the price sensitive nature of bonus issues, advance notice for consideration of bonus issue by the board should be required to be submitted to stock exchanges	The recommendation may improve transparency and hence may be accepted.
xxiii.	<u>Disclosure where board has not accepted any Committee's recommendations:</u> If the board of directors chooses not to accept the recommendations of the statutory committees of the board, the same should be disclosed to shareholders on an annual basis	The recommendation will improve disclosures and may be accepted.
xxiv.	<u>Commodity risk disclosures:</u> 1) The listed companies should disclose their risk management activities during the year, including their commodity hedging positions in a more transparent, detailed and uniform manner. 2) For the consistent implementation of the requirements of SEBI LODR Regulations regarding disclosure of commodity risks and other hedging activities across listed companies, a detailed reporting format along with the	The recommendation will improve disclosures and may be accepted. The same may be implemented through issue of a circular.

	periodicity of the disclosures may be outlined by SEBI which would depict the commodity risks they face, how these are managed and also the policy for hedging commodity risk, etc. followed by the company for the purpose of disclosures in the annual report.	
xxv.	<u>Audit qualifications:</u> Quantification of audit qualifications to be mandatory, with the exception being only for matters like going concern or sub-judice matters. In such an instance, the management to be required to provide reasons, which will be reviewed by the auditors and reported accordingly.	The recommendation will improve disclosures and may be accepted.
xxvi.	<u>Disclosure on reasons for resignation of auditor:</u> Detailed reasons for resignation of auditor as given by the said auditor to be disclosed to exchanges by the listed entities.	The recommendation will improve disclosures and may be accepted.
xvii.	<u>Disclosure on audit fees:</u> Total fee paid to auditor and all entities on the network firms/network entity of which the auditor is a part to be disclosed by the listed entity in its annual report on a consolidated basis (i.e. paid by the listed entity and its subsidiaries).	The recommendation will improve disclosures and may be accepted.
xviii.	<u>Disclosures of auditor credentials, audit fee, etc.:</u> The explanatory statement in relation to the item on appointment/re-appointment of auditor(s) in the relevant notice calling an AGM to include the following disclosures (in addition to any other	The recommendation will improve disclosures and may be accepted.

	disclosures that the board of directors may deem fit): (a) Basis of recommendation for appointment including the details in relation to and credentials of the auditor(s) proposed to be appointed; and (b) Proposed fees payable to the 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 and the rationale for such change.	
xxxix.	<u>Stewardship code:</u> a) A common stewardship code be introduced in India for the entire financial sector on the lines of best practices globally b) Common code to be introduced by SEBI as capital market regulator.	The recommendation is an important step towards improved corporate governance of the investee companies and hence, may be accepted. It may also be noted that the FSDC-SC has already approved the Common Stewardship Code and advised SEBI to proceed in consultation with IRDAI and PFRDA. Discussions are going on in this matter.
xl.	<u>Powers of SEBI against third party fiduciaries:</u> SEBI should have clear powers to act against auditors and other third party fiduciaries with statutory duties under securities law (as defined under SEBI LODR Regulations), subject to appropriate safeguards. This power ought to extend to act against the impugned individual(s), as well as against the firm in question with respect to their functions concerning listed entities. This power should be provided in case of gross negligence as well, and not just in case of fraud/connivance. This recommendation may	This recommendation is in line with SEBI's mandate to protect the interests of investors in the securities market and regulating listed entities and may be accepted. It is proposed that suitable Regulations may be formulated for the purpose clarifying powers of SEBI with respect to such fiduciaries.

	be implemented after due consultation with the relevant stakeholders, including the relevant professional services regulators/ institutions.	

b. <u>Recommendations that may be accepted with modifications</u>

Sr. No	Recommendation	Analysis & proposed action
i.	<u>Minimum 6 directors in all listed entities:</u> For all listed entities, a minimum of six directors to be required on the board of directors	The proposed recommendation will have a positive impact on governance and hence, may be accepted. However, it may be implemented phase wise based on market capitalization. From the data recently obtained from the exchanges, it is noted that the following percentage of companies have already atleast 6 directors on Board: From NSE (Based on market capitalization): Top 500 – 97% Top 1000 – 94% 1000 and above – 69% From BSE (Based on market capitalization): Top 500 – 96% Top 1000 - 91% Top 2000 – 78% Top 3000 – 63%

<table>
<tr><td></td><td></td><td>Based on the aforesaid analysis, it is suggested that this provision may be initially be made applicable for the top 1000 listed entities (by market capitalization) by April 1, 2019 and for the top 2000 listed entities (by market capitalization) by April 1, 2020.

Based on experience gained, it may be examined as to whether to extend it to other listed entities thereafter.</td></tr>
<tr><td>ii.</td><td><u>At least one woman independent director on all listed entity Boards:</u>

Every listed entity have at least one independent woman director on its board of directors</td><td>The recommendation will be positive in terms of improving gender diversity on the Board. The overwhelming strong support for the recommendation (based on public comments) is also noted. Accordingly, the recommendation may be accepted.

However, it is proposed that the implementation may be done phase-wise based on market capitalization of the listed entities.

An analysis of the impact based on market capitalization is placed below:
<table>
<tr><td>Number of companies / impact</td><td>0-500</td><td>501-1000</td><td>1001-2000</td><td>2001-3000</td><td>Others</td></tr>
<tr><td>Companies already having at</td><td>337</td><td>300</td><td>490</td><td>321</td><td>279</td></tr>
</table>
</td></tr>
</table>

		least 1 woman ID					
		Companies not having at least 1 woman ID	163	200	510	679	1807
		Grand Total	**500**	**500**	**1000**	**1000**	**2086**

(% of compliant entities in Top 500- 67%, Top 1000- 64%)

Based on the aforesaid analysis, it is suggested that this provision may be made applicable for the top 500 listed entities (by market capitalization) by April 1, 2019 and for the top 1000 listed entities (by market capitalization) by April 1, 2020.

Based on experience gained, it may be examined as to whether to extend it to other listed entities thereafter.

iii.	<u>Quorum for Board meetings:</u> The quorum for every board meeting of the listed entity should be a minimum of three directors or one-third of the total strength of the board of directors, whichever is higher, including at least one independent director.	Increase in the number of directors for quorum is closely related to the recommendation on the minimum number of directors on the Board. Since the recommendation on the minimum directors is to implement it phase-wise, it is suggested that the increase in quorum may be phased and initially be applicable to only such listed entities which are required to have minimum six directors on the Board (as per above suggestion).

		Accordingly, it is suggested that this provision (Requiring 1/3rd of the Board or 3 members, whichever is higher, including atleast one ID) may be made applicable for the top 1000 listed entities (by market capitalization) by April 1, 2019 and for the top 2000 listed entities (by market capitalization) by April 1, 2020. (In line with the recommendation for increase in number of directors) **Based on experience gained and any extension in the minimum number of directors for other listed entities, it may be examined as to whether to extend this requirement to other listed entities as well.**
iv.	<u>Separation of CEO/MD and Chairperson:</u> Listed entities with more than 40% public shareholding should separate the roles of Chairperson and MD/CEO with effect from April 1, 2020. After 2020, SEBI may examine extending the requirement to all listed entities with effect from April 1, 2022.	Globally, different countries have different norms and requirements on this aspect. However, generally, separation of powers of Chairperson (i.e. the leader of the board) and CEO/MD (i.e. the leader of the management) is seen to provide a better and more balanced governance structure by enabling better and more effective supervision of the management. As the recommendation may have a significant impact on many listed entities, it may be implemented in a phased

		manner. It is proposed that the same may be made applicable to listed entities ranked on the basis of market capitalization rather than on the basis of public shareholding. Large cap entities would be in a better position to comply in early stages and create a lead effect for others to follow. Many listed entities (58 out of the top 100) are already in compliance with this requirement. Hence, the impact would be on fewer listed entities in the initial years and therefore, less disruptive. Further, the requirement may not be made applicable for listed entities which do not have any identifiable promoters. The following is therefore proposed: • Separation may be made applicable to the top 100 listed entities (by market capitalization) w.e.f. April 1, 2019. Based on experience, it may be examined whether the same be extended to other listed entities. • In such entities, Chairperson and MD/CEO should not be related to each other in terms of the definition of "relative" as defined under the Companies Act, 2013.

		• The requirement would not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding patterns filed with stock exchanges.
v.	<u>Disclosures of detailed reasons on resignation of IDs to the stock exchanges:</u> Listed entities to be required to disclose detailed reasons for resignation of IDs (as provided by such IDs) along with the notification of their resignation to the stock exchanges, as well as subsequently as part of the corporate governance report. As part of such disclosure, the listed entity should include a confirmation as received from the director that there are no other material reasons other than those set out therein	The recommendations may be accepted since such disclosures will add to better transparency and strengthen the institution of IDs, but with certain modifications on timeline. **Accordingly, it is proposed that listed entities may be required to disclose to the stock exchanges, <u>within 7 days</u> of resignation of a director, the reasons for such resignation, including a confirmation from the director that there are no other material reasons other than those set out.** It is also proposed that discussions may be held with MCA for harmonising of disclosure period and content of disclosures between LODR and Companies Act, 2013 and rules made thereunder.
vi.	<u>Minimum number of Committee Meetings:</u> Audit Committees- Minimum 5 meetings Other Committees- at least once a year	**Audit Committee meetings:** There is already a requirement of having minimum four meetings of the Audit Committee in a year which also typically

		coincide with the quarterly results. Simply increasing the number of Audit Committee meetings may just add to the cost to the listed entity without corresponding benefits. Therefore, it is proposed that the recommendation may not be agreed upon. It may be left to the Board to decide if it wants to have more of such meetings. **Other committee meetings:** With respect to other Committee meetings, it is noted that there is no requirement currently for a minimum number of meetings in a year. To ensure that the Committees conduct their responsibilities seriously, it is proposed to accept the recommendation to have minimum at least one meeting of the other Committees in a year.
vii.	<u>Composition and role of Stakeholders Relationship Committee (SRC):</u> • There be at least three directors as members of the SRC, with at least one being an ID • Chairperson of SRC to be present in AGM to answer queries of security holders • Role of SRC to be widened to: a) Resolving other security holder grievances b) Proactively engaging with esp. institutional shareholders at least once a year along with members of the Committee/Board/KMPs, as	**Composition of SRC:** This recommendation will overall strengthen the SRC as an institution and therefore, may broadly be accepted. **Role of SRC:** However, restricting proactive engagement of the SRC only with one set of shareholders i.e. institutional shareholders may have the effect of not

	required and identifying actionable points for implementation. c) Reviewing measures taken for effective exercise of voting rights by shareholders. d) Reviewing adherence to RTA service standards. e) Reviewing various measures taken by entity to reduce unclaimed dividends/ timely receipt of dividend warrants/annual reports/statutory notices by the security holders of the company.	treating all shareholders at par. Therefore, it is proposed that the recommendation as a whole may be accepted other than clause (b) i.e. proactively engaging with esp. institutional shareholders.
viii.	<u>Quorum for NRC and SRC Meetings (to have at least 1 ID)</u> For meetings of each such committee of the board, the composition of which statutorily requires at least one ID, the presence of at least one ID may be made mandatory for attaining quorum for such meetings (apart from the audit committee where the quorum requirement remains unchanged)	With respect to NRC, this recommendation will strengthen the independence of its functioning. Further, since the current requirement is to have at least half of the NRC as independent directors, it would also be practically feasible. However, since the recommendation is to have only one minimum independent director on the SRC, requiring that director to be present in all SRC meetings may not be practically feasible. Hence, the recommendation with respect to SRC may not be accepted.
ix.	<u>Shareholder approval (majority of minority) for Royalty/brand payments to related party exceeding 5% of consolidated turnover:</u> Payments to related parties made by listed entities with respect to brands usage/royalty	This recommendation is improve disclosures and enhance shareholder scrutiny on such transactions and hence, may be accepted. However, it is proposed that a lower threshold of 2% as

	amounting to more than 5% of consolidated turnover of the listed entity may require prior approval from the shareholders on a "majority of minority" basis. This sub-limit of 5% will be considered within the overall 10% limit to determine material related party transactions	suggested by MCA may be considered rather than the proposed 5%.
x.	<u>Re-classification of Promoters/Classification of Entities as Professionally Managed:</u> a) <u>Where multiple promoters and a specific promoter to be re-classified:</u> • All promoters to hold> 10%; specific promoter<5% • Specific promoter not to be on Board/ on management and not acting in concert with other promoters • On request of promoter, Board to approve, then shareholders to approve (specific promoter not to vote) b) <u>When one promoter and Co to be professionally managed:</u> • Promoter not to be on Board/ on management • Promoter & group holds < 10% On request of promoter, Board to approve, then shareholders to approve (promoter not to vote)	This recommendation is in the right direction with respect to clarifying and streamlining various requirements with respect promoter re-classification and hence, may be accepted. However, due to several policy concerns raised on this issue, a revamp of the provision is being proposed separately. Accordingly, it is proposed that specific amendments to LODR Regulations largely in line with these recommendations may be considered along with the detailed amendments to the specific provision.
xi.	<u>Harmonisation of disclosures:</u> a) Stock exchanges to collectively harmonise the formats of the disclosures made by the listed entities on their respective websites b) The stock exchanges shall move to disclosures by listed entities on exchange	The recommendations (a) and (b) will improve readability and comparability of the disclosures and may be accepted. It may be noted that with respect to recommendation (b), steps have already been initiated for implementation.

