

**Corporate Governance Certification  
under Listing Regulations -  
*A Referencer***



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## **PREFACE**

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) prescribes that a Compliance Certificate from either the auditors or Practising Company Secretary regarding compliance of conditions of corporate governance shall be annexed to the directors' report. Besides listed entities are required to submit a quarterly compliance report on Corporate Governance in the specified format to the stock exchange within fifteen days from the close of the quarter.

The Listing Regulations prescribe conditions of Corporate Governance relating to the Board composition, the committee composition, meetings, terms of reference of committees, disclosure of information, obligations of company, Independent Director etc.

The Certificate provides comfort to the Board, Regulators and other stakeholders regarding the compliance with the Corporate Governance conditions as provided under the Listing Regulations.

This booklet, 'Corporate Governance Certification under Listing Regulations – A Referencer' covers detailed topic wise checklist on Corporate Governance requirements under Listing Regulations and the relevant compliances under Companies Act 2013 and a set of Frequently Asked Questions on Corporate Governance requirements. It will help the professionals in issuing the Compliance Certificate and to check the Corporate Governance compliance.

I commend the dedicated efforts put in by team ICSI led by CS Alka Kapoor, Joint Secretary and comprising CS Lakshmi Arun, Joint Director and CS Kalpesh Mehta, Assistant Director in writing the manuscript of this publication.

I place on record my sincere thanks to CS Vineet K. Chaudhary, Central Council Member and Chairman, Corporate Laws and Governance Committee for his valuable inputs. I am also thankful to CS Shailashri Bhaskar, Practising Company Secretary for her valuable inputs in finalising the book.

I am confident that the publication will prove to be of immense benefit to companies and professionals.

In any publication, there is always scope for further improvement. I would personally be grateful to users and readers for offering their suggestions/ comments for further refinement.

**(CS Mamta Binani)**

Place: Delhi

*President*

Date: 9th December, 2016

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## INTRODUCTION

The legal prescriptions with respect to Corporate Governance are mainly covered under the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### I. Corporate Governance and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**CORPORATE GOVERNANCE PRINCIPLES UNDER LISTING REGULATIONS :** The listed entity which has listed its specified securities shall comply with the corporate governance principles under following broad headings as specified in Regulation 4- :



**(a) The rights of shareholders:** The listed entity shall seek to protect and facilitate the exercise of the following rights of shareholders:

- (i) right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.

- (ii) opportunity to participate effectively and vote in general shareholder meetings.
- (iii) being informed of the rules, including voting procedures that govern general shareholder meetings.
- (iv) opportunity to ask questions to the board of directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
- (v) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors.
- (vi) exercise of ownership rights by all shareholders, including institutional investors.
- (vii) adequate mechanism to address the grievances of the shareholders.
- (viii) protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.

**(b) Timely information:** The listed entity shall provide adequate and timely information to shareholders, including but not limited to the following:

- (i) sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.
- (ii) Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership.
- (iii) rights attached to all series and classes of shares, which shall be disclosed to investors before they acquire shares.

**(c) Equitable treatment:** The listed entity shall ensure equitable treatment of all shareholders, including minority and foreign shareholders, in the following manner:

- (i) All shareholders of the same series of a class shall be treated equally.
- (ii) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors, shall be facilitated.

- (iii) Exercise of voting rights by foreign shareholders shall be facilitated.
- (iv) The listed entity shall devise a framework to avoid insider trading and abusive self-dealing.
- (v) Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders.
- (vi) Procedures of listed entity shall not make it unduly difficult or expensive to cast votes.

**(d) Role of stakeholders in corporate governance:** The listed entity shall recognise the rights of its stakeholders and encourage co-operation between listed entity and the stakeholders, in the following manner:

- (i) The listed entity shall respect the rights of stakeholders that are established by law or through mutual agreements.
- (ii) Stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
- (iii) Stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in corporate governance process.
- (iv) The listed entity shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.

**(e) Disclosure and transparency:** The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner:

- (i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
- (ii) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by users.
- (iii) Minutes of the meeting shall be maintained explicitly recording dissenting opinions, if any.

**(f) Responsibilities of the board of directors:** The board of directors of the listed entity shall have the following responsibilities:



- (i) Disclosure of information:
  - (1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
  - (2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.
- (ii) Key functions of the board of directors-
  - (1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
  - (2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
  - (3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
  - (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
  - (5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
  - (6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
  - (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

- (8) Overseeing the process of disclosure and communications.
  - (9) Monitoring and reviewing board of director's evaluation framework.
- (iii) Other responsibilities:
- (1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
  - (2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
  - (3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
  - (4) The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
  - (5) Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
  - (6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
  - (7) The board of directors shall exercise objective independent judgement on corporate affairs.
  - (8) The board of directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
  - (9) The board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.
  - (10) The board of directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity's focus.

- (11) When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
- (12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.
- (13) In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.
- (14) The board of directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors.

These principles of corporate governance are based on the Organisation for Economic Corporation and Development ('OECD') principles of Corporate Governance. OECD has set out a framework for good practice which was agreed by the governments of 30 countries that are members of the OECD. They were designed to assist governments and regulatory bodies in both OECD countries and elsewhere in drawing up and enforcing effective rules, regulations and codes of corporate governance. They also provide guidance to the stock-exchanges, investors, companies and others that have a role in the process of developing good corporate governance practices. Broad principles of Corporate Governance given by OECD are given below:

- **Ensuring the basis for an effective corporate governance framework:** Corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.
- **The rights and equitable treatment of shareholders and key ownership functions:** The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
- **Institutional investors, stock markets, and other intermediaries:** The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.

- **The role of stakeholders in corporate governance:** The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
- Ø **Disclosure and transparency:** The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company
- Ø **The responsibilities of the board:** The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

### **Applicability of Corporate Governance Provisions**

The listed entities which has listed its specified securities on any recognised stock exchange(s) has to comply with certain corporate governance provisions which are mainly specified in Regulations 17 to 27 of the Listing Regulations.

### **Exceptions**

However, as per Regulation 15(2) of the Listing Regulations, the compliance with the corporate governance provisions as specified in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C , D and E of Schedule V shall not apply, in respect of following -

1. The listed entity having
  - *paid up equity share capital not exceeding rupees 10 crore and*
  - *net worth not exceeding rupees 25 crore, as on the last day of the previous financial year.*

(If the provisions of the regulations become applicable to a listed entity at a later date, such listed entity shall comply with the requirements those regulations within six months from the date on which the provisions became applicable to the listed entity.)

2. The listed entity which has listed its specified securities on the SME Exchange.

(For other listed entities which are not companies, but body corporate or are subject to regulations under other statutes, the provisions shall apply

to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant authorities.)

Notwithstanding any provisions under Regulation 15(2) stated above, the provisions of Companies Act, 2013 shall continue to apply, wherever applicable.

## **II. Corporate Governance and Companies Act, 2013**

The Companies Act, 2013 envisages radical changes in the sphere of Corporate Governance in India. It is set to provide a major overhaul in Corporate Governance norms and have far-reaching implications on the manner in which corporate operates in India.

Some of the Provisions of Companies Act, 2013 related to Corporate Governance are:

- Exclusion of nominee Director from the definition of Independent Director.
- At least one woman director on the Board of the company.
- Compulsory whistle blower mechanism.
- Expanded role of Audit Committee.
- Prohibition of issuance of stock options to Independent Directors.
- Separate meeting of Independent Directors.
- Constitution of Stakeholders Relationship Committee.
- Enhanced disclosure of remuneration policies.
- Performance evaluation of Independent Directors and the Board of Directors.
- Approval of Audit Committee for all Related Party Transactions (RPTs).
- Approval of all material RPTs by shareholders through ordinary resolution with related parties to the transaction abstaining from voting on the resolution
- Mandatory constitution of Nomination and Remuneration Committee. Chairman of the said committees shall be independent.

Companies Act, 2013 facilitates good governance in listed and unlisted companies and Listing Regulations, facilitate governance in listed companies and the combined effect would definitely bring in effective corporate governance practices overall.

### Corporate Governance Certification requirement under the Listing Regulations

Clause E of Schedule V of the Regulations prescribes that a Compliance Certificate from either the auditors or Practising Company Secretary regarding compliance of conditions of corporate governance shall be annexed to the directors' report.

Besides listed entities are required to submit a quarterly compliance report on corporate governance in the specified format to the stock exchange within fifteen days from the close of each quarter. The listed entities are further required to file a half yearly compliance report and an annual compliance report with the stock exchanges in the prescribed format.

## II. CORPORATE GOVERNANCE - LISTING REGULATIONS VIS-A-VIS COMPANIES ACT 2013

Sl. No	Particulars	Listing Regulations	Companies Act 2013
1.	Size of the Board	<p><b>Regulation 17(1)(a)</b></p> <p>The board of directors shall have an optimum combination of executive and non-executive directors.</p>	<p><b>Section 149 (1)</b> It stipulates the minimum number of director as three in case of public company, two in case of private company and one in case of One Person Company. The maximum number of directors stipulated is 15.</p>
2.	Board Composition	<p><b>Regulation 17(1)</b></p> <ul style="list-style-type: none"> <li>• At least 50% of the board of directors shall comprise of non-executive directors.</li> <li>• If the chairperson of the board of directors is a non-executive director, at</li> </ul>	<p><b>Section 149(4)</b> provides that every public listed Company shall have at-least one third of total number of directors as independent directors and Central Government may further prescribe minimum number of independent directors in any</p>

