

The Federation of Telangana Chambers of Commerce and Industry

&

Institute of Company Secretaries of India, Hyderabad chapter

Workshop on

**Annual Report as per Companies Act, 2013 and Listing Obligation and
Disclosure Requirements Regulations**

11th May 2019 at 10.00am

at FTCCI Surana Auditorium, Red Hills, Hyderabad

SCOPE OF PRESENTATION

- ❖ **BOARD REPORT DISCLOSURES**
- ❖ **ANNEXURES TO THE BOARD REPORT**
- ❖ **PARTICULARS OF EMPLOYEES**
- ❖ **ANNUAL REPORT ON CSR**
- ❖ **BUSINESS RESPONSIBILITY REPORT**



**PRESENTED
BY**

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STANDARD FORMAT OF BOARD REPORT

1. Financial Results (Stand alone and Consolidated as applicable)
2. Results of Operations and State of Affairs of the Company
3. Dividend
4. Reserves
5. Deposits
6. Bonus Shares/ Allotment/Buy-Back/ Sweat Equity
7. Material Changes affecting the Company (after closure of financial year)
8. Order of Court

STANDARD FORMAT OF BOARD REPORT....

9. Management's Discussion and Analysis Report
10. Consolidated Financials Statement
11. Subsidiaries, Joint Ventures and Associate Companies
12. Secretarial Standards
13. Director's Responsibility Statement
14. Corporate Governance
15. Business Responsibility Statement
16. Contracts or arrangement with related parties
17. Corporate Social Responsibility
18. Risk Management
19. Internal Financials Control
20. Directors and Key Managerial Persons
21. Changes in Nature of Business
22. Employees' Stock Option Schemes

STANDARD FORMAT OF BOARD REPORT....

23. Auditors and Auditors' Report (Statutory / Secretarial / Cost)
24. Meetings of Board
25. Audit Committee
26. CSR Committee
27. Vigil Mechanism
28. Particulars of Loans Given, Investment Made, Guarantees Given and Securities Provided
29. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and outgo.
30. Extract of Annual Return
31. Particulars of Employees and related disclosures
32. Prevention of sexual harassment @ workplace
33. Declaration by I.D.
34. Remuneration policy of Company

STANDARD FORMAT OF BOARD REPORT....

35. Performance Evaluation
36. Status of Mergers and Demergers under process
37. Change in Name of the Company
38. Voluntary Revision of Financials / Board Report if any
39. Issue of Shares with diff voting rights

ANNEXURES TO BOARD REPORT

1. MGT-9 (Extract of Annual Return)
2. AOC-1 (Details of Subsidiaries, JV and Associates)
3. AOC-2 (Related Party Transactions)
4. CSR Activities
5. MR-3 (Secretarial Audit Report)
6. Corporate Governance Report

ANNEXURES TO BOARD REPORT.....

7. Business Responsibility Report

8. Management Discussion Analysis Report

9. Info. on Remuneration

10.Dividend Distribution Policy

11. Policy for Selection of Directors and determining Directors' Independence

SECTION 134 (3)

The Report of the Board of Directors is to be attached to the Financial Statements and shall include:

Details	Remarks
<p>(a)the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed</p> <p><u>Substituted by the Companies (Amendment) Act, 2017</u></p> <p>Earlier read as the extract of the annual return as provided u/s 92(3)</p>	<p>How ever the proposed amendment clause of the Companies (Amendment) Act, 2017 is yet to notified hence the MGT-9 will continue.</p>

Details	Remarks
(b) number of meetings of the Board	The gap between two board meeting should not be more than 120 days.
(c) Directors' Responsibility Statement	134 (5) statement can be reproduced. However the clause (e) is only applicable to listed companies.
[(ca) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government	Inserted by Companies (Amendment) Act, 2015 w. e .f 29.05.2105

Details	Remarks
<p>(d) a statement on declaration given by independent directors under sub-section (6) of section 149</p>	<p>ID at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every f.y or in the circumstances which may affect his status as an ID, give a declaration that he meets the criteria of</p>
<p>e) Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178</p>	<p>Applicable only if company covers under 178 (1)</p>
<p>(f) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made</p>	<p>Statutory Audit Report and Secretarial Audit Report</p>

Details	Remarks
(g) particulars of loans, guarantees or investments under section 186	A table may given to provide the information
(h) particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form	In the Form AOC.2, only the transactions covered under section 188 (1)
(i) the state of the company's affairs	
(j) the amounts, if any, which it proposes to carry to any reserves	
(k) the amount, if any, which it recommends should be paid by way of dividend	

Details	Remark
(l) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year and the date of the report	
(m) risk management policy for the company including identification therein of elements of risk	

Items Mentioned under Rules

RULE 8(5) OF COMPANY (ACCOUNTS) RULE, 2014

- Financial summary/ highlights
- Change in nature of business
- Details of Directors/KMP – appointed/resigned during the year
- Name of Companies becoming /ceased to be subsidiary/ JV/ Associate Company during the year
- Details of deposits covered under Chapter V of the Act