	platforms in XBRL format in latest available taxonomy c) A common filing platform may be devised on which a listed entity may submit all filings, which could then be disseminated to all exchanges simultaneously. The exchanges to introduce such a platform in consultation with SEBI. d) The disclosures filed with the exchanges may, as far as possible, be harmonized with the filings made to MCA.	However, with respect to common filing platform, the implementation may involve several operational issues and accordingly, the same may be considered after due analysis of such operational issues and suitable discussions with stock exchanges. Harmonization in disclosures between MCA and stock exchanges, may be examined separately.
xii.	<u>Group audit- Hold Co (listed) auditor should be responsible for audit opinion of all material unlisted subsidiaries.</u>	Making the HoldCo auditor responsible for the audit of material subsidiaries may result in concentration of the audit in few big audit firms which is not desirable. However, at the same time, it is important that the HoldCo auditor exercise a certain minimum review of the audit of the subsidiaries. **It is therefore suggested that the auditor of the listed entities may be required to do a limited review of all the entities/ companies whose accounts are to be consolidated with the listed entity as per AS 21.** Unlike an audit, a review engagement is based mainly on analytical procedures and inquiries conducted by the auditor. The AAS on Engagements to Review Financial Statements of the ICAI provides extensive guidance on the

		types of such procedures and enquiries to be employed by the auditors. The AAS deals with issues such as scope of the review engagement, level of assurance, terms of engagement, planning, documentation, review procedures, conclusions and reporting requirements in the review engagements. The AAS also illustrates the review procedures to be applied and format of Review reports to be issued for qualified as well as unqualified opinion.
xiii.	<u>AGMs of listed entities-</u> a) Top 100 entities - to hold AGMs within 5 months i.e. by August 31, 2018; May be extended to other entities based on experience. b) Over time, target to reduce to 4 months	The recommendation is n line with the global practices and may enable tackling of the issue of bunching of AGMs and hence may be accepted. It is proposed that the recommendation may be implemented after giving due time for the entities to be prepared for the same. **It is therefore proposed that the recommendation may be made mandatory for the top 100 listed entities w.e.f. next year i.e. the AGM should be held within 5 months after the end of FY 2018-19 i.e. by Aug 31, 2019.**
xiv.	<u>Webcast and E-voting:</u> a) Live one-way webcasts of all shareholder meetings for top 100 entities on trial basis; Based on the feedback and the experience,	**Webcast** Webcast of AGMs will increase transparency of the AGM discussions and hence can be accepted. However, making it only recommendatory may not

	the same may subsequently be extended to other listed entities b) E- voting should be kept open till midnight (i.e. 11:59 p.m.) on the day of the general meeting. The current requirement of not permitting modification of votes cast through e-voting may continue	result in the measure taking off and therefore it is proposed to make the webcast compulsory for top 100 entities by market capitalisation. **Accordingly, it is proposed that live webcast of AGMs may be made mandatory for top 100 listed entities (by market capitalization) w.e.f. FY 2018-19.** **E-voting:** Allowing e-voting till end of day of the AGM may create operational issues such as issues in declaration of closure of voting on resolutions. While the ideal situation will be real time voting by both physically present shareholders and e-voters on a particular resolution, practically, it may not be feasible. Further, success of e-voting will be strongly associated with the success of live webcast. Therefore, it is proposed that the recommendation may not be accepted as of now. Based on the experience of live webcast, if required, the same may be re-visited in the future.
xv.	<u>Resolutions without Board recommendation-</u> a) In the usual course, the resolution placed before the shareholders should be	It is important that Board provides appropriate recommendations to the shareholders on all resolutions.

	recommended by the board of directors. Placing a resolution before the shareholders without a board recommendation should be used sparingly and on rare occasions; b) However, in exceptional circumstances, a listed entity may issue a notice of a general meeting, which may include one or more resolutions for consideration by shareholders without such resolution having been recommended by the board. In such cases, an explanatory statement for such a resolution must disclose the board's deliberated views to the shareholders.	**Therefore, in case of any resolution placed before the shareholders, the Board should clearly indicate its recommendation(s).**

c. <u>Recommendations that may be referred to government/ other Regulators / professional bodies</u>

Sr. No	Recommendation	Analysis & proposed action
i.a.	<u>Strengthening role of ICAI</u> a) To increase max fine for individuals- 1 crore; for firm- 5 crore (for repetitive violations) b) Increased disclosure by ICAI of action against members c) Separate team for enforcement for listed entities To have team to analyse proxy advisor reports on audit matters and take action	Since the matter currently falls under the purview of ICAI/NFRA, it may be left to ICAI/NFRA to examine and implement as it deems fit. As recommended by the Committee, **it is proposed that a copy of all such recommendations which pertain to ICAI//NFRA may be sent to ICAI/NFRA for necessary action at their end.**
i.b.	<u>Internal Financial controls:</u> As per the Companies Act, India has adopted IFC reporting requirements for certain	Since the matter currently falls under the purview of ICAI/NFRA, it may be left to ICAI/NFRA to examine and implement as it deems fit.

	companies. Therefore, while reporting on the consolidated financial statements, the auditors of companies in India are required to report on the IFCs for Indian companies only and their foreign subsidiaries are exempt unlike in other markets, where the requirement applies to the entire group. The Committee recommends that IFC reporting requirements be made applicable to the entire operations of the group and not just to the Indian operations. SEBI may take up with ICAI	As recommended by the Committee **it is proposed that a copy of all such recommendations which pertain to ICAI//NFRA may be sent to ICAI/NFRA for necessary action at their end.**
i.c.	<u>Audit quality indicators:</u> The quality of audit/auditors can be judged through various indicators such as workforce metrics, skill-development. Such indicators can be made public. Many of the Audit quality indicators already a part of ICAI's peer review system. SEBI may take up with ICAI to make these public	Since the matter currently falls under the purview of ICAI/NFRA, it may be left to ICAI/NFRA to examine and implement as it deems fit. As recommended by the Committee **it is proposed that a copy of all such recommendations which pertain to ICAI//NFRA may be sent to ICAI/NFRA for necessary action at their end.**
i.d	<u>Strengthening the Quality Review Board (QRB):</u> a) QRB should be strengthened to meet independence criteria of IFIAR and should become its member at the earliest. b) To be give requisite financial resources, staff, infrastructural support by the government, etc. for operational independence Reasons for disagreement between ICAI and QRB to be recorded in writing & communicated to QRB	Since the matter currently falls under the purview of ICAI/NFRA, it may be left to ICAI/NFRA to examine and implement as it deems fit. However, since the Committee has recommended that SEBI may take up the matter with ICAI, **it is proposed that a copy of all such recommendations which pertain to ICAI//NFRA may be**

		sent to ICAI/NFRA for necessary action at their end.
ii.	<u>Governance aspects of PSEs</u> a) All listed entities, government or private, to be at par on governance standards. So, all listed PSEs should be compliant with LODR. b) If inconsistency between legislation and LODR, harmonization of the legislation to bring it in line with LODR. c)Establish a transparent mandate for PSEs and disclose its objectives and obligations d) Ensure independence of the PSEs from the administrative ministry. e) Consolidate govt stake in listed PSEs under holding entity structure(s) by Apr 1, 2020; HoldCo to have Independent board with diversified skill set. f) Listed PSEs fully comply with the provisions of SEBI LODR Regulations and the same be suitably enforced. g) Govt should assess and examine broader issues as above concerning ownership structure, removal of conflicts, creating a more autonomous environment for PSEs to function in the best interest of all stakeholders. This will significantly enhance value of the national assets and should be done in a time-bound manner.	The recommendations (**a), (b) and (f) which pertain to SEBI will positively impact the governance of listed PSUs and may be accepted.** However, the rest of the recommendations pertain to the government and accordingly, it is proposed that the implementation may be left to the government. **It is therefore proposed that a copy of such recommendations may be sent to the government for necessary action at its end.**
iii.	<u>Adoption of Ind-AS:</u> Given the principle-based rules of IND-AS and resultant disclosures in financial statements, the Committee recommends full implementation of	Since the matter currently falls under the purview of MCA/IRDAI/PFRDA, it may be left to the respective authorities/ regulators to examine and implement as it deems fit.

	IND-AS as currently scheduled without extension	As recommended by the Committee, **it is proposed that a copy of the recommendation may be sent to MCA/IRDAI/PFRDA for necessary action at their end.**
iv.	<u>Treasury Stock:</u> A sunset clause may be imposed requiring all existing treasury stock in listed entities to not carry voting rights after 3 years	The recommendation will be in the interest of the shareholders of the listed entity and hence, may be accepted. However, it is proposed that since the primary provision pertaining to treasury stock is in Companies Act, 2013, the recommendation may be sent to MCA for appropriate amendments to Companies Act, 2013 as may be required in this regard.
v.	<u>Leniency mechanism:</u> While SEBI currently has a consent mechanism for certain categories of violations, there are no specific provisions in the regulatory framework that empower SEBI to grant leniency. The Committee felt that SEBI may be empowered to grant leniency and offer protection against victimisation to whistle-blowers in certain instances determined on a case by case basis. The Committee suggests that SEBI take up the above recommendation with the Ministry of Finance	The recommendation falls under the purview of the Ministry of Finance and hence, it is proposed that the recommendation may be sent to Ministry of Finance for necessary action, as it deems fit, in the case.

d. Recommendations that may not be accepted

Sr. No	Recommendation	Analysis & proposed action
i.a.	At least once every year, an interaction required between the NEDs and senior management	It may be left to the Board to decide if it wants to have such meetings and hence the recommendation may not be accepted.
i.b.	Minimum number of Board meetings to be increased from four to five and specific agenda to be discussed: 1. Minimum number of meetings of board of directors be increased to five every year 2. At least once a year, the board shall specifically discuss strategy, budgets, board evaluation, risk management, ESG (environment, sustainability and governance) and succession planning	There is already a requirement of having minimum four Board meetings in a year which also typically coincide with the quarterly results. Simply increasing the number of Board meetings may just add to the cost to the listed entity without corresponding benefits and may be considered as micro-management of the listed entity's affairs. Therefore, it is proposed that the recommendation may not be agreed upon. It may be left to the Board to decide if it wants to have more of such meetings. With respect to the specific agenda items, the Board is expected to discuss these items as part of their agenda and there is no need to specify these .
i.c.	Minimum Compensation to IDs (includes recommendations on minimum total compensation to IDs (INR 5 lakhs p.a.), Minimum sitting fees for Board and committee meetings)	It may be left to the company/Board to decide on compensation to IDs and hence the recommendation may not be accepted.
i.d	Formal updation programme to the Board on changes in laws every year:	It may be left to the company to apprise its board on changes in law and the recommendations may not be accepted

	At least once a year, listed entity to undertake a formal updation programme for the Board on changes in applicable laws, regulations and compliance requirements.	
i.e.	<u>Formal induction programme for independent directors</u> a) A formal induction mandatory for every new ID b) Formal training (external/internal) especially with respect to governance aspects, for every ID once every five years (Onus on the director).	It may be left to the company/Board to undertake such induction programmes and hence the recommendation may not be accepted.
i.f.	<u>Appointment of Lead ID:</u> • To be mandatory if Chairperson non-independent • To be a member of NRC • Role to include: a) To lead exclusive meetings of the IDs & provide feedback to Board/Chair after such meetings; b) Liaison between the Chairperson and IDs; c) Preside over Board meetings if chairperson/vice-chairperson not present, d) Authority to call meetings of the IDs; and If requested by significant shareholders, to be available for consultation and direct communication	It may be left to the company/Board to appoint such Lead ID and hence the recommendation may not be accepted.
i.g.	<u>Exclusive ID Meetings may be held more than once at the discretion of the IDs</u>	It may be left to the company/Board if any more of such meetings are required and hence, the recommendation may not be accepted.
i.h.	<u>Setting up of an IT Committee:</u> The listed entity may constitute an IT committee which will focus on digital and technological aspects (Discretionary)	Since cyber security is already proposed to be included in the RMC's role, having a separate IT Committee may not be required.

ii.	Matrix organisation structures: Confirmation by BOD that it has been responsible for the business and overall affairs in the relevant FY & reporting structures, formal / informal, are consistent with the above.	The Board is already responsible for the overall affairs of the listed entity as per law irrespective of its internal structures. The same is acknowledged in the Committee's recommendation as well. Requiring a declaration on the suggested lines may not serve much purpose. Therefore, the recommendation may not be accepted.
iii.	Minimum number of IDs: Every listed entity, irrespective of whether the Chairperson is executive or non-executive, may be required to have at least half its total number of directors as IDs. This be applicable to top 500 listed companies by market capitalization by April 1, 2019 and to the rest of listed companies by April 1, 2020	Implementation of this recommendation would entail additional requirement of independent directors on the Boards of listed entities. There is already a concern on the low number of quality independent directors available today. Therefore, it is proposed that status quo maybe maintained at present.
iv.	Requirement of shareholder approval on appointment in case of casual vacancy of directors: Any appointment to fill casual vacancy of office of ID should also be approved by the shareholders at the next general meeting.	While the recommendation may strengthen governance, it is noted that through Companies Act (Amendment) Act, 2017, the provision has already been introduced in the Companies Act, 2013 and therefore, there may not be any need to introduce a similar provision under SEBI LODR Regulations.
v.	At least two thirds of the NRC to be independent: The requirement of having at least two thirds of its members as IDs may be required for NRC as well, in line with the requirement for the audit committee.	Since the NRC is already required to be composed of non-executive directors, has half of its directors as independent as well as an independent Chairperson, sufficient norms are already in place and

		there may not be any need to increase number of independent directors in the Committee as of now.
vi.	<u>To add NRC in calculation of Membership and Chairpersonship Limit:</u> In determining the maximum number of committees of which a director can be a member/Chairperson, NRC should also be included and thereby treated at par with the Audit Committee and Stakeholders Relationship Committee	In line with several comments received on this recommendation, adding NRC to calculate maximum number of memberships/Chairpersonship may create shortage for right individuals to be part of the Committees. Therefore, the recommendation may not be accepted as of now.
vii.	<u>Information sharing with promoters / other shareholders</u>	It is felt that giving any shareholder preferential treatment compared to other shareholders for getting access to information may have far reaching implications and may not be desirable; the recommendation may not be considered.
viii.	<u>Enhanced disclosures on Depository Receipts (DR) holders</u> Indian listed entity should obtain details of holders of any global depository receipts (as defined under the Companies Act, which includes American Depository Receipts) issued by such entity from the overseas depository at least on a monthly basis. Based on the information shared by the overseas depository, the listed entity shall disclose details of such holders of global depository receipts who hold more than 1% shareholding of the entity to the stock	It is understood that there are issues on availability of desired information with the global depositories. Further, there is already a Working Group in DEA with SEBI, RBI, CBDT and MCA looking into the issue. Therefore, in view of the ongoing discussions in this matter, the recommendation may not be accepted at this stage.

	exchange as a part of the disclosure on shareholding pattern on a quarterly basis.	
ix.	To do away with the disclosure requirement on Analyst/ institutional investor meets	Accepting the recommendation may go against transparency and may deprive the retail investors of key alerts about such calls. Therefore, the recommendation may not be accepted.
x.	Permit obtaining of independent external opinion by auditor at the cost of the listed entity: Where auditor does not concur with expert opinion appointed by the entity, they should have a right to obtain independent external opinions (cost to be borne by entity)	This may be additional burden on the listed entity and therefore may not be accepted. Further, if the auditor is not in agreement with the expert opinion, there already exists an option for the auditor to qualify the statements accordingly.
xi.	Scrutiny of audit qualifications and revival of QARC / similar mechanism: Any audit qualification needs detailed scrutiny and therefore, the QARC mechanism may be revived or any other similar mechanism may be devised wherein audit qualifications are examined in greater detail. It is also recommended that the process to be followed by such committee should be time bound	There is already a requirement for the entities to disclose impact of audit qualifications in the financial statements. There appears to be no specific need for reviving QARC/similar mechanism.

Miscellaneous

Sr. No	Recommendation	Analysis & proposed action
i.	Capacity building in SEBI	While the recommendations of the Committee are overall positive, capacity building is an internal organizational matter for SEBI and may be referred to the Human Resources Department of SEBI.