		<p>least 1/3<sup>rd</sup> of the board of directors shall comprise of independent directors.</p> <ul style="list-style-type: none"> <li>• If the chairperson of the board of directors is not a non-executive director, at least 50% of the board of directors shall comprise of independent directors.</li> <li>• If the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least 50% of the board of directors of the listed entity shall consist of independent directors.</li> </ul>	<p>class or classes of company.</p> <p>Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 prescribes that the following class or classes of companies shall have at least two independent directors:</p> <ul style="list-style-type: none"> <li>• Public Companies having paid-up share capital of 10 crore rupees or more; or</li> <li>• Public Companies having turnover of 100 crore rupees or more; or</li> <li>• Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding 50 crore rupees.</li> </ul>
3.	Appointment of Woman Director	<p><b>Regulation 17(1)(a)</b> The Board of Directors of the Listed Entity shall have at least one woman director.</p>	<p><b>Section 149(1) and Companies (Appointment and Qualification of Directors) Rules, 2014</b></p> <p>Rule (3) read with Section 149(1) provides that –</p> <p>(i) every listed company;</p> <p>(ii) every other public company having -</p> <p>(a) paid-up share capital of Rs.100 crores or more; or</p>

			<p>(b) turnover of Rs.300 crore or more shall appoint at least one woman director.</p> <p>A company shall comply with provisions within a period of six months from the date of its incorporation.</p> <p>Any intermittent vacancy of a woman director shall be filled up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.</p>
4.	Maximum No. of directorship of Independent Directors.	<p><b>Regulation 25(1)</b></p> <p>A person shall not serve as an independent director in more than seven listed entities. Any person who is serving as a whole time director in any listed entity shall serve as an independent director is not more than three listed entities.</p>	<p><b>Section 165</b></p> <p>A person shall not hold office as a director, including any alternate directorship in more than 20 companies at the same time.</p> <p>The max no. of public companies in which a person can be appointed as a director shall not exceed 10.</p>
5.	Maximum tenure of Independent Directors.	<p><b>Regulation 25(2)</b></p> <p>It shall be in accordance with the Companies Act 2013 and rules made there under, in this regard, from time to time.</p>	<p><b>Section 149(10) &amp; (11)</b> Subject to the provisions of Section 152(2), an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such</p>



			<p>appointment in the Board's report. No independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director.</p>
6.	Performance evaluation of Independent Directors.	<p><b>Regulation 17(10)</b></p> <p>a. The Nomination Committee shall lay down the evaluation criteria for performance evaluation of independent directors.</p> <p>b. The Listed Entities shall disclose the criteria for performance evaluation, as laid down by the Nomination Committee, in its Annual Report.</p> <p>c. The performance evaluation of independent directors shall be done by the entire Board of Directors.</p> <p>d. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.</p>	<p><b>Section 178(2) read with Schedule IV</b></p> <p>The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.</p> <p>The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.</p> <p>On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the Independent Director.</p>

7.	Separate meeting of Independent Directors.	<p><b>Regulation 25(3)</b></p> <p>The IDs of listed entity shall hold at least one meeting in a year, without the attendance of non independent directors and members of management.</p> <p>All the independent directors of the Listed Entity shall strive to be present at such meeting.</p>	<p><b>Section 149 read with Schedule IV</b></p> <p>IDs of the company shall hold at least one meeting in a year, without the attendance of non independent directors and members of management.</p> <p>All the independent directors of the company shall strive to be present at such meeting.</p> <p>Here, "Year" means Calendar year as referred in SS-I.</p>
8.	Familiarisation Programme for Independent Director	<p><b>Regulation 25(7)</b></p> <p>The Listed Entity shall familiarise the independent directors with the Listed Entity, their roles, rights, responsibilities in the Listed Entity, nature of the industry in which the Listed Entity operates, business model of the Listed Entity, etc. The details of such familiarisation programme along with the attendance particulars of such directors shall be disclosed on the website of the listed entity and a web link thereto shall also be given in the Annual Report.</p>	<p><b>Schedule IV</b> specifies that the Independent Directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company.</p>
9.	Prohibited Stockoptions for IDs	<p><b>Regulation 17(6)(d)</b> IDs shall not be entitled to any stock options.</p>	<p><b>Section 197(7)</b> IDs shall not be entitled to any stock option.</p>

10.	Filing of Casual Vacancy of Independent Directors.	<p><b>Regulation 25(6)</b></p> <p>An independent director who resigns or is removed from the Board of the Listed Entity shall be replaced by a new independent director at the earliest but not later than the immediate next Board meeting or three months from the date of such vacancy, whichever is later.</p> <p>Provided that, where the Listed Entity fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.</p>	<p><b>Schedule IV(VI)</b></p> <p>Second proviso to Rule 4 of Companies (Appointment of Directors) Rules, 2014 states that any intermittent vacancy of an independent director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy, whichever is later.</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 a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.</p> <p>Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new Independent Director shall not apply.</p>
11.	Succession planning	<p><b>Regulation 17(4)</b> The Board of the Listed Entity shall satisfy itself that plans are in place for orderly succession for</p>	There is no such provision.

		appointments to the Board and to senior management.	
12.	Code of Conduct of Board of Directors & Senior Management	<b>Regulation 17(5)</b> The board shall lay down a code of conduct for all Board members and seniors management of the Listed Entity. The code of conduct shall be posted on the website of the Listed Entity. All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the Listed Entity shall contain a declaration to this effect signed by the CEO. The Code of Conduct shall suitably incorporate the duties of Independent Directors as laid down in the Companies Act, 2013.	<b>Section 149(8)</b> provides that the company and the independent directors shall abide by the provisions specified in Schedule IV.
13.	Liability of IDs	<b>Regulation 25(5)</b> An independent director shall be held liable, only in respect of such acts of omission or commission by a Listed Entity which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently with respect of the provisions contained in the Listing Agreement. Regulation	<b>Section 149(12)</b> An independent director; a Non Executive Director not being a promoter or KMP, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

14.	Vigil mechanism	<p><b>Regulation 22</b></p> <p>The Listed Entity shall formulate a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Listed Entity code of conduct or ethics policy.</p> <p>This mechanism should also provide for adequate safeguards against victimization of director(s)/ employee(s) who avail of the mechanism and also provide for direct access to the chairperson of the Audit Committee in exceptional cases.</p> <p>The details of establishment of such mechanism shall be disclosed by the Listed Entity on its website and in the Board's report.</p>	<p><b>Section 177(9) read with Rule 7 of Companies (Meeting of Board and its Power) Rules, 2014</b></p> <p>Every listed company or such class or classes of companies to establish a Vigil mechanism for directors and employees to report genuine concern. The details of establishment of Vigil mechanism shall be disclosed by the company in the website, if any, and in the Board's Report.</p> <p><b>Rule 7 of Companies (Meeting of Board and its Power) Rules, 2014</b></p> <p>States that the companies which are required to constitute an audit committee shall oversee the vigil mechanism through the committee and if any of the members of the committee have a conflict of interest in a given case, they should rescue them-selves and the others on the committee would deal with matter on hand.</p> <p>The Vigil Mechanism shall provide adequate safeguards against victimization of employees and directors who avail of the Vigil mechanism and also provide for direct</p>
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			access to the chairperson of the Audit committee or the director nominated to play the role of audit committee, as the case may be, in exceptional cases.
15.	Qualification of Independent Directors.	The qualifications of IDs are not specified in the Listed Regulation, but the eligibility criteria are included in the definition of an independent director under Regulation 16(1)(b)	<p><b>Rule 5 of Companies (Appointment and Qualification of Directors) Rules, 2014</b></p> <p>An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.</p>
16.	Constitution of Audit Committee	<p><b>Regulation 18</b></p> <p>A listed Entity shall set up a qualified and independent audit committee shall be set up, giving the terms of reference subject to the following:</p> <p>1. The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors.</p>	<p><b>Section 177 read with Rule 6 of Companies (Meeting of Board and Its Powers) Rules, 2014</b></p> <p>States that the Board of directors of every listed company and such class of companies as prescribed under Rule 6, shall constitute an Audit Committee. The Audit Committee shall consist of a minimum three directors with independent directors forming a majority provided</p>

		<p>2. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.</p> <p>3. The chairperson of the Audit Committee shall be an Independent Director.</p>	<p>that majority of members of Audit Committee including its chairperson shall be person with ability to read and understand the financial statement.</p> <p><b>Section 178 and Rule 6 of Companies (Meetings of</b></p>
17.	Constitution of Nomination & Remuneration Committee	<p><b>Regulation 19</b></p> <p>The Listed Entity through its Board of directors shall constitute the nomination and remuneration committee which shall comprise at least 3 directors, all of whom shall be non executive directors and at least ½ shall be independent.</p> <p>A. Chairperson of the committee shall be an Independent Director. Provided that the chairperson of the Listed Entity (whether executive or non-executive) may be appointed as a member of the Nomination and remuneration Committee but shall not chair such Committee.</p> <p>B. The role of the committee shall, inter-</p>	<p><b>Board and its Powers) Rules, 2014</b></p> <p>The Board of directors of every listed companies and such class or classes of companies as prescribed under Rule 6, shall constitute a Nomination and Remuneration Committee of the Board.</p> <p>The above mentioned companies shall constitute the Nomination and Remuneration Committee consisting of 3 or more non executive directors out of which not less than one half shall be IDs.</p> <p>The chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.</p>

		<p>alia, include the following:</p> <ol style="list-style-type: none"> <li>1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, KMP and other employees;</li> <li>2. Formulation of criteria for evaluation of IDs and the Board;</li> <li>3. Devising a policy on Board diversity;</li> <li>4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.</li> <li>5. The Listed Entity shall disclose the remuneration policy and the evaluation criteria in its Annual Report.</li> </ol> <p>C. The Chairperson of the nomination and</p>	<p>The Nomination and Remuneration Committee shall-</p> <ul style="list-style-type: none"> <li>• Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal, carry out evaluation of every director's performance.</li> <li>• Formulate the criteria for determining qualifications, positive attributes and independence of a director and Recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.</li> </ul> <p>The Nomination and Remuneration Committee shall while formulating the policy ensure that –</p> <p>(a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company</p>
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		<p>remuneration committee may be present at the AGM, to answer the shareholders' queries. However, it would be up to the Chairperson to decide who should answer the queries.</p>	<p>successfully;</p> <p>(b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and</p> <p>(c) remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:</p> <p>The policy shall be disclosed in the Board's report.</p>
18.	Risk management	<p><b>Regulation 21</b></p> <p>The top 100 Listed entities, determined on the basis of market capitalisation shall lay down procedures to inform Board members about the risk assessment and minimization procedures.</p> <p>The Board shall be responsible for framing, implementing and monitoring the risk management plan for the Listed Entity.</p>	<p><b>Section 134(3)(n)</b></p> <p>The Board's report as prescribed under Section 134(3) required to include in the Board's Report, a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, this in the opinion of the Board may threaten the existence of the company.</p>

