

SUPPLEMENT

**PROFESSIONAL
PROGRAMME – OLD
SYLLABUS**

**ETHICS, GOVERNANCE
AND SUSTAINABILITY**

(PAPER - 6)

**(Relevant for students appearing in December
2020 Examination)**

This supplement is for the subject – **Ethics, Governance and Sustainability, Professional Programme**. The students are advised to read their Study Material along with these updates. These academic updates are to facilitate the students to acquaint themselves with the amendments in the relevant law upto **30th June 2020, applicable for December 2020 Examination**. The students are advised to read all the relevant regulatory amendments made and applicable upto 30th June 2020 along with the study material. In the event of any doubt, students may write to the Institute for clarifications at ***academics@icsi.edu***.

The students may also refer to the E-book on Companies Act, 2013 on the MCA website for the updated Companies Act, 2013 and rules made there under. The students are also advised to refer the websites of respective regulators for updated legislative provisions.

Disclaimer

These Academic Updates have been prepared purely for academic purposes only and it does not necessarily reflect the views of ICSI. Any person wishing to act on the basis of these Academic Updates should do so only after cross checking with the original source. This document is released with an understanding that the Institute shall not be responsible for any errors, omissions and/ or discrepancies or actions taken in that behalf.

IMPORTANT UPDATES and ANNOUNCEMENTS

FROM JANUARY 2020 TO JUNE 2020	
Lesson 5 – Board Effectiveness-Issues and Challenges	
<p>SEBI (LODR)(Amendment) Regulations, 2020 dated 10th Jan, 2020</p>	<p>In SEBI LODR Regulations 17(1B) the number 2020 shall be substituted by 2022 and the regulation 17(1B) will be read as follows:</p> <p>The Regulation 17 [1(b)] With effect from April 1, 2022, the top 500 listed entities shall ensure that the Chairperson of the board of such listed entity shall -</p> <p>(a) be a non-executive director; (b) not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013: Provided that this sub-regulation shall not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern filed with stock exchanges. https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2020_45649.html</p>
Lesson 9 – Risk Management and Internal Control	
<p>Non-compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Standard Operating Procedure for suspension and revocation of trading of specified securities. Circular</p>	<p>SEBI has issued circular specifying the uniform structure for imposing fines as a first resort for non-compliance with certain provisions of the Listing Regulations, freezing of entire shareholding of the promoter and promoter group and the standard operating procedure for suspension of trading in case the non-compliance is continuing and/or repetitive. The stock exchange shall with having regard to the interests of investors and the securities market take action in case of non-compliance with the listing regulations and follow the standard operating procedure for suspension and revocation of suspension of trading of specified securities. https://www.sebi.gov.in/legal/circulars/jan-2020/non-compliance-with-certain-provisions-of-the-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-and-the-standard-operating-procedure-for-suspension-and-revocation-of-trading-of-45752.html</p>

<p>issued dated January 22, 2020</p>	
<p>Lesson 7 – Corporate Governance and Shareholders Rights</p>	
<p>New 20 20 UK Stewards hip Code</p>	<p>Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.</p> <p>The UK Stewardship Code 2020 is a substantial and ambitious revision to the 2012 edition of the Code which takes effect from 1 January 2020. The UK Stewardship Code 2020 (the Code) sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code comprises a set of ‘apply and explain’ Principles for asset managers and asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.</p> <p>The Code consists of 12 Principles for asset managers and asset owners, and six Principles for service providers.</p> <p>The code has specified the following principles for asset owners and asset managers:</p> <p>Purpose and Governance:</p> <p>Principle 1</p> <p>Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.</p> <p>Principle 2</p> <p>Signatories’ governance, resources and incentives support stewardship.</p> <p>Principle 3</p> <p>Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.</p> <p>Principle 4</p> <p>Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.</p> <p>Principle 5</p> <p>Signatories review their policies, assure their processes and assess the effectiveness of their activities.</p> <p>Investment Approach:</p> <p>Principle 6</p> <p>Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.</p> <p>Principle 7</p> <p>Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.</p> <p>Principle 8</p>

	<p>Signatories monitor and hold to account managers and/or service providers.</p> <p>Engagement:</p> <p>Principle 9</p> <p>Signatories engage with issuers to maintain or enhance the value of assets.</p> <p>Principle 10</p> <p>Signatories, where necessary, participate in collaborative engagement to influence issuers.</p> <p>Principle 11</p> <p>Signatories, where necessary, escalate stewardship activities to influence issuers.</p> <p>Exercising Rights and Responsibilities:</p> <p>Principle 12</p> <p>Signatories actively exercise their rights and responsibilities.</p> <p>PRINCIPLES FOR SERVICE PROVIDERS</p> <p>Principle 1</p> <p>Signatories’ purpose, strategy and culture enable them to promote effective stewardship.</p> <p>Principle 2</p> <p>Signatories’ governance, workforce, resources and incentives enable them to promote effective stewardship.</p> <p>Principle 3</p> <p>Signatories identify and manage conflicts of interest and put the best interests of clients first.</p> <p>Principle 4</p> <p>Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.</p> <p>Principle 5</p> <p>Signatories support clients’ integration of stewardship and investment, taking into account, material environmental, social and governance issues, and communicating what activities they have undertaken.</p> <p>Principle 6</p> <p>Signatories review their policies and assure their processes.</p> <p>https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf</p>
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Lesson 13 – Corporate Social Responsibility