Annexure B- Summary of comments received

Sr. No	Recommendation of the Committee	Summary of major comments received on the recommendation	Recommendations and proposals to the Board
1.	Minimum 6 directors in all listed entities	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications**- o Implementation should be phased (Top 500/ criteria-equity capital) o Detailed study should be done before implementation o Reduce to four o Reduce to a lower number, say 4-5 for SMEs o Make it comply-or-explain rather than mandatory o Should be an odd number to avoid deadlocks • **Don't agree**- o Increase uncalled for/ excessive/ arbitrary number; diversity and additional skills sets not necessarily be brought by increasing number of directors o Will result in additional costs, especially to SMEs and may discourage people from listing o Current requirement of 3 directors in line with global requirement; E.g. Japan, France, Germany o Disclosure of skills matrix already adequate for shareholders to assess Board capability o Already low supply of IDs, even for large corporates o Active listed companies already have 5-6 directors so no material impact	Accepted with modifications
2.	At least one independe	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required**-	Accepted with

	nt woman director on the Board of all listed entities	○ In addition, NRC should have at least one woman ID since NRC is best suited to take leadership in ensuring better gender balance in the company's workforce & to ensure that the company provides a safe, comfortable and equal opportunity environment to women employees. ○ In the long term (3-5 yrs), there should be at least 2 women directors, at least of which one should be independent director; will lead to ~20% women directors in the long term (India still lags globally in its percentage of women on boards, at 13% vs. 18.5%, 30-40% achieved in many European countries) ○ For women to be more effective on Boards, there should be at least two women on the Board ○ Boards not having at least 30% gender diversity should be required to set a time-bound target to increase female representation to 30% ○ Should also extended to SCs, STs, religious minorities • **Agree with modifications**- ○ Should be implemented in a phased manner • **Don't agree:** ○ Gender diversity already achieved by specifying 1 woman director ○ Only creating additional reservations/ giving preference to gender than qualifications not recommended/ no rationale as to how one woman ID will improve governance/ gender diversity not significantly related to financial performance of co; ○ Supply issues- Pool for women IDs limited/ will reduce options for selection of ID when already less IDs/ skill sets required for a Director in a particular industry (eg: Oil & Gas, Construction, Infrastructure etc.) may be scarce among women IDs/ Nominees of Financial Institutions should be considered as IDs so that some respite is available.	modificatio ns

		○ Need not be independent- company may promote a woman senior executive to the rank of woman director with the aim of motivating officers/ may be specified that the director not to be a relative.	
3.	Minimum attendance of directors- If a director does not attend at least half of total no of board meetings over 2 FYs on rolling basis, his/her continuance should be ratified at next AGM	• **Agree**: Recommendation is positive and should be accepted. • **Agree with modifications**- ○ Recommendation is positive but implementation should be phased. ○ Agree but amend Companies Act rather than LODR. ○ To align with SECC Regulations for listed stock exchanges (As per SECC Regs, PIDs to vacate office if they attend<75%). ○ Since a director may be appointed in the course of a FY, to add the words "during the period when he is a director". ○ Appointment by retiring by rotation is an ordinary business, whereas ratification of appointment is a special business. It will look odd if both are deliberated in same Annual General Meeting. Better to cover such requirement in terms of appointment of directors. ○ Additionally clarifications required on: ▪ Whether ratification is to be ordinary or special resolution ▪ Handling board resolutions by post ▪ Whether time period will restart if shareholders ratify in the next AGM ▪ If a director is liable to retire by rotation at AGM, his appointment would be considered as part of ordinary business & clarification required on whether in such cases, ratification would be necessary if attendance <50%. • **Agree but more is required**- ○ Rather than rolling basis, 50% attendance should be for every FY ○ 50% is too low a figure and attendance in mandatory subcommittees & AGM should also be taken into consideration to calculate aggregate attendance.	Accepted

		• **<u>Don't agree</u>** - o Already sufficient provisions in CA, 2013 which are sufficient deterrents; no need in SEBI LODR o Can easily by complied and not really achieve the purpose of having directors participate in Board resolutions on an ongoing basis. o Will complicate compliance: ▪ A Director retiring by rotation is liable for re-appointment at every 3rd Annual General Meeting. In the case of Independent Director, fixed term is prescribed. All Directors are evaluated based on performance and then re-appointed. In such a case, ratifying appointment of Directors who fail to attend 50% of the meetings during two consecutive financial years, will throw up many complications. ▪ Since an independent director is already appointed for a period of five years, inserting a ratification provision would further complicate compliance.	
4.	Disclosure of Expertise/ Skills of Directors (skills matrix) should be required in the Annual report: • List of core skills/expertise/c	• **<u>Agree</u>**: Recommendation is positive and should be accepted. • **<u>Agree with modifications</u>**- o Should be disclosed on website than Directors' report which is already bulky o Allow but without names to avoid embarrassment o Should be restricted for inclusion in the Annual Report at the time of appointment/re – appointment of the Director. o Flexibility should be given to the company so as to have certain skill sets not only at the Board level but also at senior management level below the Board. • **<u>Agree but more is required</u>**- o Strongly support but shouldn't be allowed without names; may lead to speculation as to which skills belong to which director. • **<u>Don't agree</u>** o Not possible to have all required skill sets:	Accepted

	ompetencies identified by BOD as required for it to function effectively • Skills actually available with the board; • Disclosure with names w.e.f. year ended March 31, 2020.	▪ Board may include nominees of FIs, woman director, IDs to meet regulation requirements etc.; not always possible to direct shareholders to nominate directors with the required skill sets; ▪ The dynamic changing environment of business will not permit to keep changing Independent Directors with different skill sets; o Will not add value/ will not improve governance: ▪ Only director's resume is enough which is already disclosed on appointment; matrix is unnecessary & will not value ▪ Will only be a form filling exercise & not add value. ▪ Will not improve governance and rather 'Fit and proper' criteria as prescribed for Banks, NBFCs and HFCs can be incorporated in LODR to make the same applicable to listed entities. ▪ A group of board will never decide on a competency that is not existing within themselves.	
5.	For continuation/appointment of NEDs over 75 yrs, special	• **<u>Agree</u>**: Recommendation is positive and should be accepted. • **<u>Agree but more is required</u>**: o Should be 70 yrs & for 1 term. There is no logic of having different ages for executive and non-executive directors • **<u>Don't agree:</u>** o Age doesn't matter/ age adds value:	Accepted

	resolution should be required.	▪ NED doesn't have responsibilities for daily management, only strategic & supervisory; so age doesn't matter ▪ Sometimes experienced directors best for co.; many are cognitively agile and contribute in decision making ▪ NEDs provide advisory service to the BoD in running the company and are picked up considering their experience and area of expertise o Shareholders consciously appoint NED >75 yrs old o Globally (generally), countries don't have such requirement o Takes away flexibility of management o Vested interests may block special resolutions and creating road blocks o A regulation to deal with some cases of possible wrong appointments should not lead to a large majority of companies being adversely impacted	
6.	Minimum no of Board meetings- At least 5 meetings and at least once a year, specifically strategy, budgets, board evaluation, risk managem	• **<u>Agree</u>**: Recommendation is positive and should be accepted. • **<u>Don't agree</u>**: o Will contradict Companies Act provisions o Micro-management and over-regulation by SEBI o Another meeting unnecessary: ▪ If the objective is to ensure specific focus on certain matters, can be ensured with same no of meetings ▪ Rather than one more meeting, the requirement can be to state that these aspects are to be discussed and minuted (in any meeting). ▪ The matters can be discussed in Committees & placed before Board ▪ No added advantage achieved from one more meeting; only additional cost, esp for SMEs; large companies anyways generally meet more depending on requirements. o Globally also 4 times is the prevalent requirement	Not accepted

	ent, ESG and succession planning to be discussed	○ Specifically recommending a once a year meeting to discuss these subjects only dilutes the importance of such matters	
7.	At least once a year, listed entity to undertake a formal updation programme for the Board on changes in applicable laws, regulations and compliance requirements.	• **Agree**: Recommendation is positive and should be accepted, very important for Board effectiveness. • **Agree with modifications**: ○ Many changes in the laws are applicable to any company and to formally update the knowledge of the directors on all changes will not be practical. Only significant laws should be included. ○ Can be sent as part of Board quarterly agenda than separate programme; most companies already do this. ○ Need not be a 'formal updation' programme like a classroom training session; let companies Let companies choose the nature of updation (E.g. quarterly updates, through handbooks, manuals, etc.) and disclose it in the familiarisation programme being announced in the Annual report annually. • **Agree but more is required**: ○ Any major revamp/modification in the existing guidelines/acts etc. should be updated to the board on priority and not just once a year; worthless to update after gap of months. ○ Should be at least twice a year ○ Compliance should additionally be reported in annual report under CG section. • **Don't agree**: ○ Board already has responsibility to be abreast with laws, so no need to have a separate programme ○ Micro-management by SEBI; should be left to the company	Not accepted
8.	At least once every	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications**:	Not accepted

	year, an interaction required between the NEDs and senior management	○ Can be a guidance rather than mandatory ○ Could be covered in the 5th Board meeting ○ Apply only to large companies since in small companies, most of the senior management is already in the boardroom as directors or special invitations (CFO/Audit head etc.) • **<u>Agree but more is required</u>**: ○ More than one meeting is required ○ Should be at least 2/3 meetings for good governance ○ EDs should also be present in such meetings • **<u>Don't agree:</u>** ○ Micro-management and prescriptive ○ Does not serve any purpose: ▪ NEDs are already authorised to call such a meeting as and when need is felt ▪ NEDs already get enough occasions to interact with senior management. In many companies, all senior management attend all board meetings & NEDs have full access to senior management at every meeting; so separate meetings are not required. ▪ Will be more of a tick- box approach; ▪ Level of engagement depends on complexity of business, confidence on the management, current business conditions, etc. and cannot be a boilerplate requirement. ○ Vague and unclear: ▪ Unclear as how such interaction would be different from a typical management report delivered at a board meeting. ▪ The action based on the interaction is not clear and appropriate briefing mechanism is required for this exercise to be effective and meet the objective else, it will become "tick-the box" exercise.	
9.	<u>Quorum for Board</u>	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications</u>**:	Accepted with

	meetings- 1/3rd or 3, whichever is higher + At least one ID (Video conference to be counted as per CA, 2013)	○ Should be accepted only if the recommendation for minimum 6 directors is accepted ○ Agree but a carve out for exigencies is required where due to reasons beyond control the IDs are unable to participate in the meeting ○ Since minimum 6 directors are recommended, quorum should have at least 1/3rd i.e. 2 directors • **Agree but more is required**: ○ Should be ½ or 3 directors, whichever is higher, including at least half of total number of IDs. ○ Should be 2/3rd of the Board strengthen, including at least 2 IDs • **Don't agree**: ○ Revision in LODR will be in contradiction with the CA, 2013 ○ Age old norm has worked well, no need to change ○ Don't agree with minimum 1 ID requirement for Board quorum ▪ Such requirement is not present globally ▪ Will be additional compliance and go against ease of doing business ▪ Suggestion can be achieved in other ways as Companies Act/Secretarial Standards already have detailed provisions for presence/absence of IDs in a meeting and provide for alternatives so that urgent business can be transacted if IDs are not present. ▪ Will delay decision making by CPSEs.	modifications
10.	Matrix structures- Confirmation by BOD that it has been responsible for the	• **Agree**: Recommendation is positive and should be accepted • **Don't agree**: ○ Providing absolute confirmations, when roles and responsibilities are permissible to be delegated to other officials, should not be made mandatory. ○ Every organisation has a well-defined matrix reporting structure, which is followed. There is no concrete rationale behind the confirmation by the Board of the same	Not accepted

	business and overall affairs in the relevant FY & reporting structures, formal / informal, are consistent with the above.	○ Not a global requirement ○ Board's function of controlling affairs cannot be done without interacting with various depts.; mere confirmation will not have legal value ○ Redundant since role of the Board already clear in Companies Act ○ Practically impossible particularly for business conglomerates ○ Particularly difficult to implement to avoid frivolous legal pursuits and liabilities ○ Proposal may be considered to be dropped or like the adherence to the code of conduct, the CEO or MD can give this declaration.	
11.	Separation of CEO/MD and Chairpers on Listed entities with more than 40% public shareholdi ng should separate the roles of Chairpers on and	• **<u>Agree</u>**: ○ Recommendation is positive and should be accepted ○ Strongly agree- the Board Chair holds the MD/CEO or the executive accountable. When both roles are in the hands of a single individual, that purpose is fundamentally defeated. • **<u>Agree but more is required:</u>** ○ Chairperson should be Independent & not just non-executive since if the same promoter family is both CEO & Chair, governance will be impacted. ○ Should be done earlier, w.e.f 2019 & 2020; already enough time given since 1999 to improve governance standards. ○ Should be for all companies and not just ones with 40% public shareholding • **<u>Agree with modifications:</u>** ○ Should only apply to large companies; will be compliance burden for small companies	Accepted with modificatio ns

	MD/CEO with effect from April 1, 2020. After 2020, SEBI may examine extending the requirement to all listed entities with effect from April 1, 2022.	○ Acceptable but should be linked to scale and complexity of the business rather than for all listed companies; requirement shouldn't apply to small companies where the promoters are not given adequate powers to control their companies, otherwise these promoter-driven companies will find out other ways to control their decisions. ○ Can start with companies with 50% public shareholding & reduce it over a period of time ○ Separation is acceptable but allow Chairperson to be executive ○ Acceptable but CA provisions will have to be aligned ○ Should be permissible for the promoter to be the Chairperson so long as the M.D. is not a "related person" with reference to the Chairperson. ○ Sometimes, executive Chair is required under law E.g. for banks under BRA; exceptions should accordingly be provided ○ Alternate solution- Rather than mandating segregation, allow the Chair to be executive/non-independent where company may be called 'family run'/similar and in such cases, require mandatory 2/3rd of the Board as IDs. ○ SEBI should additionally provide guidance for such division of roles and responsibilities. • **<u>Don't agree</u>**: ○ CA, 2013 only provides for Chair of a Board meeting & not for Chair of the Board & therefore duties of a Chairperson are limited with respect to meetings only. ○ Separation is not/ need not be beneficial: ▪ Unity of command creates clear lines of authority to which management (and the board) can respond more effectively ▪ CEOs and chairs can often be distracted by (and have their independence compromised by) struggles over power and territory (and accountability when things go wrong).	