		<p>The Listed Entity through its Board of Director shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.</p> <p>The majority of Committee shall consist of members of the Board of Directors.</p> <p>Senior executives of the Listed Entity may be members of the said Committee but the Chairperson of the Committee shall be a member of the Board of Directors.</p>	
19.	Related Party	<p><b>Clause 2(zb)</b></p> <p>For the purpose of Listing Regulation, an entity shall be considered as related to the Listed Entity if:</p> <ul style="list-style-type: none"> <li>i. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or</li> <li>ii. Such entity is a related party under the applicable accounting standards.</li> </ul>	<p><b>Section 2(76)</b></p> <p>“Related party”, with reference to a company, means –</p> <ul style="list-style-type: none"> <li>(i) a director or his relative</li> <li>(ii) a KMP or his relative;</li> <li>(iii) a firm, in which a director, manager or his relative is a partner;</li> <li>(iv) a private company in which a director or manager or his relative is a member or director;</li> </ul>

			<p>(v) a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;</p> <p>(vi) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;</p> <p>(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act;</p> <p>(viii) any company which is—</p> <p>(A) a holding, subsidiary or an associate company of such company; or</p> <p>(B) a subsidiary of a holding company to which it is also a subsidiary.</p> <p>(viii) such other person as may be prescribed.</p> <p>Rule 3 of the Companies (Specification of</p>
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			Definitions Details) Rules, 2014 provides that a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be a related party.
20.	Disclosure of RPTs	<b>Regulation 27(2)(a)</b> Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance. The Listed Entity shall disclose the policy on dealing with RPTs on its website and a web link thereto shall be provided in the Annual Report.	<b>Section 134(3)(h)</b> The section mandates that Board's Report shall contain particulars of contracts or arrangements with related party as referred in section 188 of the Companies Act, 2013 in Form AOC-2 [Rule 8 of Companies (Accounts) Rules, 2014]
21.	Disclosure of different Accounting standard	<b>Regulation 34(3) read with Schedule V</b> Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the	<b>Section 129(5)</b> Where the financial statements of a company do not comply with the accounting standards, the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

		true and fair view of the underlying business transaction in the Corporate Governance Report.	
22.	Disclosure on Remuneration	<p><b>Regulation 34(3) read with Schedule V</b></p> <ol style="list-style-type: none"> <li>1. All pecuniary relationship or transactions of the non-executive directors vis-à-vis the Listed Entity shall be disclosed in the Annual Report.</li> <li>2. In addition to the disclosures required under the Companies Act, 2013, the following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the Annual Report: <ol style="list-style-type: none"> <li>a. All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension, etc.</li> <li>b. Details of fixed component and performance linked incentives, along with the performance criteria.</li> <li>c. Service contracts, notice period, severance fees.</li> </ol> </li> </ol>	<p><b>Section 197 and Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014</b></p> <ol style="list-style-type: none"> <li>1) Every listed company shall disclose in the Board's report: <ol style="list-style-type: none"> <li>(i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year.</li> <li>(ii) the percentage increase in remuneration of each director, CFO, CEO, CS or Manager, if any, in the financial year;</li> <li>(iii) the percentage increase in the median remuneration of employees in the financial year;</li> <li>(iv) the number of permanent employees on the rolls of company;</li> <li>(v) the explanation on the relationship</li> </ol> </li> </ol>

		<p>d. Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.</p> <p>3. The Listed Entity shall publish its criteria of making payments to non-executive directors in its annual report. Alternatively, this may be put up on the Listed Entity website and reference drawn thereto in the annual report.</p> <p>4. The Listed Entity shall disclose the number of shares and convertible instruments held by non-executive directors in the annual report.</p> <p>5. Non-executive directors shall be required to disclose their shareholding (both own or held by / for other persons on a beneficial basis) in the Listed Entity in which they are proposed to be appointed as directors, prior to their appointment.</p> <p>These details should be disclosed in the notice to the general meeting called for appointment of such director.</p>	<p>between average increase in remuneration and company performance;</p> <p>(vi) comparison of the remuneration of the KMP against the performance of the company;</p> <p>(vii) variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;</p>
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			<p>(viii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;</p> <p>(ix) comparison of the each remuneration of the Key Managerial personnel against the performance of the company.</p> <p>(x) the key parameters for any variable component of remuneration availed by the directors;</p> <p>(xi) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year; and</p>
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			(xii) Affirmation that the remuneration is as per the remuneration policy of the company.
23.	Stakeholders Relationship Committee	<p><b>Regulation 20</b></p> <p>A committee under the Chairperson of a non-executive director and such other members as may be decided by the Board of the Listed Entity shall be formed to specifically look into the redressal of grievances of shareholders, debenture holders and other security holders. This Committee shall be designated as 'Stakeholders Relationship Committee' and shall consider and resolve the grievances of the security holders of the Listed Entity including complaints related to transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends.</p>	<p><b>Section-178(5)&amp;(6)</b></p> <p>The Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the Board. The Stakeholders Relationship Committee shall consider and resolve the grievances of security holders of the company.</p>



### III. BOARD OF DIRECTORS

Independence of the Board and its' composition with a balanced mix of executive and non-executive directors is prescribed under Regulation 17 of Listing Regulations. The Companies Act 2013 also prescribes that all listed companies must have at least 1/3<sup>rd</sup> of its board as independent directors, with at least one woman director.

Section 149 of Companies Act 2013 stipulates the minimum number of director as three in case of public company, two in case of private company and one in case of One Person Company. The maximum number of directors stipulated is 15 directors.

The listing regulations and the Companies Act 2013 also prescribe the limits on the maximum number of directorships per director / independent director.

**Compliance Checklist (Section Number is with reference to Companies Act, 2013 and Regulation Number is with reference to SEBI (LODR) Regulations, 2015.**

#### (i) Board Size

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Does the Board of the Company consist of more than 15 Directors?	Section 149(1)(b)	
2	If Yes, whether Special Resolution is passed in this regard?	Proviso to Section 149(1)	

#### (ii) Board Composition

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Does the Board have at least one Woman Director?	Second proviso to Section 149(1) & Regulation 17(1)(a)	

2	Does any of the director of the company have having any disqualification specified under Section 164(1)?	Section 164(1)	
3	Does the Board have not less than 50% of non-executive directors?	Regulation 17(1)(a)	
4	If the Chairperson is not a non-executive director or is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, does the Board consist at least half of Independent Directors?	Proviso to Regulation 17(1)(b)	
5	If the Chairperson is a non-executive Chairperson and is not a promoter of the company or is not related to any promoter or person occupying management positions at the Board level or at one level below the Board, does the board consist at least 1/3rd of Independent Directors?	Regulation 17(1)(b)	
6	Check that at least one director of the company has stayed in India for a total period of not less than 182 days in previous calendar year?	Section 149(3)	

**Small Share holder Director**

7	Does the Company have a director elected by small shareholders?	Section 151	
8	Is the director representing small shareholders subject to retirement by rotation?	Section 151 read with rule 7(5)(a) of Companies (Appointment of directors) Rules, 2014	

**(iii) Maximum number of Directorship**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Does any board member serve as an Independent Director in more than seven listed entities?	Regulation 25 (1)	
2	Does any board member serve as whole time director in any other listed entity? If so, does he serve as independent directors in more than three listed entities?	Proviso to Regulation 25 (1)	

**(iv) Committee Membership**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Is any board member a member in more than 10 committees (public limited Companies (listed/ unlisted) or as a chairperson of more than five committees across all listed entities in which he is a director?	Regulation 26(1)	
	Note: Consider Audit / Stakeholder Relationship Committee only for calculation of limits.		

**(v) Fees**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Whether the sitting fee payable to the non executive directors including independent director exceeds the limit prescribed under the Companies Act, 2013?  If Yes, check whether the prior approval of shareholders in general meeting has been obtained?	Regulation 17(6)	

#### IV. INDEPENDENT DIRECTORS

The Companies Act 2013 prescribes conditions with respect to appointment of independent director, terms of appointment, performance evaluation, separate meeting of Independent directors etc., Similarly listing regulations also prescribe the obligations of the independent director towards the company & its stakeholders.

Further, the Schedule IV of the Companies Act, 2013 defines the code for Independent Directors which should be adhered to by the Independent directors.