- Details of deposits not in compliance of Chapter V
- Significant and material Orders of Regulators/Courts/ Tribunals impacting going concern status and operations in future.
- Details in respect of adequacy of internal financial controls with reference to financial statements.
- Maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013.
- A statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

DETAILS OF SHARES ISSUED WITH DIFFERENTIAL RIGHTS

Chapter IV, Rule 4 (4)

In the year of issue, the BR shall provide the following information,

- ❖ the total number of shares allotted
- ❖ the details of the differential rights relating to voting rights and dividends

- ❖ the % of the shares with differential rights to the total post issue equity share capital with differential rights issued at any point of time and % of voting rights which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital
- ❖ the price at which such shares have been issued
- ❖ the particulars of promoters, directors or key managerial personnel to whom such shares are issued
- ❖ the change in control, if any, in the company consequent to this issue
- ❖ the diluted EPS pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards

DETAILS OF SWEAT EQUITY SHARES

Chapter IV, Rule 8 (13)

- (a) the class of director or employee to whom sweat equity shares were issued;
- (b) the class of shares issued as Sweat Equity Shares;
- (c) the number of sweat equity shares issued to the directors, KMP or other employees showing separately the number of such shares issued to them , if any, for consideration other than cash and the individual names of allottees holding one % or more of the issued share capital;

- d) the reasons or justification;
- (e) the principal terms and conditions, including pricing formula;
- (f) the total number of shares arising as a result of issue;
- (g) the % of the sweat equity shares of the total post issued and paid up share capital;
- (h) the consideration (including consideration other than cash) received or benefit accrued to the company from the issue of sweat equity shares;
- (i) the diluted EPS pursuant to issuance of sweat equity shares.

DISCLOSURES OF EMPLOYEE STOCK OPTION SCHEME

Chapter IV, Rule 12 (9)

(a) options granted;

(b) options vested;

(c) options exercised;

(d) the total number of shares arising as a result of exercise of option;

e) options lapsed;

(f) the exercise price;

(g) variation of terms of options;

(h) money realized by exercise of options;

(i) total number of options in force;

(j) employee wise details of options granted to;-

- KMP
- Details of employee who receives a grant of options in any one year amounting to 5% or more of options granted during that year.
- identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;

DISCLOSURES OF VOTING RIGHTS NOT EXERCISED DIRECTLY BY THE EMPLOYEES IN RESPECT OF SHARES TO WHICH SCHEME RELATES

Chapter IV, Rule 16 (4)

- (a) the names of the employees who have not exercised the voting rights directly;
- (b) the reasons for not voting directly;
- (c) the name of the person who is exercising such voting rights;

(d) the number of shares held by or in favour of, such employees and the % of such shares to the total paid up share capital;

(e) the date of the general meeting in which such voting power was exercised;

(f) the resolutions on which votes have been cast by persons holding such voting power;

(g) the % of such voting power to the total voting power on each resolution;

(h) whether the votes were cast in favour of or against the resolution.

REPORT OF BOARD

Chapter IX, Rule 8

- Based on the stand alone financial statements of the company
- Shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report

Chapter IX, Rule 8 (2)

- The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2.

Chapter IX, Rule 8 (3)

A) Conservation of energy-

- (i) the steps taken or impact on conservation of energy;
- (ii) the steps taken by the company for utilising alternate sources of energy;
- (iii) the capital investment on energy conservation equipments;

B) Technology absorption-

- (i) the efforts made towards technology absorption;
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-
 - (a) the details of technology imported;
 - (b) the year of import;

c) whether the technology been fully absorbed;

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and

(iv) the expenditure incurred on Research and Development.

(C) Foreign exchange earnings and Outgo-

This sub-rule shall not applicable to govnt companies

Chapter IX, Rule 8 (4)- Evaluation of Board

- every Listed company
- public limited company having paid up capital more than 25crore

calculated at the end of preceding financial year shall include a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

Items Mentioned under other Provisions

134 (1)- Signing of Boards Report

❖ Signed by Chairperson if authorised by the Board

Or

❖ By two directors , out of which one shall be Managing Director, if any

And

❖ CEO, CFO and CS if they are appointed in the company

❖ In case of OPC by one director

131 (1) - Third proviso

Detailed reasons for revision of financial statement or Board's report in the relevant financial year in which revision is made.

- **149 (10)**- Reappointment of ID by special resolution
- **168 (1)** - Fact of resignation of director in next immediate report
- **177(8)**- Composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, with the reasons.
- **177 (10) Proviso** - Details of Establishment of Vigil Mechanism

- **178 (4) Provision-** Policy of remuneration framed by the NRC
- **197 (12) -** The ratio of the remuneration of each director to the median employee's remuneration for Listed Companies
- **197 (14)-** Any director who is receiving any commission from the company and who is a MD or WTD of the company shall not be disqualified from receiving any remuneration or commission from any holding or subsidiary of such company subject to disclosure in the Board report

204(1) - SECRETARIAL AUDIT REPORT

Applicability

- Listed Company
- Public company having paidup share capital of 50 Crore or more

Or turn over od 50 Crore or more

Company should annex the Secretarial Audit Report to Board report

Board should give its reply for the qualifications in the Secretarial Audit Report if any.