		▪ Plenty of success cases where same person is Chair and MD, even globally. ▪ Would create two power centres which may hinder company progress ▪ Will have serious impact on information flow & connectivity with the Chairperson ▪ Unified CMD will provide advantages of both leadership & overall understanding of operations; will be in a better position to comprehend views of directors & implement them ▪ Independent Chair may not have the info and authority of the management; may have less access to the facts & industry knowledge due to non-involvement in day to day running ▪ For PSUs, separate posts may further deteriorate the already bad situation because of cultural, attitudinal & aptitudinal factors; creation of 2 power centres may have adverse effects on running Directors in PSEs & create problem with persons to be appointed from different background. ○ Requirement as per law for mandatory separation not required ▪ Requirements already there in CA with exceptions; Sufficient checks to prevent concentration of power already available- ½ IDs, Audit Committee, NRC, separate ID meetings, Board evaluation, etc. ▪ Already where no separation is there, at least ½ of Board to be IDs is required as per LODR ▪ Board has better understanding of whether there should be separate roles ▪ Takes away flexibility of management/ shareholders ▪ Doesn't exist in large part of the world ○ Cost and compliance issues ▪ Unnecessary cost & administrative burden ▪ >51% of companies in NSE will be affected which have executive Chair	

		▪ Dampener to the spirit of entrepreneurship o Why application initially to companies with 40% public shareholding is unclear, 40% is an arbitrary number.	
12.	Max no of all listed entity directorships- • 8 w.e.f. Apr 1, 2019 (Max IDships-7) • 7 w.e.f. Apr 1, 2020 • Requirement of if WTD in a listed entity, max IDships-3- to continue	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** o A WTD/MD shouldn't be allowed to be an ID since such persons can't do justice to an IDship. o Should also be extended to private & foreign directorships o 7 directorships would mean directors spreading themselves too thin; should be max 5 directorships o Requirement should max 3 IDships and if the person is a WTD, max 1 IDship • **Agree with modifications:** o MD of a promoting company is often on multiple boards of companies in the promotor group; such directors should be exempt o Should be 10 max directorships o Clarification should be given on whether directors in only debt listed companies are also included • **Don't agree:** o Will not impact/ adversely impact governance: ▪ Reducing one directorship is not going to "improve" or "better" governance ▪ More directorships mean better exposure & so better contribution ▪ Business & overall affairs is the responsibility of management & Board's role is of oversight o So long as the Director can spend time and attend all the meetings, no bar should be there o Only 2 persons hold directorships in more than 8 companies in all NSE listed companies (as per Prime database), so will not have much impact	Accepted

		○ Harsh considering 50% attendance recommendation ○ Along with the recommendation of ½ Board to be IDs, will worsen the issue of low number of quality IDs available.	
13.	Disclosures on Board Evaluation	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ Should be made mandatory from April 1, 2020 ○ Be further strengthened on lines of UK practice i.e. at least once in every 3 years, the evaluation be carried out by a 3rd party ○ Accordingly, S.134(3) of CA & corresponding Schedule should also be amended ○ More examples and guidelines required • **Don't agree:** ○ Not required as already covered by the Guidance Note on Board evaluation dated January 5, 2017 ○ Impractical & unnecessary. ○ Should not be a guidance since what is voluntary today may become mandatory tomorrow. ○ Evaluation should be based on empirical analysis. ○ When evaluation is already done, which is adequate, there is no need for any additional stringent requirements. ○ Board evaluation, its outcome and corrective / improvement action plans are highly sensitive information and therefore requiring public disclosure of such information is highly unwarranted. ○ Suggestion is in deviation of global practices.	Accepted
14.	Minimum Number of IDs- ½ for all listed entities phase-wise:	• **Agree**: ○ Recommendation is positive and should be accepted ○ 50% independence threshold would match independence requirements or codes of best corporate governance practices among other markets. • **Agree but more is required:**	Not accepted

	For top 500- w.e.f. Apr 1, 2019 For all- w.e.f. Apr 1, 2020	○ Implementation should be brought forward, plenty of time has already been given ○ Requirement should be 2/3rd of the Board to be IDs • **Don't Agree**: ○ Requirement is in contradiction with CA, 2013 ○ Current requirements are sufficient to safeguard interest of all stakeholders ○ Company is mainly in the hands of management & EDs and IDs may not be equally concerned about the company, its profitability, etc. So, the number of IDs shouldn't be increased further. ○ No rationale for recommendation, not based on empirical evidence that it will improve CG ○ Conflicts with Reg 17(a) of SEBI LODR Regulations. ○ Companies also need to have more EDs for professionalizing Board working & provide opportunity to professionals to rise to Board positions; more IDs will increase size of Boards which is not desirable beyond a point.	
15.	Eligibility Criteria for IDs a) To exclude Promoter group & Board inter-locks	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ Self-declarations of independence and boards' vetting of that status on a periodic basis are alone wholly insufficient to address the 'spirit of independence'. This should require shareholder validation. ○ Inter-locking should extend to the relatives of such directors / promoters also ○ There should be additional criteria to check independence such as the person's directorship in competitors, whether remuneration for directorship is a significant proportion of total remuneration of the director, etc.	Accepted

	b) Undertaking from ID that he/she is not aware of any circumstance/ situation, which exists or may be reasonably anticipated, that could impair or impact his/her ability to discharge his/her duties	○ ID should also make a declaration to the Company whenever there is any change in circumstances which may affect his status as an ID • **Agree with modifications:** ○ Acceptable but the declaration and confirmation should be before the ID is appointed. ○ Independence should be from promoters & not from management ○ More appropriate that the management assesses the independence & the Board confirms the same • **Don't Agree:** ○ Existing provisions in CA, 2013 and SEBI LODR already cover promoter group, self-declaration & Board verification, so not required. ○ IDs are already required to satisfy independence criteria and separate confirmation/ declaration is not required. ○ Interlocks- The fact that two IDS are also two IDs of another entity does not in any way impairs their independence; just plugging loophole creates more compliance work. ○ Issues in Board assessing independence criteria: ▪ A Board cannot check veracity of a statement made by an ID unless info is readily available in public domain. ▪ Rather than Board assessing veracity, it should continue to rely on the declaration by the IDs, Need for ascertaining veracity of the declaration casts aspersions on the integrity of the Director which is hardly desirable.	

	with objective independent judgements and without any external influence c) Board to record above undertaking after due assessment of its veracity d) Board to certify every year		

	that each of its IDs fulfills above conditions and is independent of management		
16.	Minimum Compensation to IDs	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o Should be extended to beyond top 500 companies as well o Minimum remuneration should be much higher, at least double of what is proposed since liabilities, commitments & efforts are very high. o Should be subject to attendance of such directors, otherwise a director attending only 50% meetings will get 5 lakhs per annum. • **<u>Agree with modifications:</u>** o Accepted but should be as guidelines rather than mandatory • **<u>Don't agree:</u>** o Micro management by SEBI; should be left to company: • Too extreme for SEBI to regulate minimum pay of directors • Let company have the liberty to decide compensation based on its size & engagement with IDs • NRC & Board is in best position to determine remuneration of individual directors o Cost and compliance issues:	Not accepted

		• Additional total cost of INR 132 cr (For NSE companies as per Prime database), will be a huge burden esp. for SMEs o May not have impact/ may be counter-productive: • Minimum remuneration of IDs, without any linkage to attributes like size, networth, turnover etc. of a company, may smack off something like the Minimum Wages Act and demean the position of an ID. • May be counterproductive since senior retired people, in pursuit of money, may end up taking more number of directorships than what they can handle. • Will not have impact since accomplished professionals are not attracted by monetary compensation but by the opportunity to learn & to participate in governance o Proper rationale not provided for the recommendation o No such requirements exist globally o Any amount fixed will be arbitrary o No relationship between market capitalisation & efforts of IDs o Difficult to match compensation with responsibility/ accountability of IDs o Alternative- Permit compensation through shares (not options) for IDs- inability to compensate such directors with certain minimum holding requirements, places limits to the extent of alignment of ID incentives with those of long-term and shareholders.	
17.	Disclosures on Resignation of IDs	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o Additionally, mid-term resignations should be subject to shareholder approval • **<u>Agree with modifications:</u>** o There is a need to clarify the meaning of "Material reasons“ & an illustrative list on the same is required.	Accepted with modifications

		○ Accordingly, S. 168(1) of CA also needs to be changed. ○ The recommendation is acceptable but the disclosure of 'no other material reasons' should not be required since the term 'material' is very subjective. ○ Disclosure may be directly by IDs to stock exchanges. • **Don't agree:** ○ Already covered under CA, 2013, so not required. ○ Will lead to duplication as listed companies already give such information to the stock exchanges as a part of disclosure under Regulation 30 of SEBI LODR Regulations. ○ Such requirement is generally not there globally. ○ Will discourage competent individuals to join boards of companies as independent directors. ○ It cannot be enforced upon a director to disclose the "real" reason because the same cannot be countered. The director may or may not disclose the true reason or for a matter of fact state "no material reason" when in reality there may exists various reasons attributable to the management of the company.	
18.	D&O insurance for all IDs mandatory for top 500 Companies w.e.f. Oct 1, 2018; may be extended to all in future; types of risks &	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ Should be mandatory for all listed entities, IDs of small companies are also equally vulnerable ○ May lead to development & purchase of "bare minimum" D&O policies and therefore, SEBI should additionally give guidance on what coverage is appropriate ○ Implementation of the same should be w.e.f. 1st April, 2018 ○ Accordingly, S. 197(13) of CA should be made mandatory • **Agree with modifications:** ○ Agree but NEDs must pay for their own insurance as is the practice in many companies. • **Don't agree:** ○ Liability already limited under CA, 2013, so not required.	Accepted

	quantum to be as decided by BOD	○ No need to provide insurance- Directors should be held accountable and face consequences for their actions. ○ It is a commercial decision & should be left to the Board ○ Additional cost to companies ○ IDs are like any other director, so mandate insurance for all or for none.	
19.	A formal induction mandatory for every new ID Formal training (external/internal) especially with respect to governance aspects, for every ID once every five years (Onus on the director).	• **Agree**: Recommendation is positive and should be accepted. • **Agree but more is required:** ○ Training should be every year due to dynamic environment; 5 year gap is too long and essence of updation will be lost. ○ More specific details should be specified on what such trainings should include: • Should specifically include risk management. • At least one such training should be exclusively for strategy, succession planning, budgets, Cost Management, Innovation, Technology Up gradation, risk management, ESG, etc. • **Agree with modifications:** ○ Responsibility should be on the company rather than the ID to ensure than such training is being received periodically ○ Should be implemented phase-wise starting with top 500 & then extending to others ○ Should be clarified as to whether such trainings need to be internal/external. • **Don't agree:** ○ Already required under CA, 2013/ Reg 25(7) of LODR; so provision is not required ○ No such mandatory requirement in any advanced economy ○ Should be left to the company ○ Rather than training, IDs lack in knowledge & understanding of the industry in which they operate	Not accepted

		○ Mandating expert IDs to undergo training from some agencies / self styled experts would be embarassing / demeaning their position.	
20.	Alternate director for ID should not be permitted	• **<u>Agree</u>**: Recommendation is positive and should be accepted. Attending meetings has been made easier by allowing video conferencing facilities. • **<u>Agree but more is required:</u>** ○ The concept of alternate directors should be abolished entirely in this age of telecommunications. • **<u>Don't agree:</u>** ○ The recommendation conflicts with CA, 2013 and is outside SEBI jurisdiction ○ CA, 2013 already provides that an alternate for ID has to be independent, such directors have to be approved by the Board and other stringent requirements, so removal not required. ○ Such requirement not there in advanced economies ○ Circumstances where IDs are unable to participate due to unforeseen reasons have not been taken into account ○ Has the potential to reduce number of IDs ○ Such flexibility to appoint Alternate Directors should be continued since: • IDs during their absence from India, would be able to keep abreast of Board proceedings and ensure continuity of events / Board deliberations and decisions. • Helps in case of very urgent and important meetings ○ Can't assume an ID will use video-conference, may not like to participate due to various reasons; ○ Video-conference facility not there globally everywhere ○ By forcing ID to participate, will make him accountable to decisions where he/she has not applied mind fully	Accepted

21.	Lead ID mandatory if Chairperson non-independent To be a member of NRC and role to include: a) To lead exclusive meetings of the IDs & provide feedback to Board/ Chair after such meetings; b) Liaison between the Chairp	• **Agree**: o Recommendation is positive and should be accepted. o Will help bridge gap between Chair and IDs. o In line with global practices (Cadbury Committee, France, Italy, Spain, etc.) • **Agree but more is required:** o Lead ID position should be required to be rotated among different IDs on periodic basis o Should be voted on by the directors every 2 years so as to allow fair and equal representation to all IDs o Presence of Lead ID should be mandatory in General Meetings o All companies should have Lead IDs whether Chair is independent or not o Lead ID should be a member of all important committees including audit committee • **Agree with modifications:** o Should be implemented phase-wise, start with top 100, then top 400 and then rest. o Chair of NRC should also be eligible to be appointed as Lead ID o Rights of the Lead ID should be the different depending on whether the promoter is a minority or a majority shareholder; more important where promoter is minority shareholder. • **Don't agree:** o Instead of Lead ID, mandate Chair of the Board to be Independent to avoid deadlocks and delays in decision making. o Against CA, 2013 requirements- CA, 2013 does not provide for a provision for leader of the Board. No Board member is superior to another. o Every ID should equally participate in their role as IDs and no need for a Lead ID o May be counter-productive: • May lead to management deadlock and delays in decision making	Not accepted

	erson and IDs; c) Preside over Board meetings if chairperson/vice-chairperson not present, d) Authority to call meetings of the IDs; and e) If requested by significant shareholders, to be	• Will divide Board into two & lead to parallel Boards & 2 power centres; o Issues in role of the Lead ID: • Liason between Chair and IDs- Will dilute independence, every ID should be able to liaise with the Chairperson • Interaction with significant shareholders- ignores minority shareholders (unequal treatment), too vague, difficult to implement, 'significant shareholders' not defined (Can be 5% in line with SAST), overreach, almost equivalent to investor relations, serious risk and liability in terms of what & how information and data is shared and disclosed. • Lead ID to be Chairperson in absence of Chairperson - takes away right of directors to elect Chairperson for a meeting as currently exists under CA; • Role should be limited to a defined coordinator or manager; more power would be arbitrary and may create a situation of bias, where EDs just need to influence one person to get things done. • Management is available for operational issues and access to Lead ID should be only in exceptional circumstances o No need for Lead ID in PSEs	

	availab le for consult ation and direct commu nicatio n		
22.	Exclusive ID Meetings may be held more than once at the discretion of the IDs	• **<u>Agree</u>**: Recommendation is positive and should be accepted. Only a guidance and therefore, positive. • **<u>Agree but more is required:</u>** o More such meetings should be required - ideally 3/4 such meetings. o Should be mandated every half year • **<u>Don't agree:</u>** o Law doesn't prohibit more meetings and in fact says 'at least one exclusive meeting'; so need not be prescribed	Not accepted
23.	Any appointme nt to fill casual vacancy of office of ID should also be approved by the sharehold ers at the next	• **<u>Agree</u>**: o Recommendation is positive and should be accepted o Will remove an ambiguity in the Act with regard to filling of casual vacancy caused by the resignation of an ID. • **<u>Agree with modifications:</u>** o Clarity required as to what would be the status of a director who has been appointed in casual vacancy caused by resignation of a director whose tenure expires prior to the date of the AGM. • **<u>Don't agree:</u>** o In CA (Amendment) Bill, 2017, already there is proposal to require approval of members in subsequent general meeting to fill the casual vacancy of IDs	Not accepted

	general meeting.	○ CA provisions already takes care of this issue; proposal contradicts provisions of CA, 2013/ should be aligned ○ There is ambiguity & contradiction in provisions of CA, 2013 which needs to be addressed (S 150(2) and 152(2)) ○ No reason why usual IDs appointments should be different from appointment for casual vacancy ○ Requiring special resolution will create onerous obligations on companies ○ Mandating Casual Vacancy will lead to a situation whereby on casual vacancy new ID will have to be appointed for balance term of outgoing ID which will reduce tenure of ID	
24.	Minimum no of Committee Meetings Audit Committees- Minimum 5 meetings Other Committees- at least once a year	• **<u>Agree</u>**: ○ Recommendation is positive and should be accepted ○ Will enable other Committees also (other than Audit Committee) to exercise their role more efficiently ○ Will complement increase in Board meetings to five meetings. • **<u>Agree but more is required:</u>** ○ If no of times is regulated, then duration should also be regulated (>8 hrs) ○ RMC not given good weightage and needs at least half-yearly/ quarterly meeting ○ SRC should meet at least 4 times if it to resolve security holder grievances ○ NRC, SRC, RMC-at least 2/4/2 meetings required respectively ○ Should be implemented with guidance as to what should be discussed in such meetings ○ Minimum number of CSR Committee meetings should also be specified • **<u>Agree with modifications:</u>** ○ Cost benefits analysis should be done before implementation • **<u>Don't agree:</u>** ○ Over-regulation and micro-management by SEBI	Accepted with modifications