<p>Ministry of Corporate Affairs notification dated 26.05.2020</p>	<p>Following activities will also be considered as CSR activities by the companies: Contribution to Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) http://ebook.mca.gov.in/notificationdetail.aspx?acturl=6CoJDC4uKVUR7C9FI4rZdatyDbeJTqg3HE7Xx+PAr2tlpnrftKCE2ZF9raArVVO+</p>
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<p>Ministry</p>	<p>Following activities will also be considered as CSR activities by the companies:</p>
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of Corporate Affairs notification dated 23.06.2020	Measures for the benefit of Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows. http://ebook.mca.gov.in/notificationdetail.aspx?acturl=6CoJDC4uKVUR7C9FI4rZdatyDbeJTgg3ZiZeFjZRpJuw3Z+xpAQ8U3w7tiKBUM6bacpDUHGJ8cmQ6wPSNuE9SA==
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Lesson 4 – Legislative Framework of Corporate Governance in India

Ministry of Corporate Affairs notification dated 03.01.2020	<p>As per section 204(1) of Companies Act, 2013 read with rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following companies are required to obtain Secretarial Audit Report:</p> <ul style="list-style-type: none"> – Every listed company; – Every public company having a paid-up share capital of fifty crore rupees or more; or – Every public company having a turnover of two hundred fifty crore rupees or more; or – Every company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more – The format of the Secretarial Audit Report shall be in Form No. MR 3. <p>For the purposes of this sub-rule, it is hereby clarified that the paid-up share capital, turnover, or outstanding loans or borrowings as the case may be, existing on the last date of latest audited financial statement shall be taken into account.</p> <p>http://ebook.mca.gov.in/notificationdetail.aspx?acturl=6CoJDC4uKVUR7C9FI4rZdatyDbeJTgg3Ucuvh+imhFJm3G0mvRJOeA==</p>
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Lesson 10 – Corporate Governance in Banks, Insurance and Public Sector Companies Revised Guidelines on Stewardship Code for Insurers in India dated 07.02.2020

Insurance companies are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders' funds. The state of governance of the investee companies is an important aspect and insurance companies must ensure that investee companies maintain corporate governance standards at high level. Therefore, insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance. This will result in informed decisions by the parties and improve the return on investments of insurers which will ultimately benefit the policyholders.

In this regard, the Authority had issued a code for stewardship for the insurance companies vide its circular ref: IRDA/F&A/GDL/CMP/059/03/2017 on 20th March 2017. The code was in the form of a set of principles which the insurance companies needed to adopt and made applicable from FY 2017-18. Guidelines for each principle under the code had also been prescribed by the Authority. As per the code, insurer should have a board approved stewardship policy which should identify and define the stewardship responsibilities that the insurer wishes to undertake and how the policy intends to fulfill the responsibilities to enhance the wealth of its policyholders who are ultimate beneficiaries.

IRDAI decided to review the existing guidelines on stewardship code based on the experience in implementation, compliance by the insurers and the recent developments in this regard. Accordingly, a revised guidance on stewardship code has been prepared and placed herewith as Revised Guidelines on Stewardship Code for Insurers in India.

All the insurers need to review and update their existing stewardship policy based on the Revised Guidelines on Stewardship Code for Insurers in India within 3 months from the date of issue of the same and the updated stewardship policy needs to be approved by the Board of Directors. The updated policy should be disclosed on the website within 30 days of approval by the Board by all insurers, alongside the public disclosures. Any subsequent change / modification to the stewardship policy should be specifically disclosed at the time of updating the policy document on the website.

Principles

S. No.	Principles	Guidance
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1.	<p>Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it.</p>	<p>Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.</p> <p>The policy should clearly define the stewardship responsibilities as identified by the insurer and how it intends to fulfill the same to enhance the wealth of its clients. The policy should disclose how the insurer applies stewardship with the aim of enhancing and protecting the value for the ultimate beneficiary or client.</p> <p>In case some of the activities are outsourced to some external service providers, the policy should provide the responsibilities to be delegated to such service providers and the mechanisms to ensure that the overall stewardship responsibilities are carried out seamlessly.</p>
2.	<p>Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.</p>	<p>Insurers should put in place, maintain and publicly disclose a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their client or beneficiary first. The policy should identify scenarios of likely conflict of interest as envisaged by the Board and should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.</p>
3.	<p>Insurers should monitor their investee companies.</p>	<p>Insurers should have mechanisms for regular monitoring of their investee companies in respect of their performance, leadership effectiveness, succession planning, corporate governance, reporting and other parameters they consider important.</p> <p>Insurers may or may not wish to have more participation through nominations on the Board for active involvement with the investee companies. An insurer who may be willing to have nominations on the Board of an investee company should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done.</p>
4.	<p>Insurers should have a clear policy on intervention in their investee companies.</p>	<p>Insurers should set out the circumstances in which they will actively intervene and regularly assess the outcomes of doing so. Intervention should be considered regardless of whether an active or passive investment policy is followed. In addition, a low volume of investment is not, in itself, a reason for not intervening. Instances when insurers may want to intervene include, but are not limited to, when they have concerns about the company's strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters.</p> <p>The meetings should be held in a confidential manner with the view to resolve the issue constructively. If dissatisfied with the response of the investee company, the insurer may decide to escalate the matter, in accordance with the pre-defined policy.</p>