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Do all the independent directors meet the qualifying criteria for becoming an independent director?	Regulation 16(1)(b) and section 149(6) of the Act	
2	Check whether the declaration given by every independent director is submitted to the board?	Section 149(7)	
3	Check the certificate of eligibility for become a director is given by all the directors of the company including independent director?	Section 152(4)	
4	Is the maximum tenure of Independent Directors restricted up to five consecutive years? If eligible for re-appointment for another term, whether special resolution has been passed by the Shareholders of the Company?	Regulation 25(2) and Section 149(10)	
5	Whether the 3 years cooling off period is complied, in case where an independent director completes his two terms of maximum of 5 years each?	Section 149(11)	

6	Whether nominee director of lending financial institution is not considered as independent director?	Explanation to Section 149(7)	
7	Has the company issue a formal letter of appointment to independent directors in the manner provided in Companies Act, 2013 and disclosed the Appointment letter and the terms and conditions of appointment on the website of the company?	Schedule IV(IV) of the Act	
8	Does all fees or compensation, if any, paid to non-executive directors, including independent directors recommended by the Board of Directors and has been approved by the shareholders in general meeting?	Regulation 17(6)(a)	
9	Has the Nomination and Remuneration Committee laid down the evaluation criteria for performance evaluation of independent directors and disclosed the same in its Annual Report?	Part D of Schedule II of regulation and Schedule IV of the Act	
10	Did the entire Board, excluding the director being evaluated, evaluate the performance of each and every Independent Director?	Regulation 17(10) and Schedule IV of the Act	
11	Did the Independent Directors hold separate meeting at least once a year?	Regulation 25(3) and Schedule IV of the Act	
12	Did the Independent Directors evaluate the performance of chairman and the non-independent directors at the separate meeting of independent directors?	Regulation 25(4) and Schedule IV of the Act	
13	Does the Company organise familiarisation programme for independent directors? Does the company disclose the details of	Regulation 25(7)	

	such familiarisation programme in the website of the company and disclose the link for the same in the website of the		
	company? Has the company put the attendance particulars of such independent directors at such familiarization programmes on the website.		
14	Has the company disclosed the details of training imparted to Independent Directors in the Annual Report?	Regulation 46(2)(i)(i)	
15	Does the company obtain approval of the shareholders with respect to fees/ compensation, if any to non executive directors, including Independent Directors? Does the resolution specify the limits for maximum number of stock options to non-executive directors (in any financial year and in aggregate), other than independent directors (Independent Directors shall not be entitled for stock options)?	Regulation 17(6) and section 149(9)	
16	Has any independent director resigned? If so, is the Board composition in compliance with the numbers specified under the Listing Regulations and the Companies Act. If not, has the company appointed a new independent director not later than the immediate next meeting of the board or three months from the date of such vacancy whichever is later?	Regulation 25(6) and Section 149 read with Rule 4 of Companies (Appointment and Qualification of Directors) Rules 2014	
17	Is at least one Independent Director on the Board of Directors of the listed entity a director on the board of an unlisted material subsidiary, incorporated in India?	Regulation 24(1)	
18	Check that in separate meeting of independent directors , the directors have	Regulation 25(4) and	

	<p>reviewed the performance of non-independent directors and the Board as a whole and reviewed the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors and to assess, the quality, quantity and timeliness of flow of information between the company management and the Board members that is necessary for the Board to effectively and reasonably perform their duties.</p>	<p>schedule IV</p>	
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## V. BOARD COMMITTEES

A board committee is a small working group identified by the board, consisting of board members, for the purpose of supporting the board's work. Committees are generally formed to perform some expertise work. Members of the committee are expected to have expertise in the specified field.

Committees are usually formed as a means of improving board effectiveness and efficiency, in areas where more focused, specialized and technical discussions are required. These committees prepare the groundwork for decision-making and report at the subsequent board meeting. Committees enable better management of full board's time and allow in-depth scrutiny and focused attention.

However, the Board of Directors are ultimately responsible for the acts of the committee. Board is responsible for defining the committee role and structure.

As per SEBI (LODR) Regulations 2015, the following are mandatorily –

- a. Audit Committee
- b. Nomination and Remuneration Committee
- c. Stakeholder Relationship Committee
- d. Risk Management Committee for top 100 companies as per Market Capitalisation.

**(a) Constitution of Audit Committee**

Section 177(1) of the Companies Act, 2013 read with rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014 provides that the Board of directors of following companies are required to constitute a Audit Committee of the Board-

- (i) All listed companies
- (ii) All public companies with a paid up capital of 10 crore rupees or more;
- (iii) All public companies having turnover of 100 crore rupees or more;
- (iv) All public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding 50 crore rupees or more.

**Checklist on Audit Committee:**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
	(a) Audit Committee <ul style="list-style-type: none"> <li>• Has the Committee been constituted with minimum three directors and atleast 2/3rd of the members as Independent Directors?</li> <li>• Is the chairperson of the committee an independent Director?</li> <li>• Whether chairperson of the committee was present at annual general meeting to answer shareholders queries?</li> <li>• Whether audit committee meeting was held four times in a year?</li> <li>• Whether quorum for committee (either two member or one-third of the member of committee, whichever is greater, with at least two independent directors) was present at the every meeting of the Audit committee?</li> </ul>	Regulation 18 Regulation 18(1) Regulation 18(1)(d) Regulation 18(1)(d) Regulation 18(2)(a) Regulation 18(2)(b)	



	<ul style="list-style-type: none"> <li>• Whether terms of reference has been defined for the Audit committee</li> <li>• Whether all matters which are compulsorily required to be discussed at the meeting of the audit committee been discussed at the meeting?</li> <li>• Whether company secretary acts as secretary to the Audit Committee?</li> <li>• Whether all related party transactions have the prior approval of the Audit Committee?</li> <li>• Whether the company has a Vigil Mechanism Policy and name and contact details of the Chairman is placed on the website of the company and in the Board report?</li> <li>• Whether the Audit Committee has given any omnibus approval for related party Transaction?</li> <li>• Whether the Conditions of Omnibus Approval is being complied with and specify the details as required?</li> <li>• Whether the committee has quarterly reviewed the details of the Related Party Transactions?</li> <li>• Whether the Omnibus approval is valid for the relevant period?</li> <li>• Whether the Committee has reviewed the financial statement, in particular the investment made by the unlisted Subsidiary company?</li> </ul>	<p>Section 177(4) &amp; Part C(A) of Schedule II of Regulation</p> <p>Part C(B) of Schedule 2 of Regulation</p> <p>Regulation 18(1)(e)</p> <p>Regulation 23(2)</p> <p>Regulation 22 and Section 177(10)</p> <p>Regulation 23(3)</p> <p>Regulation 23(3)(C)</p> <p>Regulation 23(3)(d)</p> <p>Regulation 23(3)(e)</p> <p>Regulation 24(2)</p>	
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**(b) Nomination and Remuneration Committee***Constitution of the Committee*

Section 178(1) of the Act read with rule 6 of the Companies (Meetings of the Board and its Powers) Rules, 2014, provides that the board of directors of following companies are required to constitute a Nomination and Remuneration Committee of the Board-

- (i) All listed companies
- (ii) All public companies with a paid up capital of 10 crore rupees or more;
- (iii) All public companies having turnover of 100 crore rupees or more;
- (iv) All public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding 50 crore rupees or more.

**Checklist on Nomination and Remuneration Committee**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
	<ul style="list-style-type: none"> <li>• Has the Company constituted</li> <li>• Has the Company constituted Nomination and Remuneration Committee consisting of atleast three directors?</li> <li>• Are all the members of the Committee non-executive directors?</li> <li>• Does the Committee consist atleast half of independent directors?</li> <li>• Is the Chairperson of the Committee an Independent Director?</li> <li>• Has the Company disclosed the remuneration policy and evaluation criteria to the shareholders?</li> <li>• Has the committee formulated the criteria of independence of a Director?</li> <li>• Has the committee laid down the policy relating to directors and Key Managerial Person?</li> </ul>	<ul style="list-style-type: none"> <li>Regulation 19(1)</li> <li>Regulation 19(1)(a)</li> <li>Regulation 19(1)(b)</li> <li>Regulation 19(1)(c)</li> <li>Regulation 19(2)</li> <li>Part D schedule II</li> <li>Part D schedule II</li> <li>Part D schedule II</li> </ul>	

	<ul style="list-style-type: none"> <li>Has the Committee laid down the Criteria for evaluation of the performance of Independent Director and the Board?</li> </ul>	Part D schedule II	
	<ul style="list-style-type: none"> <li>Has the company devised a policy on diversity of the Board?</li> <li>Does the Committee recommend the appointment in Board and senior management?</li> <li>Does the Committee consider the performance evaluation report?</li> <li>Was the Chairman of the Nomination and Remuneration Committee present at the AGM</li> </ul>	Part D schedule II Part D schedule II Part D schedule II Regulation 19(3)	

### (c) Stakeholders Relationship Committee

#### *Constitution of the Committee*

Section 178(5) of the Companies Act 2013 provides that the Board of Directors of following companies shall constitute a Stakeholders Relationship Committee –

- company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year.

Regulation 20 of SEBI (LODR) Regulations, 2015 provides that every listed entity shall constitute a Stakeholders Relationship Committee to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders.

#### **Checklist on Stakeholders Relationship Committee**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Has the company constituted Stakeholders Relationship Committee with non-executive director as chairperson of the Committee?	Regulation 20(2)	
2	Have all Investor Grievances received was placed before the Committee along with their status?	Part D of schedule II	

3	Has the company appointed RTA for transfer of shares or if the total number of holders of securities exceeds one lakh, has it obtained registration for its in-house share transfer facility?	Regulation 7(1)	
4	Has the Company received the report from RTA in regard to Investor Complaints?		
5	Has the company submitted a compliance certificate to the stock exchange regarding the handling of the share transfer facility either in-house or by a SEBI registered RTA within one month of end of each half year	Regulation 7(3)	
6	Has the listed entity filed a statement of the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed off during the quarter and those remaining unresolved at the end of the quarter to the stock exchanges within 21 days of the end of each quarter. Has the entity placed this statement before each Board Meeting.	Regulation 13(3) & 13(4)	

**(d) Risk Management Committee**

The provisions of regulation 21 of the SEBI (Listing Obligations and Disclosure Requirement) 2015 are applicable to top 100 listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1.	Check Whether the company is in the top 100 listed entities of the stock exchanges on the basis of market capitalisation as at the end of the immediate financial year.  If yes, Whether the company has constituted a Risk Management Committee?  If yes, Whether the majority of members of	Regulation 21(5)  Regulation 21(1)  Regulation	

	Risk Management Committee consist of members of the board of directors?	21(2)	
	Is the Chairperson of the Risk management committee a member of the board of the company?	Regulation 21(3)	
	Whether any senior executive of the company is the member of the committee?	Regulation 21(3)	
2	Has the board of Directors defined the role and responsibilities of the committee?	Regulation 21(4)	