		○ Will encourage only tick-box approach; will only increase paper work ○ Issues with respect to Audit Committee meetings: • Micro-management; leave it to the company/Committee to decide for itself, different sized companies need less/more meetings- no one-size-fits-all • Rather provide a list of items Audit Committee should deal with • 4 meetings enough if sufficient time spent and conjoined with financial results • Increase in number of meetings arbitrary ○ Alternative: companies may be required to explain why their committees have not met in a year.	
25.	Audit committee to scrutinize the end utilization of funds where total loans/ advances/ investment from HoldCo to subsidiary > Rs. 100 crore / 10% of asset size of subsidiary,	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** ○ Limiting the scope of review by the Audit Committee to only subsidiaries is highly restrictive and the Audit Committee should be competent to monitor all material expenses, financial commitments, and investments made by the company. ○ Acceptable but 10% of asset size is very low and & be reviewed/ increased. ○ Audit Committee should have a charter & provision to rely on inputs from other committees. ○ In addition, where the company is considering the acquisition of additional businesses and/ or entities, the approval of the Audit Committee should be obtained. • **<u>Agree with modifications:</u>** ○ Acceptable but may result in insignificant transactions requiring review, so threshold should be Rs.100 Crore / 10% of sub asset size, whichever is higher & should be only for unlisted subsidiaries.	Accepted

	whichever is lower.	○ Clarity is required as to the date on which the asset size of the subsidiary is to be determined. Ideally it should be with reference to the date of last audited B/S. ○ Should be based on standalone size of holding Co, otherwise will over burden Audit Committee. ○ Monitor rather than review may be more viable; review may be micro management. • **Don't agree:** ○ Not required since already covered under role of Audit Committee in LODR (under RPT) and CA, 2013 (Sec 177). ○ Clause is micro-management. ○ Will over burden Audit Committee since proposed thresholds are very low. ○ Makes the role too restrictive- Audit Committee has the responsibility to review the financial statements of the subsidiary in all respects and this clause may dilute that role.	
26.	2/3rd of NRC to be IDs NRC to recommend to the board all remuneration, in whatever form, payable to senior management.	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ All members of NRC should be IDs. • **Don't agree:** ○ Current composition of 50% IDs in NRC being independent is sufficient as no EDs other than Executive Chair forms part of NRC & NRC comprises of majority of NEDs ○ Will be in conflict with CA, 2013; definition of senior management should be consistent with S.178 of CA, 2013 ○ Over regulation and micro management by SEBI ○ Would mean that effective management will be with IDs whose role is less of management & more of supervision; may lead to inefficient conduct of Co business ○ Will not have any impact so long as IDs continue to be appointed by promoters; will only be effective if IDs elected by majority of minority.	Recommendation of 2/3rd of NRC to be IDs is not accepted. Recommendation pertaining to remuneration payable to senior management/core manageme

			nt team is accepted.
27.	Composition and role of SRC At least 3 directors on SRC; at least 1 ID Chairperson of SRC to be present in AGM to answer queries of security holders Role of SRC to be widened	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** o SRC should also receive feedback from various interactions with investors and other stakeholders undertaken by the senior management of the company. o Mere "redressal of grievance" is not enough; more role should be included. o Should also include two-way channel of communication with outside stakeholders (E.g. local community, activist groups, etc.) o Other Board members should be able to engage with stakeholders & institutional shareholders. o SRC should also identify and engage with the minority shareholders in order to ensure that corporate decision-making is more inclusive. o Stakeholders Relationship Committee be renamed as Securityholders Relationship Committee. • **Agree with modifications:** o If Chair of SRC is unable to attend AGM, should be able to nominate other person. • **Don't agree:** o Suggestion too wide and contradicts CA, 2013, Chair of SRC to be present in AGM contradicts S.178(7) of CA, 2013. o Encourages checklist approach. o Issues in engagement with institutional shareholders: • Engage with institutional investors as a separate class of shareholders is unequal treatment to shareholders; may enable such investors to get information on a preferential basis not available to retail investors.	Accepted with modifications

		• Investor team/ co engages with investors periodically. Involving the SRC committee members with Investors on an annual basis will be a challenge for the Committee • Makes way for investor community to demand a one-to-one meeting with the management; • May overlap with Lead ID whose role is also to engage with investors o IDs should not be made responsible for day-to-day work (executive function), by actively engaging in first hand resolution of grievances or adherence to service standards; role should be more of oversight.	
28.	Quorum for Committee Meetings For NRC and SRC - at least one ID for quorum.	• **<u>Agree</u>**: o Recommendation is positive and should be accepted o More participation will ensure better functioning of the committees o Would further strengthen the governance framework, especially in promoter-driven companies. o Will improve the quality of governance and decision making • **<u>Agree but more is required:</u>** o Should have at least 2 IDs in SRC; since min 1 ID required in SRC & min 1 ID required for quorum, work will be paralysed if the one ID doesn't attend. o Should have 2 IDs as quorum in all Committees- consistent with Audit Committee requirements. • **<u>Agree with modifications:</u>** o Will create practical difficulties if 1 ID required for SRC quorum (since min 1 ID in SRC and if the ID doesn't attend, work will paralyse). At best, the ID could be mandated to attend atleast one meeting in a FY. • **<u>Don't agree:</u>** o No such provision in advanced economies o Issues in availability of IDs	Accepted with modifications

29.	Applicability and Role of RMC a) Function to specifically include cyber security b) Applicability to be extended to top 500 cos	• **Agree**: o Recommendation is positive and should be accepted o Possible for top 500 with their size • **Agree but more is required:** o Role of RMC should include providing the entity with quantified information on the total risk exposure on the entity-level and quantified information on all relevant risk areas o To mitigate the risks and understanding the origin of various risks, it is required to study and analyse the cost structures of the company. So, should be expanded to 'Risk & Cost Management Committee' • **Agree with modifications:** o Function- can be made as best practices Code o Remove cyber security if dealt by Audit Committee • **Don't agree:** o Prescription of examining specific risk be, it cyber security, or any other, is micro management and should be left to the RMC/Board to determine. SEBI may issue advisory if required. o Instead of having different Committees with different roles, Board should be responsible for all aspects o RMC not mandatory in many advanced economies	Accepted
30.	Membership and Chairpersonship Limit To include NRC as well for calculating maximum committee	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications:** o The limit of membership and chairpersonship should also be increased so as to accommodate inclusion of NRC o Instead of Audit & SRC, Audit & NRC should be included o Step by step introduction/implementation in phases would go a long way and be meaningful o While counting the number of companies for reckoning the limit of directorship in companies, the Companies Act, 2013 does not count directorship by a director in a Section 8 company. The exemption should continue here also.	Not accepted

	membership	○ Word 'alone' shouldn't be deleted • **Don't agree:** ○ Workload of NRC Chair is not the same as the workload of the Audit committee & SRC. ○ NRC is a Committee which meets on SOS basis, may be once in a year; by including NRC for the purpose of limits of membership/ chairman-ship flexibility will come down, without serving any purpose. ○ Will create shortage for right individuals to chair Committees.	
31.	The listed entity may constitute an IT committee which will focus on digital and technological aspects (Discretionary)	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ A Cyber Security Committee is more important. Cyber security audit should be made compulsory. • **Agree with modifications:** ○ Can get subsumed under the Risk Management Committee ○ Can be in form of best practices code ○ Clarity is needed on whether the Committee would be constituted by Board or management ○ Must provide for the role, scope, structure etc. of the committee. • **Don't agree:** ○ Should be left to the company to decide whether it needs such Committee; not all listed companies require an IT Committee E.g. some companies could be operating with limited IT infra require very low IT oversight. ○ Micro Management by regulator. Voluntary provisions of today may become mandatory tomorrow. ○ Will be an extra burden for the companies and will trigger lot of other compliances	Not accepted
32.	Obligation on Board w.r.t	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications:** ○ Acceptable but implementation must be phased	Accepted

	subsidiaries ID on Board- to be extended to foreign subsidiary as well Material subsidiary- To be reduced to 10% (except for appointment of ID on Board)	○ Will bring more transparency in HoldCo-subsidiary relationship; but separate legal identity of the subsidiary should be maintained & distinctiveness of subsidiaries shouldn't be undermined. • **<u>Don't agree:</u>** ○ Intruding MCA's jurisdiction ○ Current requirement with respect to ID on subsidiaries has worked well and shouldn't be disturbed ○ Let the Board decide materiality of subsidiaries & significant transactions. The requirement can be more of a guidance to the Board. ○ Issues in extending to foreign subsidiaries: • Will involve additional cost & compliance burden without benefits; harmonising the same with laws of the country of subsidiaries will be a challenge • IDs in foreign companies will be subject to foreign regulatory restrictions • Imposes requirement for entities which are in extra-territorial jurisdiction • IDs should be willing to take up directorship positions in foreign companies regulated by foreign companies. ○ Issues in reducing material subsidiary limit to 10% (except for ID appointment): • 20% be retained since subsidiaries whose income/net worth > 10% will not be material. • Limit of 10% brings a lot of companies into domain and will create needless hurdles. • 2 separate definitions of material subsidiary will create confusion • Not in consonance with the law and would cover unlisted companies, apart from requiring unnecessary disclosure. • Sufficient exemptions are provided under the CA, 2013 for not requiring IDs in WOS and JVs in certain cases. By adding this	

		provision, it will take away the exemption granted to such companies. o No need to delete the word "material" in the Explanation particularly if the qualifying percentage is reduced to 10%. If the subsidiary is not material, there is no purpose in bringing its significant transactions to the notice of the board.	
33.	Where a listed entity has a large number of unlisted subsidiaries: a) Entity may monitor governance through a dedicated group governance unit or Governance Committee (of	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** o The Governance Committee can be formed from the members of management and the Board can review the same periodically. o Should be decided as to which Board members should sit on this Committees- members from the promoters or few listed companies • **Agree with modifications:** o Can be as best practices Code • **Don't agree:** o Intruding MCA's jurisdiction; dual legislation for unlisted companies not necessary. o Will involve additional cost and compliances, especially when the subsidiaries are not significant. o Once governed by the required CG requirements, there is no need to get into setting up of such governance council. o Micro management by SEBI, what is voluntary today can become mandatory tomorrow.	Accepted

	director s). b) Stro ng and effective group governa nce policy may be establish ed. c) Dec ision of having above left to the Board		
34.	Under SEBI LODR- secretarial audit to be mandatory for all listed entities and their material	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o Additionally, provision should be made for payment of minimum remuneration of Secretarial Auditor, separate disclosure of Audit fees paid to Secretarial Auditor in Balance Sheet. o Maximum limit should be imposed on the number of secretarial audits a CS can undertake. o Guidance Note should be given by SEBI specifying areas the secretarial audit should cover and report to make this exercise meaningful not a 'tick the box' exercise. SEBI should also review such reports. • **<u>Agree with modifications:</u>**	Accepted

	subsidiaries	○ Acceptable but implementation should be phased. ○ Should be voluntary than mandatory ○ Secretarial Audit should be made mandatory for those material unlisted Indian subsidiaries > 20% of the consolidated income /networth of the listed company (as against proposed 10%). • **<u>Don't agree:</u>** ○ Intruding MCA's jurisdiction; outside SEBI's jurisdiction ○ Will be in conflict with CA, 2013; ○ Already specified under CA, 2013 and will result in duplication/ redundancy. ○ Extending secretarial audit to all material subsidiaries will be in conflict to the thresholds prescribed for Secretarial Audit by the CA, 2013; thresholds should be same. ○ None of the advance economies require secretarial audit. ○ Unwarranted to conduct a secretarial audit of unlisted material subsidiaries. ○ Will only increase the cost of compliances with no useful purpose being served, especially since smaller listed companies will get covered.	
35.	Sharing of information with promoters/ other shareholders	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** ○ The regulation is currently recommendatory (as the word 'may' is used) and should be made mandatory as it is a good step to improve governance. ○ Additionally, the board should be required to frame a policy for information sharing & all such agreements should be in line with such policy. ○ Any promoter in the listed entity (and not just holding>25%) should be included as a counterparty to the Access to Information Agreement • **<u>Agree with modifications:</u>**	Not accepted

		○ Proper deliberation required as it has far reaching impact on preservation of UPSI and sharing of UPSI on a 'need to know' basis. ○ A complex issue & not confined to the sharing of information; Board should decide information which promoter can have, manner of access, & extent to which he can give directions; but should no way reduce Board responsibilities and cannot be adhering to a prescribed form of agreement. ○ In so far as the use to which the promoter makes of the information, the position should be identical to that of any director or officer of the company as it is a matter of insider trading regulations and not of corporate governance. ○ The requirement to amend the Articles of Association may be deleted as articles are covered under CA, 2013 and generally facilitate carrying on of business including power to enter into agreements. ○ 25% should be brought down to 20%- sufficient control at 20% ○ Clarity is required as to what constitutes material information ○ The word counterparty is defined as a promoter and promoter group holding 25% or more of the listed entity. Clarity required on whether this limit is to be considered individually for each promoter or together with PACs. ○ Requirement that the listed entity shall not be responsible for accuracy and veracity of the material information shared pursuant to the Agreement be deleted, can be misused. Else, clarify who will be responsible in such cases. ○ Clarity required on whether the Access to Information is mandatory or optional and whether the promoters can continue to reply on existing PIT provisions. ○ Clarity required on whether such Agreements would be an RPT as per LODR requiring majority of minority votes.	