5.	<p>Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed.</p>	<p>For issues that require larger engagement with the investee company, insurers may choose to act collectively with other institutional investors in order to safeguard the interests of their investors. For such situations, the insurers should have a policy to guide their actions and extent of engagement.</p>						
6.	<p>Insurers should have a clear policy on voting and disclosure of voting activity.</p>	<p>Insurers should not just blindly support the board of the investee company but, instead, take their own voting decisions to promote the overall growth of the investee companies and, in turn, enhance the value of their investors.</p> <p>The voting policy should be publicly disclosed. The voting decisions taken in respect of all the investee companies should also be disclosed publicly along with the rationale for such decision in Annexure B.</p> <p>Insurers should disclose the use made, if any, of proxy voting or other voting advisory services. They should describe the scope of such services, identify the providers and disclose the extent to which they follow, rely upon or use recommendations made by such services.</p> <p>Insurers should disclose their approach to stock lending and recalling lent stock.</p> <p>Insurers should mandatorily undertake active participation and voting on resolutions/proposals of the investee companies under the following circumstances:</p> <table border="1" data-bbox="592 1283 1444 1615"> <thead> <tr> <th data-bbox="592 1283 1023 1503">Size of the AUM of the Insurer (Rs. In crores)</th> <th data-bbox="1023 1283 1444 1503">compulsory voting required, if the Insurer's holdint of the paid up capital of investee company (in percentage) is</th> </tr> </thead> <tbody> <tr> <td data-bbox="592 1503 1023 1559">Up to 2,50,000</td> <td data-bbox="1023 1503 1444 1559">3% and above</td> </tr> <tr> <td data-bbox="592 1559 1023 1615">Above 2,50,000</td> <td data-bbox="1023 1559 1444 1615">5% and above</td> </tr> </tbody> </table>	Size of the AUM of the Insurer (Rs. In crores)	compulsory voting required, if the Insurer's holdint of the paid up capital of investee company (in percentage) is	Up to 2,50,000	3% and above	Above 2,50,000	5% and above
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Up to 2,50,000	3% and above							
Above 2,50,000	5% and above							
7.	<p>Insurers should report periodically on their stewardship activities.</p>	<p>In addition to the regular fulfilment of their stewardship activities, institutional investors should also provide a periodic report to their ultimate beneficiaries (policyholders) of how they have discharged their responsibilities, in a format which is easy to understand.</p> <p>However, it may be clarified that compliance with the aforesaid principles does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when this is considered in the best interest of clients or beneficiaries.</p>						

All insurers shall comply with all the principles given in the guidelines and submit an Annual Certificate of Compliance approved by the Board to the Authority as per Annexure B duly certified by CEO and compliance Officer on or before 30th June every year.

Annexure A

Disclosure of voting activities in general meetings of investee companies in which the insurers have actively participated and voted:

Name of the Insurer: _____

Period of Reporting: _____

Meeting Date	Investee Company Name	Type of Meeting (AGM / EGM)	Proposal of Management/ Shareholders	Description of the proposal	Management Recommendation	Vote (For / Against / Abstain)	Reason supporting the vote decision

Place: _____ Signature of Compliance Officer

Date: _____ Name: _____
https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4045&flag=1

Annexure B

Annual Certificate of Compliance with regard to status of Stewardship Code principles

Name of the Insurer: _____
 Period of Report (FY): _____

Date: _____

We hereby certify that the guidelines given on Stewardship Code for Insurers in India by Insurance Regulatory and Development Authority of India are duly followed and all the principles detailed in the guidelines are duly complied with.

Compliance Officer

Chief Executive Officer

(Name and Signature)

(Name and Signature)