## VI. BOARD POLICIES AND CODES

### BOARD POLICIES

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Has the company established vigil mechanism (Whistle Blower Policy) for directors and employees to report concerns about unethical behaviour and also necessary safeguards against victimisation?	Section 177(9) & Regulation 22(1)	
2	Has the company disclosed the details of vigil mechanism on the website of the company?	Proviso to section 177(10)	
3	Has the company formulated a policy on materiality of related party transactions and also on dealing with related party transactions?	Regulation 23(1)	
4	Has the company disclosed the same on the website of the company, ?	Regulation 46(2)(g)	
5	Has the company formulated a policy for determining material subsidiaries and the same is disclosed to the stock exchanges and the Annual Report?	Explanation to Regulation 16(1)(c) read with	

		regulation 46(2)(h) and Schedule V of the Listing Regulations	
6	Has the company formulated a policy relating to the remuneration of directors, KMPs and other employees?	Part D {A(1)} of Schedule II of Regulations	
7	Has the company formulated a policy for determination of materiality of event?	Regulation 30(4)(ii)	
8	Has the company established the policy for preservation of document?	Regulation 9	
9	Does the Company have a Dividend Distribution policy?	Regulation 43A	
10	Does the company lay down procedures to inform board members about risk assessment and minimisation procedures?	Regulation 17(9)(a)	
11	Has the Board laid down a code of conduct for all Board Members and Senior Management of the company and posted the same on the website of the company?	Regulation 17(5)	
12	Have the Board Members and Senior Management Personnel confirmed compliance with the code of conduct annually?	Regulation 26(3)	
13	Have suitable additions been made to the code of conduct, covering duties of independent directors as laid down in Companies Act 2013?	Schedule IV of Act	

#### A. Related Party Transaction

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Whether the company has entered in to any material Related party Transactions?	Regulation 23(4)	

2	Whether the shareholder approval has been taken?	Regulation 23(4)	
3	Whether all related parties have abstained from the Voting on this resolution?	Regulation 23(4)	
4	Whether the Company has updated list of related parties and same is available to the Audit Committee or not?		
5	Whether the company has any prior arrangement with Related parties and whether the company has complied with the new regulation with regard to that arrangement?	Regulation 23(8)	
6	Check that all material transactions with related parties have been disclosed quarterly along with the compliance report on corporate governance.	Regulation 27(2)(a)	
7	Has been ensured that the interested directors did not participate when such contract or arrangement were taken up for discussion and were also not counted for the quorum ?	Section 184(2)	
8	Check that every director discloses his concern or interest in any company or companies or bodies corporate (including shareholding interest), firms or other association of individuals, by giving a notice in writing in Form MBP 1, at the first meeting of the Board in which he participates as a director	Section 184 read with rule 9 of Companies (meeting of board and its power) Rules, 2014	

**B.Subsidiary Company:**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Are the minutes of the meetings of the board of directors of the unlisted subsidiary placed	Regulation 24(3)	

	at the meeting of the board of directors of the holding listed entity?		
2	Are the statement of all significant transactions and arrangements entered into by the unlisted subsidiary placed before the Board of Directors of listed entity?	Regulation 24(4)	
3	Is there any change in shareholding of the company in its material Subsidiary company, If yes, Whether change result in to reduction in share holding / Controlling in Company?	Regulation 24(5)	
4	Has the material Subsidiary Company disposed off its assets? If yes, whether prior approval in this regard by way of special resolution is taken?	Regulation 24(6)	

### C. Compliance System

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Has the Board of company updated the compliance status of the applicable laws at least quarterly?	Regulation 17(3)	
2	Does the Board periodically review steps taken by the company to rectify instances of non-compliances?	Regulation 17(3)	
3	Does the Board periodically ensure that the systems and processes in the company are adequately commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines and that such systems and processes are operating effectively?	Regulation 17(3)	
4	Has the Company appointed Compliance Officer?	Regulation (6)(2)	
5	Is the Compliance Officer reporting to Board?	Regulation (6)(2)(b)	



6	Has the company put in place, a centralised mechanism for tracking and monitoring compliance?	Regulation (6)	
7	Do the Board members make use of Compliance Dash Board effectively itner alia covering point (a) to (d) of Regulation 6(2) and act upon it when required?	Regulation (6)	

**D. Filings with Stock Exchanges:**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1.	Has the company submitted the Compliance Certificate certifying maintaining physical & electronic transfer facility to the exchange (Half Yearly)?	Regulation 7(2) & (3)	
2.	Has the Company submitted Quarterly Statement of Investor complaints within due dates?	Regulation 13(3)	
3.	Has the Company submitted Quarterly Corporate Governance report within Due dates?	Regulation 27(2)	
4.	Has the company submitted the quarterly Shareholding Pattern within due dates?	Regulation 31(1)	
5.	Has the company submitted the quarterly Financial Results within due dates?	Regulation 33(3)	
6.	Has the company submitted the Annual report within due dates?	Regulation 34(1)	
7.	Is the company required to publish Business responsibility report? If so, whether published	Regulation 34(2)(f)	
8.	Has the company submitted half yearly Certificate from Practicing Company Secretary relating to issues of Share Certificates?	Regulation 40(9)	
9.	Has the company submitted Quarterly Certificate of Reconciliation of Share Capital Audit within due dates?	SEBI-DP Reg.55A	

## VII. OTHER COMPLIANCES

### E. Other Intimation & disclosures

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1.	<p>Has the company made disclosure upon occurrence of event or information which deemed to be material event as per Part A of Schedule III?</p> <p><i>Please refer Schedule III of LODR for details of event.</i></p>	Regulation 30(3)	

### F. Compliance Certificate by CEO & CFO

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	<p>Has the CEO &amp; CFO furnished the following in their certificate</p> <p>a. Status of review of Financial Statement by them</p> <p>b. whether the financials contain any materially untrue statement</p> <p>c. Do the financials contain a fair and correct view</p> <p>d. Compliance of existing accounting Standards, applicable laws and regulations</p> <p>e. Whether there is any violation of Code of Conduct</p> <p>f. Acceptance of Internal Control &amp; Reporting</p> <p>g. Intimation to Audit committee and Auditor about changes in Internal Financial Control, fraud etc.</p>	Part B of Schedule II of Regulations	

2	Whether the certificate contains any adverse remark?		
3	Is the certificate supported by any reservation and disclaimer?		
4	If yes, whether same is been disclosed in incorporated properly or not?		

**G. Annual Report Compliance**

Sl. No	Particulars	Compliance Reference	Whether Complied or not
1	Has the company made the disclosures in compliance with the accounting standards on Related party transactions?	Para A of Schedule V of Regulations	
2	Has the company disclosed the loan and advances to the Subsidiaries, Associates, and to the firm in which the directors are interested?	Para A of Schedule V of Regulations	
3	Does the annual report of the company include the Management Discussion and Analysis report?	Para B of Schedule V of Regulations	
4	Does it provide the correct competitive position of the company?	Schedule V of Regulations	
5	Has the company disclosed the different accounting treatment if any adopted by the company?	Part B(2) of Schedule V of Regulations	
6	Has the Company made following disclosures in the corporate governance report:  (a) Company philosophy on code of governance;  (b) Board of Director- Attendance, shareholding etc;  (c) Audit Committee;	Part C of Schedule V of Regulations	

	(d) Nomination and Remuneration Committee; (e) Directors Remuneration; (f) Stakeholders Grievance committee; (g) General Body meeting; (h) Means of Communications; (i) General Shareholders information; (j) Non Compliances; (k) Other disclosures relating to material RPT, within mechanism etc.		
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### VIII. WEBSITE DISCLOSURE REQUIREMENTS FOR A LISTED ENTITY

#### WEBSITE DISCLOSURES REQUIREMENTS UNDER THE LISTING REGULATIONS [Regulation (46)]

The listed entity shall maintain a functional website. The listed entity shall ensure that the contents of the website are correct and shall update any change in the content of its website within two working days from the date of such change in content. The listed entity shall disseminate the following information on its website.

- a) details of its business;
- b) terms and conditions of appointment of independent directors;
- c) composition of various committees of board of directors;
- d) code of conduct of board of directors and senior management personnel;
- e) details of establishment of vigil mechanism/ Whistle Blower policy;
- f) criteria of making payments to non-executive directors , if the same has not been disclosed in annual report;
- g) policy on dealing with related party transactions;
- h) policy for determining 'material' subsidiaries;
- i) details of familiarization programmes imparted to independent directors including the following details:-

- number of programmes attended by independent directors (during the year and on a cumulative basis till date),
  - number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date), and
  - other relevant details
- j) the email address for grievance redressal and other relevant details;
- k) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
- l) financial information including:
- notice of meeting of the board of directors where financial results shall be discussed;
  - financial results, on conclusion of the meeting of the board of directors where the financial results were approved;
  - complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc;
- m) shareholding pattern;
- n) details of agreements entered into with the media companies and/or their associates, etc;
- o) schedule of analyst or institutional investor meet and presentations made by the listed entity to analysts or institutional investors simultaneously with submission to stock exchange;
- p) new name and the old name of the listed entity for a continuous period of one year, from the date of the last name change;
- q) following information published in the newspaper-
- notice of meeting of the board of directors where financial results shall be discussed
  - financial results, as specified in regulation 33, along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor: Provided that if the listed entity has submitted both standalone and consolidated financial results, the listed entity shall publish consolidated financial results along-with (1) Turnover, (2) Profit before tax and (3) Profit after tax, on a stand-alone basis, as a foot note; and a reference to the places, such as the website of listed entity and

stock exchange(s), where the standalone results of the listed entity are available.

- statements of deviation(s) or variation(s) as specified in sub-regulation (1) of regulation 32 on quarterly basis, after review by audit committee and its explanation in directors report in annual report;
- notices given to shareholders by advertisement.