		○ Instead of consent of the majority of the Board for removal of the employees of the counterparty from the list of designated employees, the same can be decided by the compliance officer. • **<u>Don't agree:</u>** ○ Existing SEBI (PIT) Regulations are sufficient; price sensitive information in a company should not be allowed to be moved outside it unless it is on a 'need-to-know' basis, which is already permitted in law. ○ Recommendations contrary to SEBI (PIT) Regulations and jurisprudence on insider trading laws; ○ Significant shareholders should not be treated differently from all other shareholders and cannot be given special privilege; will create information asymmetry; law should promote equality between shareholders ○ Impractical and difficult to implement; difficult to monitor flow of information through execution of agreements ○ All changes should be under SEBI(PIT) Regulations so as to avoid unreasonable demand on disclosure of UPSI by such shareholders. ○ As directors, such significant shareholders already get information. ○ Can be subject to misuse. ○ Outside Committee's mandate ○ How this will improve corporate governance is not clear	
36.	Re-classification of Promoters /Classification of Entities as Profession	• **<u>Agree</u>**: Recommendation is positive and should be accepted. • **<u>Agree but more is required:</u>** ○ In addition, clauses addressing the situation where a promoter group wants to be re-classified may be provided. ○ Re-classification provisions should additionally be available not only for the Specific promoter but also for PG and PAC. • **<u>Agree with modifications:</u>**	Accepted with modifications

	ally Managed a) <u>Where multiple promoters and a specific promoter to be re-classified:</u> o All promoters to hold> 10%; specific promoter <5% o Specific promoter not to be on Board/ on management and not acting in concert with other	o Proposal requires reconsiderations as some recommendations are already covered in the existing law, such as, the treatment to be given to the outgoing promoters on reclassification. A comprehensive re-look at the reclassification provisions is required however to make them less rigid. o Needs further deliberation in detail o Issues in specific conditions: • After a promoter ceases to be a promoter, he should not be debarred from being a director or in the management of the company. • Promoters seeking reclassification and their relatives should be allowed to act as KMP subject to approval of the shareholders as existing in the LODR. • Company should also be able to declassify promoters on its own • While committee view of 1% holding to be too low a limit is true, increasing it to 10% may not be in sync with investor protection. The raising of the threshold to 5% is recommended. • The 5% threshold should be changed to 10% to keep the thresholds same for all situations of reclassification in a listed entity. • Re-classification of a particular promoter should be permitted with the approval of the Board of Directors instead of approval from shareholders. • **<u>Don't agree:</u>** o The declassification or reclassification is already sufficiently provided in existing regulations. o Increasing 1% to 10% for professionally managed companies is good from the promoter's point of view but not the regulators point of view as they would want the promoters to have lesser control over the company after being re-classified.	

	promoters ○ On request of promoter, Board to approve, then shareholders to approve (specific promoter not to vote) b) <u>When one promoter and Co to be professionally managed:</u> ○ Promoter not to be on Board/ on		

	management ○ Promoter & group holds < 10% On request of promoter, Board to approve, then shareholders to approve (promoter not to vote)		
37.	Disclosure of RPT	• **<u>Agree</u>**: Recommendation is positive and should be accepted. • **<u>Agree but more is required:</u>** ○ Should also include disclosure of transactions by the listed entity with entities where the listed entity holds shareholding of 10% or more. ○ Rationale for RPTs should also be required to be disclosed ○ Additionally require statement that the RPTs are performed at true and fair price. ○ Disclosures should be quarterly • **<u>Agree with modifications:</u>** ○ Acceptable but implementation should be phased ○ Under S. 2(76) of CA, 2013, the definition of "related party" does not include a promoter. If promoter is to be included in the	Accepted

		definition of RP, the test should be the holding of shares in the promoter company and not in the entity. o Suitable exemptions required for State Owned Enterprises as currently there under Accounting Standards. o Half-yearly will lead to compliance burden but consolidated disclosure is welcome. o If half-yearly is accepted, requirement of quarterly disclosure under LODR should be done away with. • **Don't agree:** o Existing requirements sufficient: • Existing RPT requirements- quarterly reporting requirement in LODR, Audit Committee & Board approval, shareholders' approval in special cases, regulated under Transfer pricing, disclosed in Annual Accounts, detailed requirements under Ind-AS 24. More is unnecessary. • No value add, only creates confusion and onerous compliance. o Huge exercise and will be time consuming. o Rationale of disclosing transactions > 10% holding promoters is unclear especially when promoter group persons > 20% or more holding are now covered under the definition of RPs and the transactions with such promoters would anyways be disclosed by the company. o Contradicts with disclosure under AS/Ind-AS and need to be aligned. o Would lead to furnishing of information that is competition sensitive.	
38.	Related parties to abstain from voting in RPTs	• **Agree**: o Recommendation is positive and should be accepted o Will bring in much needed clarity • **Agree with modifications:**	Accepted

		○ Enough checks and balances should be in place to ensure that the interest of Co is safeguarded; one party may vote against another to satisfy its own interest. • **Don't agree:** ○ Fundamental principle- shareholders are free to exercise their right to vote in whatever manner they desire. Law can say not permitted to vote but cannot dictate nature of voting.	
39.	For Royalty/brand payments > 5% of consolidated turnover - prior approval from the shareholders on a majority of minority basis	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ All such agreements should have shareholder approval; if limit of 5% is imposed, companies will pay 4.99% ○ Should be reduced to 2% in line with MCA comments/ Should be 2% of annual consolidated turnover and/or 20% of the net profits of the listed entity. ○ Once promoters raise public money, they should not be allowed to use brand name of company; this will reduce misuse of name by promoters for securing public votes in their favour • **Agree with modifications:** ○ Acceptable but should be implemented in phased manner ○ CA, 2013 provides for thresholds- 10% of revenues / Rs. 50 crores whichever is less for services; there should be consistent limit of 10% of revenues & sub-limit of 5% for brand/ royalty. • **Don't agree:** ○ 5% limit is arbitrary, why not 2%/7% ○ Commercial decision of Board; rather Board should justify payment for brand usage ○ May not have effect/ may be counter-productive: • Putting any restriction or policing payment may not help. There will be several ingenious ways to make payment. • Will give leeway for charging high royalty amount; mere disclosure will not serve purpose	Accepted with modifications

		• Will curb FDI in an environment where we are driving Ease of doing business • Nature/description of payment could be modified to circumvent the requirement. o Unclear why restriction specifically on royalty: • Post de-regulation of royalty payments by RBI in 2009, there have been several scrutinies and court cases, however there have been no adverse conclusions on royalty payments • Singling out specific type of RPT is not desirable and rationale is unclear.	
40.	Shareholder approval by special resolution if total remuneration paid to: a) Single executive promoter-director > Rs. 5 crore or 2.5% of the net profit, whichever is	• **Agree**: o Recommendation is positive and should be accepted o Much needed to avoid misuse by promoters • **Agree but more is required:** o Limits should be more stringent, Remuneration to a single EPD < 1%, all EPDs< 3% o Absolute Limits should be put in CA in place of special resolution which can easily be manipulated o Incentive should be based on last 3 years average performance o Executive promoter director remuneration should be determined by a supermajority vote under all circumstances o Inclusion of payment to non-promoter executive directors should also be brought under the same cap. o For loss making entities, remuneration should be linked to liquid net assets. o Appropriate pay-out limits to executive-promoter directors in case of inadequate or no profits should also be included. • **Agree with modifications:** o Acceptable but should be implemented phase-wise o Proportionate limits may be introduced under LODR Regulations similar to CA, 2013 provisions which prescribes a sliding scale of compensation based on effective capital.	Accepted

	higher; or b) All executive promoter-directors > 5% of net profits. SEBI may review status in future based on experience gained.	• **<u>Don't agree:</u>** o In conflict with CA, 2013; should be harmonised with S.197 of CA o Already well covered in S.197 &198 read with Schedule V of CA and are adequate. To impose additional restrictions is like taking a step backward o Will have no impact/ may have adverse impact: • Changes are derogatory and go against the principle of liberalization & ease of doing business. • Micro-management by regulations impinge on Board processes & throws doubts on the capacity of Boards, particularly when appointment & remuneration of Directors require mandatory shareholder approval • Will add to compliance cost o Issues in applying only to executive promoter directors: • Will create two classes of EDs– those who are part of the promoter group requiring special resolution, and those who are not who require ordinary resolution • EPDs & other EDs should be at par since they are equally responsible under all laws • Unfair and unequal treatment to put additional restrictions just because the person may belong to promoter family. o NRC & Board are best placed to determine director remuneration o Exemption required for CPSEs	
41.	In case the remuneration of a single NED > 50% of the pool being distributed	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** o Rather than requiring approval every year, allow one-time approval with an overall cap on the remuneration (including annual increments). • **<u>Don't agree:</u>** o Should be provided for in CA, 2013 first/align with CA, 2013 as it would otherwise result in a conflict	Accepted

	to the NEDs as a whole, shareholder approval to be required (promoter can vote).	○ CA, 2013 already sufficiently takes care by providing caps. Will be a step backward. ○ Shareholder approval for every minor purpose will lead to micro management. ○ No logic behind recommendation ○ There should be a monetary limit for each company to be fixed by the board and approved by the shareholders; sharing of this remuneration between the different directors should be left to the Board but it should explain to the shareholders the criteria and the process by which this remuneration is shared. ○ Would only serve to largely bring the matter to notice; rather require IDs to be appointed only by majority of minority.	
42.	Materiality policy to include clear threshold limits duly approved by the Board. Policy to be reviewed by the Board at least once every 3 years and updated accordingly.	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** ○ Acceptable but should be implemented phase-wise • **<u>Don't agree:</u>** ○ Rationale behind insertion not clear since materiality only affects shareholder approval and threshold already provided in LODR. ○ Quantifiable limits impossible; materiality purely a question of facts & based on magnitude & probability; high magnitude may not be material & low probability not always non-material; some low value may also be material if qualitatively material. ○ Threshold limits depend on the business requirement of the organisation which is regularly reviewed by the audit/board. Mentioning of threshold should not create a situation for fresh approvals which may hamper the operations of the organisations. ○ Undermines the role of Audit Committee that approves the thresholds of transaction based on information put up before them. ○ The Policy on materiality, in any case, would require review. Adding such a requirement as part of regulation is only micro-management – should be avoided.	Accepted

43.	Annual reports (i) Wherever email available with co/ depositories, only soft copy should be sent (ii) Mobile numbers and emails should be mandatory for all demat accounts; demat may be linked with	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o The shareholders should have some responsibility to receive information from the Companies. They should communicate their correct and updated address / e-mail ID to the company, so that company's money will not be wasted by way of undelivered letterers or e-mails. o Only pdf/searchable formats should be used o Should be in XBRL as available globally • **<u>Agree with modifications:</u>** o Shareholders can only adopt the Annual Report at the meeting and cannot suggest amendments and accordingly, clause (iii) to be reviewed.	Accepted

	Aadhar (email can be taken from there) (iii) Annual report to stock exchanges & website along with dispatch of notice; If amended, revised copy within 48 hours of AGM		
44.	Credit rating a) All ratings	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o Disclosure should include current ratings and previous two years ratings (for knowing movements)	Accepted

	of all outstanding instruments to be in one place on website (updated); Also to be disclosed annually to exchanges b) Mechanism whereby CRAs can send info directly to exchanges	• **Don't agree:** ○ Already, detailed requirements for disclosure of credit ratings are there- as part of ISIN description, Offer Document provided to Investors, by CRAs, Reg 30 of LODR, etc. The rationale for including in the Board Report is not clear.	

45.	Disclosures on DR holders a) Entity to obtain details of holders of DRs from overseas depositories at least on monthly basis b) Based on info obtained, entity to disclose details of holders holding >1% to exchange along	• **<u>Agree:</u>** Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** o Both should be quarterly • **<u>Don't agree:</u>** o Lack of information with overseas depository: • If assumption is DR holder= ultimate BO, overseas depositary doesn't have this information and hence, cannot provide. • In US & European DR markets, overseas depositary doesn't routinely receive complete BO information for DR program & currently there is no general mechanism to obtain this information • Overseas depositary maintains a DR register which has details of registered owners (ROs), Common Depositary and Central Securities Depositaries ("CSD"). ROs may be BOs or their nominees. However, the majority of DRs are held through CSD participants. CSD participants are under no obligation to provide their client information to the overseas depositary. DR holders may have direct accounts with CSD participants or through additional participant layers. • Due to the variety of practices in world's securities markets and specific regulations (bank secrecy laws in Europe and contractual client confidentiality provisions) regarding disclosure of BO information, it is challenging for depositary banks to ascertain the identity of BOs.	Not accepted

	with shareholding pattern quarterly.		
46.	Searchable formats Disclosures in XBRL format to exchanges and in searchable format on website.	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications:** o Clarity required if this is for all disclosures made to stock exchanges, or only those (annual report/directors) mentioned in Reg 36. o XRBL format is machine readable but not by general public. If this requirement applies for all disclosures in soft form, then companies should upload both in text-searchable pdf and XRBL formats, as is already being done in some cases. o Clarity as to whether searchable formats means 'find within documents' tool; whether the document should be searchable on website or the content of each document should be in searchable format. o Clarification required on Press release since it is not in XBRL Format hence it cannot be given in searchable format. • **Don't agree:** o To review documents in XBRL format, shareholders will require additional software support to decrypt information/disclosures provided. o XBRL- difficulty in preparation & understanding, should only be searchable pdfs.	Accepted
47.	Harmonisation of disclosures	• **Agree**: o Recommendation is positive and should be accepted o Having a common format will make it easier for companies to comply with the prescribed disclosure norms.	Accepted with modifications

	a) Exchanges to harmonize disclosure formats by Apr 1, 2018 b) Disclosures on exchanges in XBRL format (latest taxonomy) by Apr 1, 2018 c) Common filing platform by Apr 1, 2018 d) Disclosures in exchanges and MCA to	○ Will facilitate the ease of viewing and accessing the disclosures and reduce the complexities of varying formats of disclosures ○ Common disclosure filing platform shall facilitate auto-generation of the files containing the disclosures in searchable formats which can be used by the listed entity for uploading the same on its website. ○ Entering data on two different exchange platforms, requiring information in two different formats is currently a challenge and often results in manual errors. Harmonizing the Exchange's platforms will be a welcome measure and will save compliance time and cost. ○ Harmonization of disclosure by stock exchange and MCA will help the investors and shareholders in taking effective decisions and no complexities will be involved in understanding the financial statements of the company • **<u>Agree but more is required:</u>** ○ It is desirable that all filings should be in uniform format and only with one regulator and all the other parties should be asked to fetch the data/information from that filing. ○ Doing away with filings which are not being used/do not add value and where information is already available with the same regulator/authority or could be accessed from another regulator ought to be implemented from ease of doing perspective. • **<u>Don't agree:</u>** ○ Disclosures made to Stock exchanges and to MCA are totally different since listed and unlisted companies both make their disclosures on MCA. It will always make sense to have separate platforms for listed entities.	