FROM JULY 2019 TO DECEMBER 2019

Lesson 4 - Legislative framework of Corporate Governance in India

SEBI(LODR) (Fourth Amendment) Regulations, 2019 dated 29.07.2019	<p>In the regulation 17(1) related to Board of Directors the following is inserted after explanation to clause c of regulation 17 (1) (d) where the listed company has outstanding SR equity shares, at least half of the board of directors shall comprise of independent directors.</p> <p>In the regulation 19 related to Nomination and Remuneration Committee the following is inserted in clause 19(1)© and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors.</p> <p>In the regulation 20 related to Stakeholder Relationship Committee the following is inserted in clause 20 (2A) and in case of a listed entity having outstanding SR equity shares, at least two thirds of the Stakeholders Relationship Committee shall comprise of independent directors.</p> <p>In regulation 18(1) (b) related to Audit Committee the following is inserted and in case of a listed entity having outstanding SR equity shares, the audit committee shall only comprise of independent directors</p> <p>https://www.sebi.gov.in/legal/regulations/jul-2019/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fourth-amendment-regulations-2019_43813.html</p>
The Companies (Accounts) Amendment Rules, 2019 dated 22.10.2019	<p>Rule 8 of Companies (Accounts) Rules, 2014 The report of the Board shall also contain : Rule (8)(5)(iiia) a statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year”.</p> <p>Explanation.-For the purposes of this clause, the expression “proficiency” means the proficiency of the independent director as ascertained from the online proficiency self-assessment test conducted by the institute notified under sub-section (1) of section 150.]</p> <p>http://ebook.mca.gov.in/notificationdetail.aspx?acturl=6CoJDC4uKVUR7C9FI4rZdatyDbeJTqg3W0JMj4/l5xOw2BhdvdbACrqEE0vIEnoOMOt1kWXO5Hce3NP1PQP+s+Q==</p>
SEBI (Substantial Acquisition of Shares and Takeovers) Regulations,	<p>In regulation 31 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 the following is inserted</p> <p>(4) The promoter of every target company shall declare on a yearly basis that he, along with persons acting in concert, has not made any encumbrance, directly or indirectly, other than those already disclosed during the financial year.</p>

<p>2011 (last amended on July 29, 2019)</p>	<p>(5) The declaration required under sub-regulation (4) shall be made within seven working days from the end of each financial year to –</p> <p>(a) every stock exchange where the shares of the target company are listed; and</p> <p>(b) the audit committee of the target company.</p> <p>https://www.sebi.gov.in/legal/regulations/apr-2019/securities-and-exchange-board-of-india-substantial-acquisition-of-shares-and-takeovers-regulations-2011-last-amended-on-july-29-2019-40714.html</p>
<p>Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 dated 22.10.2019</p>	<p>In the Companies (Appointment and Qualification of Directors) Rules, 2014 for rule 6 the following rule shall be substituted</p> <p>Rule 6. Compliances required by a person eligible and willing to be appointed as an independent director.</p> <p>(1) Every individual –</p> <p>(a) who has been appointed as an independent director in a company, on the date of commencement of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, shall within a period of three months from such commencement; or</p> <p>(b) who intends to get appointed as an independent director in a company after such commencement, shall before such appointment,</p> <p>apply online to the institute for inclusion of his name in the data bank for a period of one year or five years or for his life-time, and from time to time take steps as specified in sub-rule (2), till he continues to hold the office of an independent director in any company:</p> <p>Provided that any individual, including an individual not having DIN, may voluntarily apply to the institute for inclusion of his name in the data bank.</p> <p>(2) Every individual whose name has been so included in the data bank shall file an application for renewal for a further period of one year or five years or for his life-time, within a period of thirty days from the date of expiry of the period up to which the name of the individual was applied for inclusion in the data bank, failing which, the name of such individual shall stand removed from the data bank of the institute:</p> <p>Provided that no application for renewal shall be filed by an individual who has paid life-time fees for inclusion of his name in the data bank.</p> <p>(3) Every independent director shall submit a declaration of compliance of sub-rule (1) and sub-rule (2) to the Board, each time he submits the declaration required under sub-section (7) of section 149 of the Act.</p> <p>(4) Every individual whose name is so included in the data bank under sub-rule (1) shall pass an online proficiency self-assessment test conducted by the institute within a period of one year from the date of inclusion of his name in the data bank, failing which, his name shall stand removed from the databank of the institute:</p> <p>Provided that the individual who has served for a period of not less than ten years as on the date of inclusion of his name in the databank as director or key managerial personnel in a listed public company or in an unlisted public company having a paid-up share capital of rupees ten crore or more shall not be required to pass the online proficiency self-assessment test:</p> <p>Provided further that for the purpose of calculation of the period of ten years referred to in the first proviso, any period during which an individual was acting as a director or as a key managerial personnel in two or more companies at the same time shall be counted only once.</p> <p>Explanation: For the purposes of this rule,-</p> <p>(a) the expression “institute” means the ‘Indian Institute of Corporate Affairs at Manesar’</p>