#### **Website disclosures under the Companies Act, 2013**

<b><i>Section/Rules</i></b>	<b><i>Requirement as per Companies Act</i></b>
Section 13(8)(i) read with Rule 32(3) of the Companies (Incorporation) Rules, 2014.	A company, which has raised money from public through prospectus and still has any unutilised amount out of the money so raised, shall not change its objects for which it raised the money through prospectus unless a special resolution is passed by the company, the details in respect of such resolution, shall also be placed on the website of the company, if any.
Section 73 read with Rule 4(3) of the Companies (Acceptance of Deposits) Rules, 2014	A company intending to invite deposits shall upload a copy of circular issued to members inviting deposits on its website, if any.
Section 91 read with Rule 10(1) of the Companies (Management and Administration) Rules, 2014	At least seven days previous notice of closure of the register of members, debenture holders or other security holders to be uploaded on the website of the company, if any, or any other website as notified by the Central Government.
Section 101 read with Rule 18 (3)(ix) of the Companies (Management and Administration) Rules, 2014	In case notice of general meeting is sent through electronic means, such notice shall be uploaded on the website of the company, if any, or any website as notified by the Central Government.
Section 108 read with Rule 20 (4) (ii) of Companies (Management and Administration) Rules, 2014	The Company shall place the notice of the meeting on the website of the company and of the agency forthwith after it is sent to the members.
Section 108 read with Rule	In case the voting at general meeting is held

20(4) (xvi) of the Companies (Management and Administration) Rules, 2014	through electronic mode, the results declared along with the scrutinizer's report shall be placed on the website of the company, immediately after the result is declared by the Chairman.
Section 110 read with Rule 22(4) of the Companies (Management and Administration) Rules, 2014	Where any resolution is being passed by postal ballot, notice of postal ballot to be uploaded on the website of the company, if any, and it shall remain on the website till the last date for receipt of the postal ballot from members.
Section 110 read with Rule 22(13) of the Companies (Management and Administration) Rules, 2014	Where any resolution is being passed by postal ballot, the result declared along with the scrutinizer's report shall be uploaded on the website of the company,.
Section 115 read with (Rule 23 (4) of the Companies (Management and Administration) Rules, 2014	Where for a resolution special notice has been given by a member of the company and it is not possible for the company to send the notice in the same manner as notice of general meeting, then apart from publishing it in the newspaper, notice shall be placed on the website of the company, if any, within seven days before the meeting.
Section 124(2) (This Section is not notified yet)	The Company, making any transfer of an amount to the Unpaid Dividend Account, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the website of the company, if any, and also on any other website approved by the Central Government for this purpose within 90 days of making any transfer.
Section 135(4)(a) read with rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014	The Company shall disclose contents of CSR Policy in Board's report and also place it on its website,.
Sec 136(1)	A listed company shall also place its financial statements including consolidated financial statements and all other documents required to be attached thereto, on its website, if any.

Section 136(1)(a)	Every company having a subsidiary or subsidiaries shall, place separate audited accounts in respect of each of its subsidiary on its website, if any.
Section 177(10)	Details of establishment of vigil mechanism shall be disclosed by the company on its website, if any and in the Board's Report.
Section 230(3)	Where a meeting is proposed to be called in pursuance of an order of the Tribunal under sub-section (1) of section 230, a notice of such meeting and every detail shall also be placed on the website of the company, if any.
Section 160 read with Rule 13 of the Companies (Appointment and Qualification of Director) Rules, 2014	Place the notice of or intention for the candidature of a person for the office of a director on the website of the company, if any, seven days before the general meeting
Section 168 read with Rule 15 of the Companies (Appointment and Qualification of Director) Rules, 2014)	Information about resignation of the Director shall be posted on the website of the company, if any, within 30 days from the date of receipt of notice.
Rule 7(3) of the Companies (Prospectus and Allotment of Securities) Rules, 2014	The notice of the proposed special resolution with regard to variation in terms of contract or objects in prospectus shall be placed on the website of the company
Rule 20(3)(b) the Companies (Incorporation) Rules, 2014	The existing company shall, for the purpose of license under section 8, to publish a notice in the newspaper, and shall also be uploaded on the websites as may be notified by the Central Government, within a week from the date of making the application to the Registrar
Rule 22 (1)(b) the Companies (Incorporation) Rules, 2014	Companies registered under section 8 for the purpose of seeking conversion into any other kind shall upload a notice on the website of the company, if any, within a week from the date of making the application to the Regional Director.



A checklist on website disclosure requirements are placed as Annexure I

**Annexure 1**

**Items to be displayed on the website of a company under the Companies Act, 2013(Act) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LR)**

<i>Sr. No.</i>	<i>Section of the Act / Regulation of LR</i>	<i>What to be displayed</i>	<i>Requirement under the</i>		
			<i>Act</i>	<i>LR (Equity and Debt Listed)</i>	<i>LR (Debt Listed)</i>
1	Section 8 read with Rule 22(1) of Companies (Incorporation) Rules, 2014	Section 8 companies seeking conversion to any other kind are required to publish on their website, if any, a public notice in Form No. INC 19 within a week from the date of submitting an application to the Regional Director	✓	-	-
2	Section 13(8)(i) of the Act read with Rule 32(3) of the Companies (Incorporation) Rules, 2014	The notice in respect of a special resolution for change of objects by a company for which it has raised money from public through prospectus and still has any unutilised amount out of the money so raised, indicating the justification for such change, shall be placed on the website of the company, if any	✓	-	-
3	Section 27 of the Act read with	Where a company has raised money from public	✓	-	-

	Rule 7(3) of the Companies (Prospectus and Allotment of Securities) Rules, 2014	through prospectus and has an unutilised amount out of the money so raised, the notice in respect of a special resolution for varying the terms of a contract referred to in the prospectus or objects for which the prospectus was issued indicating the justification for such change, shall be placed on the website of the company, if any			
4	Section 73 read with Rule 4(3) of the Companies (Acceptance of Deposits) Rules, 2014	A company intending to invite deposits shall upload a copy of circular inviting deposits on its website, if any	✓	-	-
5	Section 91 read with Rule 10 of Companies (Management and Administration) Rules, 2014	Notice of closure of register of members / debenture holders / other security holders to be published on the website, newspaper, if any, of the company as also on the website as may be notified by the Central Government	✓	-	-
6	Section 101 of the Act read with Rule 18(3)(ix) of the Companies (Management and Administration) Rules, 2014	In case notice of general meeting is given through electronic mode, such notice shall be simultaneously placed on the website, if any, of the company and on the website as may be notified by the Central Government	✓	-	-
7	Section 108 of the Act read with Rule	In case of voting through electronic means – the	✓	-	-

	20(4)(ii) of the Companies (Management and Administration) Rules, 2014	notice shall forthwith be placed on the website, if any, of the company and of the agency appointed for the purpose after it is sent to the members			
8	Section 108 of the Act read with Rule 20(4)(v) of the Companies (Management and Administration) Rules, 2014	Public notice advertised in the newspaper in connection with voting through electronic means shall be placed on the website, if any, of the company and of the agency appointed for the purpose	✓	-	-
9	Section 108 of the Act read with Rule 20(4)(xvi) of the Companies (Management and Administration) Rules, 2014	The results of e-voting along with the scrutinizer's report shall be placed on the website, if any, of the company and of the agency immediately after the result is declared by the Chairman  Note: In case of equity listed company, the results have to be declared within 48 hours of the conclusion of the general meeting	✓	-	-
10	Section 110 of the Act read with Rule 22(4) of the Companies (Management and Administration) Rules, 2014	Notice of the postal ballot shall be placed on the website of the company forthwith after it is sent to the members and shall remain on the website till the last date for receipt of the postal ballots from the members	✓	-	-
11	Section 110 of the	The results shall be	✓	-	-

	Act read with Rule 22(13) of the Companies (Management and Administration) Rules, 2014	declared by placing it, along with the scrutinizer's report, on the website of the company			
12	Section 115 of the Act read with Rule 23(4) of the Companies (Management and Administration) Rules, 2014	Resolutions requiring special notice - where it is not practicable to give the notice in the same manner as the company gives notice of any general meetings, the notice shall be published in the newspapers in the prescribed manner and shall also be posted on the website, if any, of the company	✓	-	-
13	Section 124(2) of the Act	A company making any transfer to the Unpaid Dividend Account under Section 124(1) of the Act shall, within a period of 90 days of making the transfer, prepare a statement containing the names, last known addresses and the unpaid dividend to be paid to each person in such form, manner and containing such other particulars as may be prescribed, and place it on its website, if any and also on any other website approved by the Central Government for this purpose	✓	-	-

14	Section 135(4) of the Act read with Rule 9 of the Companies (Accounts) Rules, 2014 and Rule 9 of the Companies (CSR) Policy Rules, 2014	<ul style="list-style-type: none"> <li>• CSR Policy of the company to be disclosed on the company's website, if any</li> <li>• Report in the format prescribed in the Annexure to the Companies (CSR) Rules, 2014 to be displayed on the company's website, if any</li> </ul>	✓	-	-
15	Third proviso to Section 136(1) of the Act	A listed company to place its financial statements including consolidated financial statements, if any, and all other documents required to be attached thereto on its website	✓	-	-
16	Fourth proviso to Section 136(1) of the Act	A company having a subsidiary or subsidiaries to place separate audited accounts in respect of each of its subsidiary on its website, if any	✓	-	-
17	Section 160 read with Rule 13(2) of the Companies (Appointment and Qualification of Directors) Rules, 2014	Notice of candidature or intention of a member to propose a person for directorship shall be placed on the website, if any, of the company	✓	-	-
18	Section 168 read with Rule 15 of the Companies (Appointment and Qualification of Directors) Rules, 2014	Information of resignation of a director to be posted on the website, if any, of the company	✓	-	-
19	Proviso to Section	Details of establishment of	✓	✓	-

	177(10) of the Act  Regulation 46(2)(e) of LR	vigil mechanism to be disclosed by the company on its website, if any.  Details of establishment of vigil mechanism / whistle blower policy			
20	First proviso to Section 230(3) of the Act	Notice calling meeting of members, creditors and debenture holders in pursuance of the order of the Tribunal accompanied by a statement disclosing the details of compromise or arrangement, copy of valuation report, if any and explaining their effect on creditors, KMPs, promoters and non-promoter members and the debenture holders, effect on any material interests of the directors or the debenture trustees and such other matters as may be prescribed shall be placed on the website of the company, if any	✓	-	-
21	Schedule IV to the Act and Regulation 46(2)(b) of LR	Terms and conditions of appointment of Independent Directors shall be posted on the website of the company	✓	✓	-
22	Regulation 30(4)(ii) of LR	Policy for determination of materiality of events / information, duly approved by its Board of Directors, which shall be disclosed on its website	-	✓	-