	be haramonised as far as possible		
48.	Do away with the disclosure requirement on Analyst/ institutional investor meets	• **<u>Agree</u>**: o Recommendation is positive and should be accepted o Such disclosure is cause of consideration mischief by unscrupulous market intermediaries • **<u>Agree with modifications:</u>** o Acceptable but if a leading personality meets a company, the marketplace may front-run which can be avoided if disclosures on analyst meets are mandated without disclosing names of personalities or institutional investor profiles. • **<u>Don't agree:</u>** o There is no justification for restriction on disseminating such information. o Rationale not provided for removing disclosure, merits/demerits should be weighed before accepting. o Such disclosures alert retail investors and financial media to keep an eye out for these calls. Otherwise they may end up missing out on knowing about the discussions in these meetings or conference calls. o If disclosure is removed, there will be two sets of praja, and the bigger institutional praja will have an upper hand. o Rather than removing disclosure, more disclosures are required- Along with the presentation, the discussions are equally price-sensitive and should be available live for retail investors too. Internationally, all companies provide a simultaneous audio web feed or video feed online, in a listen-only mode, as applicable. This should be mandatory in India also. If the company can't	Not accepted

		provide, should be required to provide a written transcript within 3 working days.	
49.	Key changes in financial indicators a) To disclose in MD&A certain key financial ratios (or sector-specific equivalent ratios), as applicable, wherever there is a change of 25% or more in	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o Should additionally include risk-coverage ratio • **<u>Agree with modifications:</u>** o Acceptable but only detrimental changes should be reported o Ok but should be principle-based than rule o Make the disclosure discretionary instead of mandatory o Only significant change in RONW should be required to be disclosed. • **<u>Don't agree:</u>** o Investors can interpret these on their own, will not add value o Rationale behind such recommendation / disclosure in unclear. o Unnecessary addition increasing volume of MD&A report; Too much information will over-shadow more relevant information o Micro-regulation not required. o Recommendation may be dropped or the % may be substantially increased (25% insignificant) o Unnecessary since the company's performance is clearly listed out in the MD&A report in the backdrop of the economy.	Accepted

	a particular financial year, along with detailed explanations thereof. b) Ratios- Debtors & Inventory Turnover, Interest Coverage, D/E, RONW, NPM, etc.		
50.	Appropriate disclosures on	• **<u>Agree</u>**: o Recommendation is positive and should be accepted o This was a gap in regulation and needed to be filled. • **<u>Agree but more is required:</u>**	Accepted

	utilisation of QIP/pref issue proceeds till utilized.	○ Proceeds received from various modes of issue of shares should be treated similarly. A disclosure in this regard may be added. • **Don't agree:** ○ While no objection in principle, there are already enough disclosures made by the companies in the offer document itself. ○ Duplication as the same is already reported to the stock exchanges pursuant to provisions of SEBI LODR Regulations.	
51.	Guidelines for overall improvement in standards of information in valuation reports of schemes. Specific disclosures on assets, liabilities & turnover of the entities involved in the valuation reports	• **Agree**: ○ Recommendation is positive and should be accepted ○ Important for ascertaining the value of assets, liabilities and turnover value of the entities which plays a major role in M&A. ○ Important as currently, there are divergent market practices of disclosures made in valuation reports and the schemes of arrangement involving listed entities. This may lead shareholders not having sufficient information to make an informed decision. • **Agree but more is required:** ○ Wherever any valuation reports for scheme are placed before the Board/ Audit Committee , the proposed valuer and Statutory Auditor or their representative should mandatorily be present at such meeting and Statutory Auditor should consent on such valuation if accepted by them. ○ SEBI should also consider incorporating the guidelines on "Valuation Report Standards" issued by International Valuation Standards Council (IVSC) which are global best practices on valuation. ○ Additionally, to increase the level of transparency, independence and integrity in providing valuations to publicly traded companies in India, SEBI may consider allowing only 'Registered Valuers' as per Section 247 of the Companies Act, 2013 to provide such valuation services.	Accepted

		○ Companies should also be required to disclose the reports from independent financial advisers, if obtained, for purposes of related party transactions. • **Agree with modifications:** ○ Should be done but under CA, 2013. • **Don't agree:** ○ Not required; Should be harmonised with the provisions of CA, 2013 and rules which provide detailed requirements and should be done after discussing with MCA. ○ Pigeon-hole approach shouldn't be followed; indicative valuation guidelines already available in CA, SEBI Regs and AS. ○ Already enough disclosures are there.	
52.	Regular disclosure on directorships in Annual reports (name of entities, category of directorship)	• **Agree**: ○ Recommendation is positive and should be accepted ○ Will allow shareholders without access to paid information services to assess the total workload of members of the board and whether they are likely to be overstretched. • **Agree but more is required:** ○ Additionally, there should be a specific requirement for directors to inform new appointments/resignations (which should include Committeeship positions). ○ Such disclosure should also include directorships of companies listed on stock exchanges outside of India. • **Agree with modifications:** ○ Can be incorporated in quarterly CG compliance report itself. Disclosures in the Annual Report may be restricted to summarized form of reporting ○ Clarity is required whether the term listed entities includes debt listed entities. ○ Can be put on website than making Annual report bulky; important information will get submerged. • **Don't agree:**	Accepted

		○ Details already available in MCA portal and the list of companies in which a Director holds directorships is provided in the Notice while appointment /re-appointment. Hence duplication of information; intent not clear in additional disclosure and unnecessary compliance burden. ○ Might result in errors since Annual reports are compiled months later after the year end; it will become a task to try to gather the correct information. Further, data in MCA portal is latest and updated. ○ Doesn't add any value except for provision of additional space in the annual report leading to wastage of paper and going against the principle of 'Green Initiative'.	
53.	A certificate from a practicing CS that no director on has been debarred/disqualified from appointment/ continuation by any authority	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications:** ○ Management should provide this confirmation than CS; may be included in Board report. ○ This could be part of the Secretarial audit report and there should no specific disclosure requirement in annual report or it should be only on exception basis. • **Don't agree:** ○ Directors already bound by their "fiduciary duties" to disclose disqualifications; another provision specifying the same is not necessary ○ The disqualifications related provisions already certified by the external/Statutory Auditors of the Company in the Independent Auditors' Report. ○ In absence of publicly available information, the PCS will have to rely on self-certification which may not add any value. The PCS may refer the list of MCA to see the debarred directors. But in case of SEBI, there is no such forum or place were a PCS/ or any other person can check the status of the directors. Therefore, this will lead to practical issues.	Accepted

		○ Self-certification by Directors should be sufficient.	
54.	All disclosures to be in separate section at one place	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ Even information submitted to RoC should also be available publicly on listed company websites • **Don't agree:** ○ Overlaps with recommendation on searchable formats. ○ Information required to be disseminated on the website pertains to various categories and therefore, the same should not be put under a separate section. ○ Will put the companies into operational inconvenience and disable the listed entities to disclose the information in the web site in the syncronized manner.	Accepted
55.	Separate audited financial statements of each subsidiary to be on website at least 21 days prior to AGM	• **Agree**: ○ Recommendation is positive and should be accepted ○ Prior information on the financial position of subsidiaries will assist shareholders to take a more informed decision in the general meeting. ○ Will enhance transparency and ease of reference for shareholders. ○ Overwhelming reliance has already been given to consolidated financial statements numbers. So this can be done before the AGM. • **Agree with modifications:** ○ While recommendation is positive, applicability of this recommendation is complex as, according to a circular from the Ministry, all financial statements prior to 1st April, 2014 shall be governed by CA, 1956. This will cause confusion among the shareholders. Moreover, a huge amount of shareholders are scattered and not active participants. • **Don't agree:** ○ Already provided in third proviso to S. 136(1) of CA	Accepted

		○ Already enough disclosures (Consolidated financial statements annually, disclosure of RPTs, ownership interest/voting power held in the subsidiaries, etc.) & hence may not serve any purpose. ○ Not material foreign subsidiaries might not require an audit at all or might not have a year ending March 31. ○ An unnecessary imposition that would cost fees and time with little benefit to shareholders. It would seriously harm their interests by providing to competitors, Indian and foreign, information that the company would rather make difficult to access.	
56.	Guidance- a) MT & LT strategy to be disclosed under MD&A section of Annual report (MT/LT to be defined by entity itself) b) For measure	• **<u>Agree</u>**: ○ Recommendation is positive and should be accepted. ○ Will improve transparency and enable better decision making by investors. • **<u>Agree with modifications:</u>** ○ Need not be made a mandatory requirement, let company disclose this information as it deems fit. ○ Worthy recommendation, but its nature can be much more specific E.g. ESG aspects • **<u>Don't agree:</u>** ○ Will be verbose in flowery language which will not serve any great purpose ○ LT&MT strategy subject to change in dynamic environment, providing every detail crates additional responsibility ○ Might adversely affect competitive advantage of the company. No organization would like to share its strategy with customers, suppliers, and most importantly with competitors, in a public forum. Competitors may use activist shareholders to compel company to disclose more info than what is considered appropriate by the Board.	Accepted

	ment of progress of LT strategy, disclosure of LT metrics c) Examples of both strategy and metrics provided	○ In rapidly changing business environment, it is often difficult to distinguish between tactical decisions and strategic decisions; so compliance will be difficult. ○ Enough information is provided in various segments of the annual report to understand the broad outline of the strategy; therefore, amendment not required. ○ Counter-productive to requirement of non-disclosure of forward looking statements and can lead to speculation. What will happen if the company is not able to achieve the strategy as disclosed? ○ Strategies are classified and price sensitive information and this can lead to conflict with PIT Regulations which prohibits sharing of price sensitive information Strategies are subject to change and company need to strict adhere to it.	
57.	Advance notice should be provided for bonus issue and therefore, clause to be deleted.	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Don't agree:</u>** ○ Bonus doesn't improve profitability/growth, merely accounting entry, no reason provided as to why bonus is price sensitive information. ○ Deletion of proviso creates a void space on whether the Board can take up bonus issue if not in the agenda of Board meetings. ○ Board meeting decision already required to be disclosed within 30 minutes of closure. ○ Market assumes when placed before Board, it'll be accepted, if Board doesn't approve, price reacts; opportunity for dishonest management & Board also pressured to accept. In fact, advance notice shouldn't be required for other agenda as well. ○ Many times, bonus issues are kept confidential till board approval. After Board approves, stock exchanges are immediately informed. Informing Stock exchanges in advance will lead to unnecessary stock price volatility.	Accepted

		○ What will happen if the Board does not approve Bonus Issue? It may lead to agitation during AGM. It only adds unnecessary pressure on the board to approve bonus issues before going through a due process. The recommendation needs to be reviewed.	
58.	If Board has not accepted any Committee's recommendations, to be disclosed along with reasons in Annual report	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications:** ○ Acceptable; however, only mandatory Committees to be considered. ○ While it is a good recommendation, a concern arises that committees may act less freely and fully, attempting to factor for the wider board's views before making its recommendations. To ensure independence of Committee functioning, let it be upto the Committee to decide whether the rejection has to be made known. • **Don't agree:** ○ Disclosure can lead to potential class action claims against the company if decision of the Board goes against the company. ○ Simply because LODR doesn't provide for disclosures where Board has not accepted any Committee recommendation while CA, 2013 provides for disclosures with respect to audit committee is not sufficient to made additional disclosures mandatory. ○ Adding every rejected recommendation to the Board Report will only increase the length & overshadow more important information.	Accepted
59.	Commodity risk disclosures- Detailed reporting format	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** ○ Additional details should also be prescribed such as methods for quantitative disclosures, etc. • **Don't agree:**	Accepted

	along with the periodicity of disclosures may be outlined by SEBI.	○ Risks for every company vary according to industry / sector, economic environment & other factors; it cannot be identified & tabulated into a list. ○ Unclear why a specific focus on commodity-related risk needs discussion. If commodity pricing-related risks are material to a company, its strategy and hedging stance should be made known anyway.	
60.	Audit qualifications-Disclosures to be strengthened. Quantification of qualifications to be made mandatory except in certain cases where management to provide reasons and auditor to review the	• **Agree**: Recommendation is positive and should be accepted • **Don't agree:** ○ Let the contents of auditor qualification & related issues be left for ICAI to decide; no need for amendment. ○ Not much different from existing law ○ If an estimate of the impact of an audit qualification is not verifiable, the estimate could be misleading. It would harm the investors. ○ It would be onerous for the auditor to comment on estimates that are not verifiable. ○ Diligent users should be able to form their opinion on audit qualifications, impact of which could not be estimated. ○ Not workable. If the matter is capable of estimation, auditor can make the estimate, if not, making an estimate mandatory will not make it estimable. ○ This should be left to auditing standards for the auditor. The management may need to explain their estimate of the quantification and the basis for estimation. ○ The requirement of quantifying the audit qualification is very subjective and lead to arbitrary valuation. The requirement of quantifying the audit qualification may be done away with.	Accepted

	same and report.		
61.	Where auditor does not concur with expert opinion appointed by the entity, they should have a right to obtain independent external opinions (cost to be borne by entity)	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** o Management should obtain opinion only after selecting expert in consultation with auditor; if opinion has already been obtained, auditor should have option to ask for a 2nd opinion from an expert to be jointly selected. This will avoid created when conflicting opinions are obtained by management & auditor. o Experts should be independent of both management & auditor as suggested by MCA o Such powers are more relevant where an auditor is undertaking investigation and has wider accountability to those seeking his report, as compared to certification / audit of financial results of a company. o Opinion from an independent external expert may be obtained by the Auditor but not at the cost of the entity. It should be borne by the Auditor. • **<u>Don't agree:</u>** o If there is an expert several views are possible. As long as an expert's view is obtained whether by Company or auditor, the same should be sufficient. Obviously the expert appointed by auditor to justify will provide a different view. There will then be a rejoinder view from Company expert. There is no end to it. o Auditors can't have such unbridled power, will be disproportionate to responsibilities. o Unwarranted cost; will stretch the matters and make the audit processes cumbersome o In the current framework, the auditor engages with the management and deliberates on the information so published bringing objectivity and professionalism without compromising on management accountability. In case the auditor is not agreeable	Not accepted