	<p>notified under sub-section (1) of section 150 of the Companies Act, 2013 as the institute for the creation and maintenance of data bank of Independent Directors;</p> <p>(b) an individual who has obtained a score of not less than sixty percent. in aggregate in the online proficiency self-assessment test shall be deemed to have passed such test;</p> <p>(c) there shall be no limit on the number of attempts an individual may take for passing the online proficiency self-assessment test.</p> <p>http://ebook.mca.gov.in/Default.aspx?page=notification&rg_notificationChangePage=1</p>
Lesson 13 – Corporate Social Responsibility	
Report of the High Level Committee on Corporate Social Responsibility – 2018 dated 07.08.2019	<p>MCA has published the report of High level committee on Corporate Social Responsibility 2018 dated 07.08.2019 to review the existing framework and recommend a roadmap for developing a robust and coherent policy on Corporate Social Responsibility</p> <p>https://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf</p>
MCA notification dated 11.10.2019	<p>MCA vide it's notification dated 11.10.2019 has substituted the following in list of CSR activities:</p> <p>In schedule VII for the item no. ix.;</p> <p>ix. contributions or funds provided to technology incubators located within academic institutions which are approved by the central govt.</p> <p>the following item and entries shall be substituted namely,</p> <p>(ix) Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).</p> <p>http://ebook.mca.gov.in/notificationdetail.aspx?acturl=6CoJDC4uKVUR7C9Fl4rZdatyDb eJTqg3SqzY69RMJniNjf4bWaB+Fw==</p>
Lesson 15 – Corporate Sustainability Reporting Frameworks	
SEBI (LODR) (Fifth Amendment) Regulations, 2019 dated 26.12.2019	<p>In regulation 34 (2) (f) the word 500 shall be substituted by the word 1000 now the regulation will be read as</p> <p>34 (2) (f) for the top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time:</p> <p>Provided that listed entities other than top one thousand listed companies based on market capitalization and listed entities which have listed their specified securities on SME Exchange, may include these business responsibility reports on a voluntary basis in the format as specified.</p> <p>https://www.sebi.gov.in/legal/regulations/dec-2019/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2019_45511.html</p>

FROM JANUARY 2019 TO JUNE 2019

UPDATES ON COMPANIES ACT, 2013

Companies (Appointment and Qualification of Directors) Rules, 2014,

In the Companies (Appointment and Qualification of Directors) Rules, 2014, in rule 12A, for the words and figures “on or before 30th April of immediate next financial year”, the words and figures “on or before 30th June of immediate next financial year” shall be substituted.

http://www.mca.gov.in/Ministry/pdf/CosAppointmentQualificationDirAme nd_01052019.pdf

Amendment of Schedule VII of the Companies Act, 2013

In the said Schedule after item (xi), and the entries relating thereto, the following item and entries shall be inserted –

“(xii) Disaster management, including relief, rehabilitation, and reconstruction activities.”

http://www.mca.gov.in/Ministry/pdf/Notification_06062019.pdf

Updates on SEBI (LODR) Regulations, 2015

SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2019.

In the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015,–

(1) in regulation 52,–

(i) after sub-regulation (1), following proviso shall be inserted, namely,–

“ Provided that in case of entities which have listed their equity shares and debt securities, a copy of the financial results submitted to stock exchanges shall be provided to Debenture Trustees on the same day the information is submitted to stock exchanges.”

(i) sub-regulations (5) shall be substituted with the following, namely, -

“(5) The listed entity shall, within seven working days from the date of submission of the information required under sub-regulation (4), submit to stock exchange(s), a certificate signed by debenture trustee that it has taken note of the contents.”

https://www.sebi.gov.in/legal/regulations/may-2019/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2019_42977.html

<p>SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019</p>	<p>No. SEBI/LAD-NRO/GN/2019/22.—In exercise of the powers conferred by section 11, sub-section (2) of section 11A and section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 31 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board hereby makes the following regulations to further amend the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, namely,—</p> <ol style="list-style-type: none"> 1. These regulations may be called the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019. 2. They shall come into force on the date of their publication in the Official Gazette. 3. In the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, in regulation 23, in sub- regulation (1A), for the word “two” appearing after the word “exceed” and before the word “percent”, the word “five” shall be substituted.
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OTHER UPDATES

NATIONAL GUIDELINES ON RESPONSIBLE BUSINESS CONDUCT (NGRBC)

The Ministry of Corporate Affairs has revised the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (NVGs) and has released the National Guidelines on Responsible Business Conduct (NGRBC) in March 2019. These guidelines urge businesses to actualise the principles in letter and spirit.

The MCA has been taking various initiatives for ensuring responsible business conduct by companies. As a first step towards mainstreaming the concept of business responsibility, the Voluntary Guidelines on Corporate Social Responsibility were issued in 2009. These guidelines were subsequently revised as National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business in 2011 after extensive consultations with business, academia, civil society organisations and the government. The NVGs were developed based on India’s socio-cultural context and priorities as well as global best practices.

Since then, there have been various national and international developments in the past decade that have nudged businesses to be sustainable and more responsible. The Companies Act, 2013 also lays down the thrust for businesses to be more mindful of their stakeholders. The Companies Act, 2013 casts fiduciary duties on the Directors of a Company requiring them to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

The NGBRC provides that businesses should conduct and govern themselves with integrity in a manner that is ethical, transparent and accountable. Businesses should provide goods and services in a manner that is sustainable and safe. It should also respect and promote the well-being of all employees, including those in their value chains and the interests of all their stakeholders; and the businesses should respect and promote human rights.

The NGRBC are designed to be used by all businesses, irrespective of their ownership, size, sector, structure or location. It is expected that all businesses investing or operating in India, including foreign multinational

corporations (MNCs) should follow these guidelines. Correspondingly, the NGRBC also provide a useful framework for guiding Indian MNCs in their overseas operations, in addition to aligning with applicable local national standards and norms governing responsible business conduct. Furthermore, the NGRBC reiterate the need to encourage businesses to ensure that not only do they follow these guidelines in business contexts directly within their control or influence, but that they also encourage and support their suppliers, vendors, distributors, partners and other collaborators to follow them.