MEDIAN CALCULATION

Definition of Median:

Means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers may be found by arranging all the observations from lowest value to highest value and picking the middle one.

If there is an even number of observations, the median shall be the average of the two middle values.

Calculating the Median Remuneration of the Employees:

Consolidate the salary data of all the employees in ascending order

If the number of employees is “**ODD**” then the median remuneration shall be the salary payable to the resulting employee is

$$\frac{(\text{Total Number of Employees} + 1)}{2}$$

2

Example 1

If number of employees is five, Median will be salary of 3rd employee [$n = (5+1)/2=3$].

Hence the median will be INR 16,000

	Salary(INR)
Employee 1	10,000
Employee 2	15,000
Employee 3	16,000
Employee 4	25,000
Employee 5	30,000

Consolidate the salary data of all the employees in ascending order

If the number of employees is **“EVEN”** then the median remuneration shall be the salary payable to the resulting employee

$$X = (\text{Total Number of Employees}) \div 2$$

$$Y = (X + 1)$$

$$\text{Median Remuneration} = (X+Y)/2$$

Example 2

If number of employees are six

$$X = (6) \div 2 = 3 \text{ and } Y = (3 + 1) = 4$$

$$\text{Median Remuneration} = (3 + 4) / 2$$

i. e. the average salary of 3rd and 4th employee.

$$\text{so, } 16000 + 25000 = 41000 / 2 \text{ i. e. } 20,500$$

	Salary (INR)
Employee 1	10,000
Employee 2	15,000
Employee 3	16,000
Employee 4	25,000
Employee 5	30,000
Employee 6	35,000

Rule 5 (2) The Companies (Appointment and Remuneration) Rules, 2014

The BR shall include a statement showing the names of the top 10 employees in terms of remuneration drawn and the name of every employee, who is in receipt of

- (i) if employed throughout the financial year, in the aggregate, was not less than **1.02 crore.**
- (ii) if employed for a part of the financial year, in the aggregate, was not less than **8.50 lakh per month;**

iii) If Any Employee whether engaged full or part of the f.y.

- in the aggregate, or as the case may be, at a rate which, is in **excess** of that salary drawn by the MD/WTD/Manager and
- holds by himself or along with his spouse and dependent children, not less **than two percent** of the equity **shares** of the company.

The details shall be disclosed as per Rule 5 (3) in the Board report

Rule 5 (3) The Companies (Appointment and Remuneration) Rules, 2014

The statement shall indicate the details as follows

- (i) designation of the employee;
- (ii) remuneration received;
- (iii) nature of employment, whether contractual or otherwise;
- (iv) qualifications and experience of the employee;

- (v) date of commencement of employment;
 - (vi) the age of such employee;
 - (vii) the last employment held by such employee before joining the company;
 - (viii) the percentage of equity shares held by the employee in the company;
- and
- (ix) whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager

Not Applicable to :

The particulars of employees posted and working in a **country outside** India and who is not director or their relative, drawing more than sixty lakh rupees per financial year or five lakh rupees per month, as the case may be, as may be decided by the Board, shall not be circulated to the members in the Board's report.

CORPORATE SOCIAL RESPONSIBILITY REPORT – SECTION 135

➤ Applicability

- Profit 5 crore or more
- or
- Turnover 1000 crore
- or
- Networth 500 crore

Immediately preceding financial year

CORPORATE SOCIAL RESPONSIBILITY REPORT -135 ...

Disclosure in the BR

- Contents of CSR Policy
- Composition of CSR Committee
- 2% of Avg. NP of past 3 years Amount to be spent

CORPORATE SOCIAL RESPONSIBILITY REPORT

➤ Details of Amount to be spent

SL No	Project Details	Sector	Location	Amount		Cumulative	Mode
				Budget	Spent		
							Direct
							Through Agency


➤ Reason for not spending

BUSINESS RESPONSIBILITY REPORT

Applicability

- Top 100 Co. by Market capitalization
- For Co listed in SME platform it is optional

General Information about the Company /Financial Information of the Company

- Turnover/ PAT
 - CSR Spending
 - Designation / Contact Details
- 

Business Responsibility Report ...

BR Compliance

- Persons Responsible for compliance of BR
- Name & DIN

Policies to be framed

1. Business Ethics
2. Product Life Responsibility
3. Employee well-being
4. Stakeholders rights
5. Human Rights
6. Environment protection
7. Policy on advocacy
8. Inclusive Growth
9. Customer Values

Business Responsibility Report ...

No.	Particulars	P1 to P9		
1	Do the company have policy on			
2	Consultation of the stakeholders in policy formation			
3	Compliance with national / international standards			
4	Approval by the Board			
5	Authority to oversee policy implementation			
6	Weblink for viewing the policy online.			
7	Formal communication to shareholders about policy			
8	In-house mechanism to implement policy			
9	Establishment of grievance redressal mechanism			
10	Audit on proper execution of the policy.			

QUESTIONS



**THANKING
YOU**