23	Regulation 30(5) of LR	Contact details of one or more KMPs authorised by the board of directors for determining materiality of an event / information and for making disclosures to the stock exchanges	-	✓	-
24	Regulation 30(8) of LR	Events or information which have been disclosed to stock exchanges under Regulation 30 of LR shall be hosted on the website of the company for a minimum period of five years and thereafter as per the archival policy of the company, as disclosed on its website.	-	✓	-
25	Regulation 30(8) of LR	Archival Policy of the company	-	✓	-
26	Regulations 46(2)(a) and 62(1)(a) of LR	Details of business	-	✓	✓
27	Regulation 46(2)(c) of LR	Composition of various committees of board of directors	-	✓	-
28	Regulation 46(2)(d) of LR	Code of conduct for board of directors and senior management personnel	-	✓	-
29	Regulation 46(2)(f) of LR	Criteria of making payments to non-executive directors, if the same has not been disclosed in the annual report	-	✓	-
30	Regulation 46(2)(g) of LR	Policy on dealing with related party transactions	-	✓	-

31	Regulation 46(2)(h) of LR	Policy for determining 'material' subsidiaries	-	✓	-
32	Regulation 46(2)(i) of LR	<p>Details of familiarisation programmes imparted to independent directors including the following details:</p> <p>(a) number of programmes attended by independent directors (during the year and on a cumulative basis till date)</p> <p>(b) number of hours spent by independent directors in such programmes (during the year and on a cumulative basis)</p> <p>(c) other relevant details</p>	-	✓	-
33	Regulation 46(2)(j) and (k) and Regulation 62(1) (c) and (d) of LR	email id of grievance redressal division and other relevant details and contact information of the designated officials who are responsible for assisting and handling investor grievances	-	✓	✓
34	Regulation 46(2)(l) and Regulation 62(1)(b) of LR	<p>Financial information including:</p> <p>(i) Notice of board meeting where financial results shall be discussed</p> <p>(ii) Financial results, on conclusion of the</p>	-	✓  ✓	-



		board meeting where the financial results were approved  (iii) Complete copy of the annual report including balance sheet, profit and loss account, directors' report, corporate governance report etc.		✓	✓
35	Regulation 46(2)(m) of LR	Shareholding pattern	-	✓	-
36	Regulation 46(2)(n) of LR	Details of agreements entered into with the media companies and/or their associates	-	✓	-
37	Regulation 46(2)(o) of LR	Schedule of analyst or institutional investors meet and presentations made to analysts or institutional investors simultaneously with submission to stock exchange	-	✓	-
38	Regulation 46(2)(p) of LR	New name and old name of the listed entity for a continuous period of one year, from the date of the last name change	-	✓	-
39	Regulation 46(2)(q) read with Regulation 47(1) of LR	Newspaper advertisements publishing the following information:			
		(a) notice of board meeting where financial results shall be discussed	-	✓	-
		(b) financial results, as specified in regulation	-	✓	-

		<p>33, along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor.</p> <p>In case both standalone and consolidated financial results have been submitted, the listed entity shall publish consolidated financial results along-with (1) Turnover, (2) Profit before tax and (3) Profit after tax, on a stand-alone basis, as a foot note; and a reference to the places, such as the website of listed entity and stock exchange(s), where the standalone results of the company are available.</p> <p>(c) statements of deviation(s) or variation(s) as specified in regulation 32(1) on quarterly basis, after review by audit committee and its explanation in directors report in annual report;</p> <p>(d) notices given to shareholders by advertisement.</p>	-	✓	-
40	Regulation 62(1)(e)	Name of debenture	-	-	✓

	of LR	trustees with full contact details			
41	Regulation 62(1)(f) of LR	The information, report, notices, call letters, circulars, proceedings etc. concerning non-convertible redeemable preference share or non-convertible debt securities	-	-	✓
42	Regulation 62(1)(g) of LR	All information and reports including compliance reports filed by the company	-	-	✓
43	Regulation 62(1)(h) of LR	Information with respect to the following events:  (i) Default by issuer to pay interest or redemption amount  (ii) Failure to create charge on assets  (iii) Revision of rating assigned to non-convertible debt securities	-	-	✓

**Note:** Maintenance of a functional website is mandatory for listed entities. Accordingly, such companies would have to mandatorily upload the information as prescribed under the Act on its website

## **FREQUENTLY ASKED QUESTIONS ON CORPORATE GOVERNANCE UNDER SEBI (LISTING OBLIGATIONS & DISCLOSURE REQUIREMENTS), 2015**

### **A. APPLICABILITY**

#### **1. Are all listed entities subject to compliance with corporate governance requirement as stated in chapter IV of the regulations?**

No, The provisions of Corporate Governance will not be applicable to companies whose paid up capital does not exceed Rs. 10 crores and whose networth does not exceed Rs.25 crores. Further the provisions shall not be applicable to such companies whose specified securities are listed on the SME Exchange.

#### **2. What is a listed entity?**

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

#### **3. What are the specified securities?**

Specified securities means equity shares and convertible securities as defined under clause(zj) of sub regulation (1) of regulation 2 of the Securities and Exchange Board of India ( Issue of capital and disclosure requirements) Regulations, 2009.

#### **4. What are designated securities?**

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

### **B. COMPOSITION OF BOARD**

#### **5. Is there any prescription with respect to the size of the Board for a listed entity?**

No, there is no prescription with respect to the size of the Board in listing regulations. However, as per section 149 of Companies Act, 2013, every company shall have a board of directors consisting of individuals as directors and shall have –

- a. A minimum number of three directors in case of public company, two director in case of private company, and one director in case of one person company; and
- b. A maximum of fifteen directors

#### **6. Can a listed entity have more than fifteen directors?**

Yes, a company may appoint more than fifteen directors after passing a special resolution.

#### **7. Is a listed entity required to appoint a women director?**

Yes, as per second proviso to section 149(1), the following class of companies shall appoint at least one women director –

- (i) every listed company;
- (ii) every other public company having –
  - a. paid up capital of one hundred crore rupees or more; or
  - b. turnover of three hundred crore rupees or more;

Further as per Regulation 17(1)(a) at least one woman director is required to be appointed in the Board of listed entity.

#### **8. What is time period to fill the intermittent vacancy of a women director?**

As per second proviso of Rule 3 of Companies (Appointment and Qualification of Directors) Rules, 2014, any intermittent vacancy of a woman director shall be filled-up by the Board at the earliest but not later than immediate next board meeting or three months from the date of such vacancy whichever is later.

#### **9. What should be the composition of Board of Directors?**

As per Regulation 17(1)(a), the Board of directors shall have an optimum combination of executive and non-executive directors with atleast one woman director and not less than fifty percent of the board of directors shall comprise of non-executive directors.

As per Regulation 17(1)(b), where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors:

Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of

directors, at least half of the board of directors of the listed entity shall consist of independent directors.

**10. What is the difference between the term “Non Executive” and “Independent Director” of the Company?**

Non-Executive Director of a company simply means a person not holding a position as an executive in the company. Such a director may or may not be an independent director. An independent director on the other hand means a non-executive director, other than a nominee director of the listed entity and is one who fills the criteria laid down in regulation 16(1)(b) of the listing regulations. In addition, the criteria laid down under the Companies Act 2013 should also be fulfilled. All non- executive directors need not be independent directors, but all independent directors are non-executive director.

**11. What do you mean by the term “related to any promoter”?**

As per explanation to Regulation 17(1), the expression “related to any promoter” shall have the following meanings –

- (i) If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;
- (ii) If the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

**12. Are listed Companies required to have a resident Director?**

Yes, as per Section 149(3) of Companies Act 2013, every Company shall have atleast one director who has stayed in India for a total period of not less than one hundred and eighty two days in the previous calendar year.

**C. INDEPENDENT DIRECTOR**

**(i) Appointment**

**13. Who is an “independent director”?**

Independent director shall mean a non-executive director, other than a nominee director of the listed entity:

- (i) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company

- (iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
- (iv) Who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (v) None of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (vi) Who, neither himself nor any of his relative(s) —
  - (A) holds or has held the position of a key managerial personnel or is or has been employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
    - (1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
    - (2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - (C) holds together with his relatives two per cent or more of the total voting power of the company; or
  - (D) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;
  - (E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- (vii) Who is not less than 21 years of age.

**14. Is there any difference between Companies Act 2013 and the Regulations with respect to the definition of Independent director?**

Clause (vi) (E) of the Regulation 16(1)(b) specifies that "independent director" means a non-executive director, other than a nominee director of the listed entity who, neither himself, nor whose relative(s): is a material supplier, **service provider or customer** or a lessor or lessee of the listed entity. Such clause is not covered under the Definition of Independent Director as defined under Section 149 (6) of Companies Act 2013.

**15. Is appointment of independent director on the Board mandatory?**

Regulation 17(1) prescribes the Board of listed companies to have at least 1/3<sup>rd</sup> of the Board or one half of the Board to have Independent Directors. Further, as per Section 149(3) read with Companies (Appointment and Qualification of Directors) Rules, 2014, the appointment of Independent Directors on the Board is a mandatory requirement for the all listed Companies and applicable public companies only. The private companies can still exercise their discretion whether to appoint them or not.

**16. Whether a nominee director appointed by an institution which has invested in or lent to the company, be deemed as independent director?**

No, as per Regulation 16(1)(b) a nominee director appointed by an institution which has invested in or lent to the company shall not be deemed to be an independent director.

**17. Can a shareholder be appointed as an Independent Director?**

As per regulation 16(1) (b) (vi) (c), an independent director is a non-executive director who, neither himself nor any of his relatives, holds together with his relatives two percent or more of the total voting powers of the listed entity. So, if his voting power as stated in the said clause is less than 2%, then he can be appointed as independent director.