The nine thematic pillars of business responsibility provided by the NGBRC are:

- Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.
- Businesses should provide goods and services in a manner that is sustainable and safe
- Businesses should respect and promote the well-being of all employees, including those in their value chains.
- Businesses should respect the interests of and be responsive to all their stakeholders.
- Businesses should respect and promote human rights.
- Businesses should respect and make efforts to protect and restore the environment.
- Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
- Businesses should promote inclusive growth and equitable development.
- Businesses should engage with and provide value to their consumers in a responsible manner.

CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS, AUSTRALIA -2019

The ASX Corporate Governance Council (“Council”), convened in August 2002 is the organisation which brings together various business, shareholder and industry groups, each offering valuable insights and expertise on governance issues from the perspective of their particular stakeholders. Its primary work has been the development of the Principles and Recommendations.

The Corporate Governance Principles and Recommendations (“Principles and Recommendations”) were first introduced in 2003. A second edition was published in 2007 and a third in 2014. In 2017, the Council agreed that it was an appropriate time to commence work on a fourth edition of the Principles and Recommendations to address emerging issues around culture, values and trust, fuelled by recent examples of conduct by some listed entities falling short of community standards and expectations.

The fourth edition comes into force for financial years commencing on or after 1 January 2020. These Principles and Recommendations set out recommended corporate governance practices for entities admitted to the ASX official list as an ASX listing, regardless of the legal form they take, whether they are established in Australia or elsewhere, and whether they are internally or externally managed. The Principles and Recommendations are not mandatory and do not seek to prescribe the corporate governance practices that a listed entity must adopt.

The “if not, why not” approach is fundamental to the operation of the Principles and Recommendations. This approach ensures that the market receives an appropriate level of information about the entity’s governance arrangements so that investors and other stakeholders can have a meaningful dialogue with the board and management on governance matters and can factor the information provided into their decision on whether or not to invest in the entity and how to vote on particular resolutions.

The Principles and Recommendations are structured around, and seek to promote, 8 central principles.

There are 35 specific recommendations of general application intended to give effect to these principles, as well as 3 additional recommendations that only apply in certain limited cases.

8 Central Principles

- (i) Lay solid foundations for management and oversight: A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.
- (ii) Structure the board to be effective and add value: The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.
- (iii) Instil a culture of acting lawfully, ethically and responsibly: A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.
- (iv) Safeguard the integrity of corporate reports: A listed entity should have appropriate processes to verify the integrity of its corporate reports.
- (v) Make timely and balanced disclosure: A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.
- (vi) Respect the rights of security holders: A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.
- (vii) Recognise and manage risk: A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.
- (viii) Remunerate fairly and responsibly: A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

CODE OF CORPORATE GOVERNANCE, SINGAPORE – 2018

The Code of Corporate Governance (the "Code"), which is applicable to listed companies in Singapore on a comply-or-explain basis, first came into effect on 1 January 2003.

On August 6, the Monetary Authority of Singapore ("MAS") announced the adoption of a new Code of Corporate Governance (the "Code") along with the new Practice Guidance. The new Code comes after MAS conducted a public consultation on changes to Singaporean corporate governance practices.

The Code will initially take effect for companies with a financial year beginning January 1, 2019, concurrent with changes to Singapore Exchange Limited ("SGX") Listing Rules, however some of the changes will not be phased in until 2022.

The Code aims to promote high levels of corporate governance in Singapore by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply. The Practice Guidance complements the Code by providing guidance on the application of the Principles and Provisions and setting out best practices for companies. Adoption of the Practice Guidance is voluntary.

This version of the Code has at its core broad Principles of corporate governance. Compliance with, and observation of, these Principles is mandatory. These Principles set out broadly accepted characteristics of good corporate governance. Companies are required to describe their corporate governance practices with

reference to both the Principles and Provisions, and how the company's practices conform to the Principles.

The emphasis of the Code is for companies to provide thoughtful and meaningful explanations around their practices, and for investors to carefully consider these discussions as part of their engagements with companies. Frank and informed dialogue between companies and their shareholders is a central tenet of good corporate governance, and encourages more active stewardship. Better engagement between these parties will benefit the company and investors.

Principles

1. The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.
2. The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.
3. There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.
4. The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.
5. The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.
6. The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.
7. The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.
8. The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.
9. The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.
10. The Board has an Audit Committee ("AC") which discharges its duties objectively.
11. The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.
12. The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.
13. The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