		to any information so published or accounted, he can anyways give qualified report.	
62.	Group audit- Hold Co (listed) auditor should be responsible for audit opinion of all material unlisted subsidiaries.	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** o It is necessary to create an internal audit team that is in regular contact with the external audit team • **Agree with modifications:** o Agree with MoF that 'responsibility' of the auditor of the holding company needs clear legal definition. • **Don't agree:** o Audit opinions domain of ICAI & should be left to ICAI discretion. o May unduly increase concentration and potentially make the size of certain audit engagements impinge on independence. Will through small auditors out of profession o Highly impractical and increases compliance cost o Unfair to HoldCo auditor	Accepted with modifications
63.	Periodical financial disclosures: a) Consolidated quarterly results to be mandatory b) Cash flow statement to be	• **Agree**: Recommendation is positive and should be accepted • **Agree but more is required:** o Cash flow statement should be quarterly. o There is no logic for 80%, it should be full consolidated in this era of technology. o Simultaneously, standalone fin statements must be done away with; standalone no longer relevant as Ind-AS has mandated restatement of common-control transactions & push-down accounting from date of acquisition. • **Agree with modifications:** o Acceptable but implementation should be phased. o The preparedness of Companies to implement such onerous obligations should be checked before implementing. o Should apply only in case of material listed subsidiaries; there may be unlisted subsidiaries without activity which will only take unnecessary time & effort.	Accepted

	mandatory on half yearly basis c) 80 % of each of consolidated revenue, assets & profits to be audited/ ltd review every quarter d) Last quarter results- to disclose by way of a note, aggregate effect of material adjustm	• **<u>Don't agree:</u>** o Too much information in quarterly statements may misrepresent true financial position. o Shows complete distrust on management & external auditor of the subsidiaries/associates besides being not practical. Views of auditor of HoldCo & subsidiaries may differ. o The audited financials of material unlisted subsidiary are already getting consolidated annually o Consolidated quarterly financial results will entail significant cost & effort o Almost impossible for large number of listed companies to furnish 80% consolidated information on time; 80% will also be difficult to comply where audit/ review is not mandatory in foreign jurisdiction. o Most of the companies are currently in a settling down process with significant changes emanating from implementation of Ind AS, GST & ICDS. Another regulatory requirement to disclose quarterly consolidated results is unnecessary and not justified. o Half yearly cash flow may not be relevant since material info & defaults already being disclosed; o Appreciation of cash flow requires investor to have other details typically available in annual financial statements & such linkages will not be possible in periodic abridged financial results; therefore understanding will be incomplete/ erroneous.	

	ents made in the results of the last quarter which pertain to earlier periods.		
64.	Internal Financial Controls- Also to apply for foreign subsidiaries; SEBI may take up with ICAI	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Don't agree:</u>** o Should be left at ICAI's discretion o Auditor of an Indian company cannot report on Internal Financial Controls of foreign Subsidiary as the Law of every country are different. o Will add to compliance cost substantially.	To be referred to other regulators/ professional bodies
65.	Detailed reasons for resignation of auditor as given by the said auditor to be disclosed	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o The regulation should provide for disclosure of detailed reason for resignation together with management comments. o Should apply to removal as well (including non-ratification of appointment of auditor within 5 years) • **<u>Agree with modifications:</u>** o LODR already contains provisions of informing change in auditors to stock exchanges but obligation to give reasons of resignation should not be on the companies.	Accepted

	to exchanges	• **<u>Don't agree:</u>** o Already provided under CA, 2013 so duplication and not required.	
66.	Total fee paid to auditor + all entities on the network firms/network entity to be disclosed in annual report on a consolidated basis.	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree but more is required:</u>** o Doesn't go far enough, the audit firm should disclose each type of service and the amount of compensation for each service, without any materiality threshold • **<u>Agree with modifications:</u>** o Acceptable but implementation should be phased. • **<u>Don't agree:</u>** o Disclosure of consolidated payments will not demonstrate distinction between audit & non-audit related payment; shareholders will not be able to identify services for which non-audit payments are being to the Auditors. o Disclosures already made in financial statements & will be mere duplication o Terms like network firm / network entity not defined and even if defined the same will be in addition to the terms 'Associate' and/or 'subsidiary company' already defined in the Act that will create more confusion. o The relevance and practicability of disclosure may be lost if disclosure is extended to network firms /group companies of reporting entity; principal auditor may not be able to influence network firm / group companies & there might be challenges with capture of data o The scope of work and fee payable for Audit and Non-audit services in the holding company and subsidiary will be different and hence making a consolidated disclosure of the entire fee piled in all such companies under one heading will be meaningless and hence needs to be deleted.	Accepted

67.	Audit quality indicators- Many of the Audit quality indicators already a part of ICAI's peer review system. SEBI may take up with ICAI to make these public	• **Agree**: Recommendation is positive and should be accepted • **Don't agree:** o Not SEBI's domain o Redundant as the auditors are those who are already subject to peer review and provide a certificate of eligibility. Their credentials are already proven.	To be referred to other regulators/ professional bodies
68.	Disclosures of auditor credentials, audit fee, etc.- On agenda's explanatory item, require disclosure of basis of recommendation	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications:** o The auditors remuneration for the year of appointment may not be possible to disclose in all cases; it is an accepted practice to authorize the BoD to fix the remuneration of the auditors on recommendation of the Audit committee after assessing the work involved, time taken, etc. Therefore, only the remuneration for the previous year can be disclosed in most cases. o Should be optional & not mandatory o Acceptable but implementation should be phased. • **Don't agree:** o Will conflict with the CA, 2013 provisions; appointment of an Auditor is an Ordinary Business & doesn't require explanatory	Accepted

	including auditor credentials, proposed fees payable, terms of appointment, material change in the fee payable (with rationale).	statement under CA, 2013 & so over-rides provisions of CA, 2013. o Shouldn't be made mandatory at the time of appointment itself as the fee changes based on the scope; however, can be ratified at the subsequent AGM, if required. o Flexibility to decide auditor remuneration must remain with directors since need based audit- requirements may arise during the year; shareholders may decide fee band. o Auditors subject to peer-review, so auditor credentials disclosure is superfluous. o Requirement to provide basis of recommendation in the explanatory statement is too vague and should be deleted. o The words relating to credentials should be removed- not in line with ICAI Act & ICAI Code of ethics; In case, it is required, ICAI can issue the framework for disclosure so that it is within the ambit of Chartered Accountants Act and Regulations	
69.	Audit qualification needs detailed scrutiny and QARC may be revived/similar mechanism may be put in place; process to be time bound	• **Agree**: Recommendation is positive and should be accepted • **Don't agree:** o The policy for such oversight would be captured in CA, 2013 upon NFRA notification. o QARC was removed because it increased compliance & cost for companies; auditors are experts in audit & there is no need for a QARC to check auditors' work / report. o Once NFRA is established, it will provide for review. There is no need to include this in LODR.	Not accepted

70.	SEBI should have clear powers against auditors and 3rd party fiduciaries with statutory duties under securities law; power against individuals and firms; in both fraud and gross negligence To be implemented after due consultation with relevant stakeholders (ICAI/ICSI)	• **<u>Agree</u>**:
		  ○ Recommendation is positive and should be accepted
		  ○ If the ID as a Chairman of Audit Committee has legal responsibilities, then it stands to reason that the Auditor's responsibilities also need to be examined from the listed Entities angle for which SEBI is the regulator.
		• **<u>Don't agree:</u>**
		  ○ Will give rise to jurisdictional issue with ICAI
		  ○ Present provisions already allow SEBI to hold Auditors liable in case of mis-conduct, so such amendment is not necessarily required.
		  ○ Once NFRA is established, it will provide for review. There is no need to include this in LODR
		  ○ To avoid multiplicity of agencies in this context
			Accepted

71.	Ind-AS adoption- Full implementation without extension	• **Agree**: Recommendation is positive and should be accepted • **Don't agree:** o Committee is inclined towards companies following International AS due to the difference between the Indian AS and International AS & on the other side it requires banks, NBFCs and insurance companies to adopt Indian AS. o It should be regulated by sectoral regulator/MCA. o Not ambit of CG, falls under RBI	To be referred to other regulators/ professional bodies/government
72.	Strengthening role of ICAI a) To increase max fine for individuals- 1 crore; for firm- 5 crore (for repetitive violations) b) Increased disclosure by ICAI of	• **Agree**: Recommendation is positive and should be accepted • **Don't agree:** o Outside the jurisdiction of SEBI. o Should be left to ICAI o Once NFRA is established, it will provide for review. There is no need to include this in LODR	To be referred to other regulators/ professional bodies

	action against members c) Separate team for enforcement for listed entities d) To have team to analyse proxy advisor reports on audit matters and take action		
73.	Strengthening QRB: a) QRB should be strengthened to meet independence	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Don't agree:</u>** ○ In the current scenario, such a recommendation is not required. ○ Once NFRA is established, it will provide for review. There is no need to include this in LODR	To be referred to other regulators/ professional bodies

	criteria of IFIAR and should become its member at the earliest. b) To be give requisite financial resources, staff, infrastructural support by the government, etc. for operational independence c) Reasons for disagreement		

	between ICAI and QRB to be recorded in writing & communicated to QRB		
74.	AGMs of listed entities- d) Top 100 entities - to hold AGMs within 5 months i.e. by August 31, 2018; May be extended to other entities based on	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** o In principle agreeable but needs further deliberation before implementation • **<u>Don't agree:</u>** o Outside jurisdiction of SEBI; Conflicts with CA; No need to go beyond CA, 2013 o Existing provision is in consonance with global practice o No rationale to reduce time period; no rationale as to how this will improve CG o Top 100 will keep changing from year to year & will only create confusion o In Nifty50 index, > 3/4th held their AGMs before Sep, so no point making mandatory; will also lead to bunching in Aug o 6 months should continue for PSEs since CAG audit takes time.	Accepted with modifications

	experience. e) Over time, target to reduce to 4 months		
75.	a) Live one-way webcasts of all shareholder meetings for top 100 entities on trial basis; may be extended in future b) E-voting to be open till midnight on the	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** o Companies should make available the notice copy (including amendments / addendums issued) on the E-voting service provider's portal o Alternately, there can be webcast only of the Chairman speech. o Should be recommended as good practice • **<u>Don't agree:</u>** o Outside jurisdiction of SEBI; Conflicts with CA, 2013 o Issues in webcast: • Should be decision of company to provide webcast. • Webcast will only add to financial and compliance cost • Lot of challenges including logistical problems in smaller towns for webcast • Interface with shareholders on personal basis is much more result oriented compared to proposed virtual meetings that would be one way and defeats the purpose of interacting with the shareholders. • Will be concern of possible insufficient quorum as shareholders may not attend physically due to webcast. • AGM secrecy difficulty to maintain; only for shareholders not for public at large • AGM proceedings are filed by the listed companies within 24 hours of the AGM and hence not required	Accepted with modifications

	day of the general meeting. (Modification of votes not to be allowed).	• There may be bandwidth issues, apart from interruptions of the Internet connection and many other reasons which may cause unstable streams of the webcast. This may create certain confusions about the proceedings of the AGM and may even create slight investors' unrest if they are not in a position to view the live streaming clearly, continuously and without any interruptions ○ Issues in e-voting: • Practical issues may arise in the implementation of the new requirements as any voting allowed after the general meeting will create three voting data. One, electronic voting data till a day preceding the meeting, second, voting during the general meeting and three, voting after the AGM till midnight on the date of AGM. • Many companies announce meeting (evoting & physical voting) on the same day. Extension of time will be restrictive on such companies. Sufficient time is provided for shareholders to exercise e-vote ahead of the meeting and hence this mandate is not warranted.	
76.	a) A common stewardship code be introduced in India for the entire financi	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** ○ This should not apply to corporates/manufacturers/financial services companies and we understand it is for institutional investors. Institutional Investors should be defined accordingly. ○ In principle agreeable but needs further deliberation before implementation. • **<u>Don't agree:</u>** ○ Scope of the code is unclear; prescribing rule-based approach for all activities of the company will amount to micro-management.	Accepted

	al sector on the lines of best practices globally b) Common code to be introduced by SEBI as capital market regulator.		
77.	A sunset clause may be imposed requiring all existing treasury stock in listed entities to not carry voting	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** o Agree with MCA views. While recommendation is acceptable, the sunset provision may be introduced in the CA, 2013. • **<u>Don't agree:</u>** o It would be preferable to simply call for extinguishing these shares within 3-years than focusing on voting rights. o As long as treasury stock is created after obtaining shareholders approval, no need to curtail rights of treasury stock; It is double whammy- once when treasury stock is created and then its rights. o Under S.67 of the CA, a co cannot buy its own shares and therefore cannot have treasury stock unless there is a	To be referred to the government

	rights after 3 years	subsequent reduction of capital. Therefore the question of voting rights cannot arise. ○ High Courts have approved such Schemes, whereby 'Independent' Trusts have been approved by the Courts as the registered holder of Treasury Shares. These shares carry, inter-alia, voting rights as they are like normal equity shares held by a shareholder of the company.	
78.	Resolutions without Board recommendation- a) Usually, Board should recommend all resolutions b) If doesn't recommend, all deliberated views to be disclosed along with nature of exceptio	• **Agree**: Recommendation is positive and should be accepted • **Agree with modifications:** ○ 'Exceptional circumstances' need to be clearly defined. • **Don't agree:** ○ All notices of the shareholders meeting are approved by the board as per statutory requirements and therefore impliedly recommended by the board unless stated otherwise. No useful purpose will be served by imposing this as regulatory requirement.	Accepted with modifications

	nal circumstance that has arisen		
79.	Governance aspects of PSEs	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Agree with modifications:</u>** ○ Requires wider consultation with various stakeholders including the Administrative Ministries / Departments having jurisdiction over CPSEs.	While recommendations pertaining to LODR compliance have been accepted, other recommendations pertaining to disclosure of objectives, independence /autonomy are to be referred to the government.
80.	Leniency mechanism	• **<u>Agree</u>**: Recommendation is positive and should be accepted • **<u>Don't agree:</u>**	To be referred to the

		○ Such recommendations are required for whistle blowers However, for persons who have themselves committed violation of laws / regulations, the existing SEBI Settlement Regulations, 2014 are sufficient.	governmen t
81.	Capacity building in SEBI	• **<u>Agree</u>**: ○ Recommendation is positive and should be accepted ○ Will help in implementation of future plans of SEBI ○ It will enable the regulator to improve its enforcement capabilities and consequently, ensure greater compliance of regulations. • **<u>Agree but more is required:</u>** ○ Additionally create a Costing Cell to conduct operational performance review and enhance reporting for CG and create a system of reporting business vertical reporting in appropriate manner so as to report on business sustainability and risk assessment based on the costing tools. ○ It is also useful to have exchange programs or deputation with/from private sector. That brings in practical perspective and also best practices. • **<u>Don't agree:</u>** ○ Outside the mandate of the Committee.	Accepted