FROM JULY 2018 TO DECEMBER 2018

UPDATES ON COMPANIES ACT, 2013

In section 134, sub section

The financial statement, including consolidated financial statement, if any,

<p>(1), the following Clause shall be substituted, namely-</p>	<p>shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon."</p>
<p>In section 134, sub section 3, clause (a), for the words,</p>	<p>"the extract of the annual return as provided under sub-section (3) of <u>section 92</u>: The following Clause shall be substituted, namely-the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed.</p>
<p>In section 134, sub section 3, clause (p), for the words,</p>	<p>annual evaluation has been made by the Board of its own performance and that of its committees and individual directors", the words "annual evaluation of the performance of the Board, its Committees and of individual directors has been made"</p>
<p>In section 135, sub section (1)</p>	<p>for the words any financial year, the words immediately preceding financial year shall be substituted.</p>
<p>In section 135, for sub- section (5)</p>	<p>for the Explanation-For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198., the following Explanation shall be substituted, namely :- For the purposes of this section "net profit" shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of <u>section 198</u>.</p>
<p>COMPANIES (ACCOUNTS) AMENDMENT RULES, 2018 NOTIFICATION DATED 31ST JULY, 2018</p>	

**In the Companies
(Accounts) Rule, 2014**

In Rule 8,

(i) in sub rule (5), after clause (viii) the following clauses shall be inserted namely-

(ix) a disclosure, as to whether maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained,

(x) 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.

(ii) after sub-rule (5), the following rule shall be inserted,

namely:- "(6) This rule shall not apply to One Person Company or Small Company".

(iii) after rule 8, the following rule shall be inserted, namely:-

“8A. Matters to be included in Board’s Report for One Person Company and Small Company.

(1) The Board’s Report of One Person Company and Small Company shall be prepared based on the stand alone financial statement of the company, which shall be in abridged form and contain the following:-

- a) the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed;
- b) number of meetings of the Board;
- c) Directors’ Responsibility Statement as referred to in sub-section (5) of section 134;
- d) 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;
- e) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report;
- f) the state of the company’s affairs;
- g) the financial summary or highlights;
- h) material changes from the date of closure of the financial year in the nature of business and their effect on the financial position of the company;
- i) the details of directors who were appointed or have resigned during the year;
- j) the details or significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company’s operations in future.

(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.”.

OTHER UPDATES

New edition of the UK Corporate Governance Code

The Financial Reporting Council (FRC) released the 2018 UK Corporate Governance Code. An updated edition of the FRC's Guidance on Board Effectiveness has also been published.

The Code is applicable to all companies with a premium listing, whether incorporated in the UK or elsewhere. The new Code applies to accounting periods beginning on or after 1 January 2019.

This Code puts the relationships between companies and stakeholders at the heart of long-term sustainable growth in the UK economy. The new, shorter and sharper Code is the product of extensive consultation.

This Code places emphasis on businesses building trust by forging strong

relationships with key stakeholders and providing meaningful reporting to the stakeholders. It recommends the companies to establish a corporate culture that is aligned with the company's purpose, business strategy, promotes integrity and values diversity.

A summary of the key changes made in new edition include:

- Workforce and stakeholders: There is a new provision to enable greater board engagement with the workforce to understand their views. The Code asks boards to describe how they have considered the interests of stakeholders when performing their duty.
- Culture: Boards are asked to create a culture which aligns to company's values with strategy and to assess how they preserve value over the long-term.
- Succession and diversity: To ensure that the boards have the right mix of skills and experience, constructive challenge and to promote diversity, the new Code emphasises the need to refresh boards and undertake succession planning. The new Code strengthens the role of the nomination committee on succession planning and establishing a diverse board. It identifies the importance of external board evaluation for all companies. Nomination committee reports should include details of the contact the external board evaluator has had with the board and individual directors.
- Remuneration: To address public concern over executive remuneration, the new Code emphasises that remuneration committees should take into account workforce remuneration and related policies when setting director remuneration. Importantly formulaic calculations of performance-related pay should be rejected. Remuneration committees should apply discretion when the resulting outcome is not justified.

The new Code is available at:

<https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.PDF>

FROM JANUARY 2018 TO JUNE 2018

UPDATES ON COMPANIES ACT, 2013

Amendments in Companies (Amendments) Act, 2017

The students should go through the Companies (Amendments) Act, 2017.

http://www.mca.gov.in/Ministry/pdf/CAAct2017_05012018.pdf

Various sections of the Companies (Amendments) Act, 2017 had been notified. For details the student may visit the below mentioned links: Commencement notification dated 13.06.2018

http://www.mca.gov.in/Ministry/pdf/CommNotificatio1306_14062018.pdf Commencement notification dated 07.05.2018

http://www.mca.gov.in/Ministry/pdf/CompaniesAmendmentNoti_07052017.pdf

	<p>8.pdf Commencement notification dated 21.03.2018 http://www.mca.gov.in/Ministry/pdf/commencementNotification2103_21_032018.pdf</p> <p>Commencement notification dated 09.02.2018 http://www.mca.gov.in/Ministry/pdf/Commencementnotification_120220_18.pdf</p> <p>Commencement notification dated 23.01.2018 http://www.mca.gov.in/Ministry/pdf/NotificationComapniesAct_23012018.pdf</p>
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Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018

Vide Notification dated 9th May, 2018 the Securities and Exchange Board of India hereby amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Unless otherwise specifically provided for in these regulations, they shall come into force with effect from April 1, 2019. Since this is in public domain students are expected to be in know of the details. The same are available at:

https://www.sebi.gov.in/legal/regulations/may-2018/sebi-listing-obligations-and-disclosure-requirement-amendment-regulations-2018_38898.html

FROM JULY 2017 TO DECEMBER 2017

Updates on Companies Act, 2013

Amendment in Secretarial Standards

Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) have been revised by the ICSI and approved by the Central Government under section 118(10) of the Companies Act, 2013.

The revised SS-1 and SS-2 as issued by the ICSI are applicable to all the companies (except the exempted class of companies) w.e.f. 1st October, 2017. The revised SS-1 & SS- 2 are available on ICSI website at the link: <https://www.icsi.edu/ssb/Home.aspx>.

For easy reference of the students, Comparative of the Original and the Revised Secretarial Standards are provided on the ICSI Website at the following links:

Comparative of Amendments in SS-1 :
https://www.icsi.edu/webmodules/ComparativeAnalysis_Amendments_SS_1.pdf

Comparative of Amendments in SS-2:
https://www.icsi.edu/webmodules/ComparativeAnalysis_Amendments_SS_2.pdf

<p>Companies (Meetings of Board and its Powers) Second Amendment Rules 2017</p>	<p>Any director who intends to participate in the meeting through electronic mode may intimate about such participation at the beginning of the calendar year and such declaration shall be valid for one year. Such declaration shall not debar him from participation in the meeting in person in which case he shall intimate the company sufficiently in advance of his intention to participate in person.</p> <p>http://www.mca.gov.in/Ministry/pdf/CompaniesMeetingBoardPowersSecondRules_14072017.pdf</p>
<p>Amendment in Schedule IV of the Companies Act, 2013</p>	<p>An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within "three months" from the date of such resignation or removal, as the case may be. The independent directors of the company shall hold at least one meeting "in a financial year", without the attendance of non-independent directors and members of management.</p> <p>http://www.mca.gov.in/Ministry/pdf/AmendmentIV_06072017.pdf</p>
<p>Companies (Appointment and Qualification of Directors) Amendment Rules, 2017</p>	<p>The amended Rule 4 provides that the following classes of unlisted public company(ies) are not required to appoint Independent Directors, namely:-</p> <ul style="list-style-type: none"> (a) a joint venture; (b) a wholly owned subsidiary; and (c) a dormant company. <p>http://www.mca.gov.in/Ministry/pdf/CompaniesApptandQualificationofDirectorsAmdtRules_06072017.pdf</p> <p>A clarification in this regard was further issued by MCA on 5th September 2017, wherein term joint venture has been defined as under:</p> <p>“Joint venture”, would mean a joint arrangement, entered into in writing, whereby the parties that have joint control of the arrangement, have rights to the net assets of the arrangement. The usage of the term is similar to that under the Accounting Standards.</p> <p>http://www.mca.gov.in/Ministry/pdf/GeneralCircular_05092017.pdf</p>
<p>Stewardship Code for Insurers in India</p>	<p>The growth in the Insurance Industry in recent years has resulted in a significant increase in the Funds of insurance companies. They are also significant investors in the securities markets and act as investors on behalf of the policyholders. There is increased emphasis on governance of public companies under the corporate and insurance law and the role and responsibility of Boards of companies has escalated.</p> <p>Considering the fiduciary role played by the insurance companies as investors on behalf of the policyholders, it is felt that greater transparency is needed as regards the manner in which the investments are managed by them. In this regard, the Authority has examined the regulatory stipulations/</p>

guidelines in various jurisdictions across the world and it was noticed that disclosures regarding decision making and voting at meetings of investee companies by institutional investors are being encouraged.

Insurance companies are significant institutional investors in listed companies and the investments are held by them as custodians of policyholders. Therefore, it is felt that insurance companies should play an active role in the general meetings of investee companies and engage with the managements at a greater level to improve their governance. This will result in informed decisions by the parties and ultimately improve the return on investments of insurers.

Therefore, the Authority has decided to implement a code for stewardship for the insurers. The code is in the form of a set of principles, which the insurers would need to adopt. The principles are being uniformly adopted for institutional investors, like Mutual Funds, Pension Funds, Foreign Portfolio Investors (FPIs), Alternative Investment Funds (AIFs), etc. The code broadly requires the insurers to have a policy as regards their conduct at general meetings of the investee companies and the disclosures relating thereto. It shall be applicable from FY 2017-18.

All insurers need to draw up a policy based on the principles spelt out in the stewardship code within 6 months from the date of issue of these guidelines and the Board of Directors should approve the same. The policy should be disclosed on the website within 30 days of approval by the Board by all insurers, alongside the public disclosures. Any change/ modification to the policy on stewardship should be specifically disclosed at the time of updating the policy document on the website.

The principles are intended to strengthen the role of insurers as stewards on behalf of the policyholders. The Authority is of the view that adoption of the principles would improve the confidence of the policyholders in the insurers on one hand and also ensure better corporate governance and decision making at investee companies on the other.

For more detail, please visit IRDAI website at:
https://www.irdai.gov.in/ADMINCMS/cms/frmGuidelines_Layout.aspx?page=PageNo3096&flag=1