**(ii) Formal letter of appointment to Independent Directors****18. Whether it is mandatory to issue a formal letter of appointment to the Independent directors of the company?**

Yes, the company shall issue a formal letter of appointment to independent directors in the manner as provided in Schedule IV of the Companies Act, 2013.

**19. What are the contents of the letter of appointment issued to Independent directors:**

Schedule IV of Companies Act 2013 prescribes that the appointment of independent directors shall be formalised through a letter of appointment, which shall set out :



- (a) the term of appointment;
- (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
- (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
- (d) provision for Directors and Officers (D and O) insurance, if any;
- (e) the Code of Business Ethics that the company expects its directors and employees to follow;
- (f) the list of actions that a director should not do while functioning as such in the company; and
- (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

**20. Whether the company is under obligation to post the letter of appointment of the independent director on the website of the company?**

Yes, as per Schedule IV of Companies Act 2013 and Regulation 46(2)(b) of the Listing Regulations, the company shall disclose the terms and conditions of appointment of independent director along with the detailed profile of the independent director on the website of the company.

**21. Whether a member of a company can inspect the letter of appointment of an independent director of the company?**

Yes, Schedule IV of the Companies Act, 2013 provides that, the terms and conditions of appointment of independent director shall be open for inspection at the registered office of the company by any member during normal business hours.

**(iii) Period of Appointment**

**22. What is the maximum tenure of Independent Directors?**

As per Regulation 25(2), the maximum tenure of independent directors shall be in accordance with the Companies Act 2013 and rules made thereunder, in this regard from time to time.

Section 149 (10) of Companies Act, 2013 provides that subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such

appointment in the Board's report. An Independent director shall not hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director. However, an independent director who has held office for more than two consecutive terms shall be eligible for reappointment after the expiration of three years of ceasing to become an independent director.

**23. If an independent director resigns or removed from his position then what is the time period within which the vacancy has to be filled up?**

As per Regulation 25(6) and as per Section 149 of Companies Act 2013 read with Rule 4 of Companies (appointment and Qualification of Directors) Rules 2014,, an independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by the new independent director by the listed entity at the earliest but not later than the immediate next meeting of board of directors or three months from the date of such vacancy, whichever is later

**24. On what basis the term of appointment of an independent director gets extended?**

As per Schedule IV of the Companies Act 2013 and part D of Schedule II of the Regulations, the term of appointment of an Independent Director is continued or extended on the basis of report of performance evaluation which is indicated as one of the terms of reference of Nomination and Remuneration Committee.

**25. What are the exceptions provided under corporate governance provisions with respect to the time limit for replacement of new Independent director on account of vacancy of an independent director?**

Where the company fulfils the criteria for Board Composition, even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

**(iv) Limit on number of independent directorships**

**26. What is the limit on the number of listed companies where a person can serve as an independent director?**

As per Regulation 25(1) a person shall not serve as an independent director in more than seven listed entities.

**27. If a person is already serving as a whole time director in a listed company, whether he can still serve as an independent director in seven listed entities?**

No, as per proviso to Regulation 25(1), any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than three listed entities.

**(v) Duties of Independent Director****28. What are duties of independent director which are suitably incorporated under code of conduct?**

As per Schedule IV of Companies Act 2013,

The independent directors shall –

- (1) Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) not disclose confidential information, including commercial secrets,

technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

### **Liabilities of Independent director**

#### **29. Whether an independent director is held liable for any non compliance by the company in which he is an independent director?**

As per Regulation 25(5), an independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently with respect of the provisions contained in these Listing Regulations.

As per Section 149(12) of Companies Act 2013, an Independent director shall be held liable only in respect of such acts of omission or commission by a company which has occurred with his knowledge, attributable through board processes, and with his consent or connivance or where he has not acted diligently.

#### **(vi) Familiarisation programme for independent directors**

#### **30. Whether it is mandatory for the company to give induction to the independent directors to familiarise them with the company?**

Yes, as per Regulation 25(7), a listed company shall familiarize the independent director through various programmes about the listed entity.

#### **31. What should be the coverage of familiarization programme of independent directors?**

The familiarization programme of independent director include—

- (a) Nature of the industry in which the listed entity operates;
- (b) Business model of the listed entity;
- (c) Roles, rights, responsibilities of independent directors; and
- (d) Any other relevant information.

#### **32. What are the disclosure requirements with respect to familiarisation programme of independent directors?**

The independent director shall provide the web link where details of familiarisation programmes imparted to independent director is disclosed in the corporate governance report. The attendance particulars of the independent directors at such familiarization programmes shall be posted on the website of the company ( Regulation 46(2)(i) of the Listing Regulations)

**(vii) Performance Evaluation****33. Whether independent directors are subject to performance evaluation?**

Yes, as per Regulation 17(10), performance evaluation of independent directors shall be done by the entire Board of directors (excluding the director being evaluated). Section 178(2) read with Schedule IV the Companies Act 2013 prescribe similar criteria.

**34. How the criteria for performance evaluation of Independent Directors are laid down?**

As per part D of schedule II of the regulation, the nomination and Remuneration Committee lays down the criteria for performance evaluation.

**35. Whether the company is required to disclose the evaluation criteria?**

Yes, as per Schedule V of the Regulations the company shall disclose the criteria for performance evaluation, in its annual report and its Board's Report.

**[Note:** Section 134 (3) (p) provides that in case of a listed company and every other public company having such paid-up share capital as may be prescribed, 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 shall be included in the Board's Report]

**(viii) Separate meetings of the independent directors****36. Whether it is mandatory to hold a separate meeting of independent directors?**

Yes, As per Regulation 25(3) and Schedule IV of Companies Act 2013 the independent directors of the company shall hold separate meeting without the presence of non- independent directors and members of management.

**37. Is there any limit on number of meetings of independent directors?**

Yes, the independent directors of the company shall hold at least one meeting in a year. But there is no upper limit given.

**38. Is it mandatory that all independent directors shall be present at the meeting of independent directors?**

No, it is not mandatory. However, all the independent directors of the company shall strive to be present at such meeting.

**39. What is the prescribed agenda under listing regulations for the separate meeting of independent directors?**

The independent directors in the meeting shall, inter-alia:

- i. review the performance of non-independent directors and the Board as a whole;
- ii. review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- iii. assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

#### **(ix) Stock Options**

##### **40. Whether the independent directors are entitled to any stock option?**

No, as per Regulation 17(6) (d) and Section 149 (9) of Companies Act 2013, Independent director are not entitled to any stock option.

#### **(x) Declaration**

##### **41. What are the requirements with respect to declaration by the Independent director that he meets the criteria for independence?**

Every independent director shall 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 financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence.

#### **D. BOARD PROCESS**

##### **42. How many times the board of the company should meet in a year?**

As per Regulation 17(2) and Section 173 of the Companies Act, 2013, the board should meet at least four times a year.

##### **43. What is the maximum time gap between two board meetings?**

The maximum time gap between two consecutive board meetings is one twenty days.

##### **44. What are the minimum information required to be placed before the Board of Directors?**

As per part A of Schedule II of the Regulations, the information required to be placed before the Board of Directors is as follows:

- a) Annual operating plans and budgets and any updates.
- b) Capital budgets and any updates.

- c) Quarterly results for the company and its operating divisions or business segments.
- d) Minutes of meetings of audit committee and other committees of the board.
- e) The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- f) Show cause, demand, prosecution notices and penalty notices which are materially important.
- g) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- h) Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
- i) Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- j) Details of any joint venture or collaboration agreement.
- k) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- l) Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- m) Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- n) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- o) Non-compliance of any regulatory, statutory or listing requirements and shareholders services such as nonpayment of dividend, delay in share transfer etc.

#### **E. Limits on membership in Board Committees**

##### **45. What is the cap on membership of Board Committees by a Director?**

As per Regulation 26(1) a director should not be a member in more than ten Board

committees or act as chairman of more than five committees across all companies in which he is a director. However, such limits are not provided under Companies Act 2013.

**46. Which companies can be taken into consideration for the purpose of reckoning the limit of the committees on which a director can serve?**

All public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded.

Furthermore, Chairmanship/membership of the Audit Committee and the Shareholders' Grievance Committee alone shall be considered.

**47. Is there any declaration requirement by a director with respect to his/her membership in board committees?**

As per Regulation 26(2) every director shall inform the listed entity about the committee positions he or she occupies in other listed entities and notify changes as and when they take place.

**F. Code of Conduct**

**48. Whether it is mandatory for a listed company to have a code of conduct for the Board Members and Senior Management?**

As per regulation 26(3) the Board should lay down a code of conduct for all Board members and senior management of the listed entity. All Board members and senior management personnel must affirm compliance with the code of conduct on an annual basis.

**49. What does it mean by senior management?**

As per regulation 16(1) (d) "senior management" shall mean officers/personnel of the listed entity who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the executive directors, including all functional heads.

**G. Disclosures by non executive directors and senior management**

**50. Is there any requirement to disclose the shareholding pattern by the non-executive directors in listed entity?**

As per Regulation 26(4), non-executive director shall disclose their shareholdings, held either by them or on a beneficial basis for any other person in the listed entity they are proposed to be appointed as director, in the notice to the general meeting called for appointment of such director.



**51. Is there any requirement to make disclosure of interest by the senior management to the Board of listed entity?**

As per Regulation 26(5), senior management shall make disclosures to the board of director relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large. (Conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.)

**H. BOARD COMMITTEES**

**52. What are the mandatory committees under listing regulations?**

- a. Audit Committee
- b. Nomination and Remuneration Committee
- c. Stakeholders Relationship Committee
- d. Risk Management Committee

**53. What should be the composition of audit committee?**

As per Regulation 18, the audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee should be independent directors. As per Section 177 of Companies Act 2013 states that Audit Committee shall consist of minimum three directors with the independent directors forming majority.

**54. Whether the listed entity is under obligation to disclose the composition of audit committee in Board's report?**

Yes, according to Section 177 (8) of Companies Act, 2013 the composition of an Audit Committee is required to be disclosed in the Board's report under Section 134 (3). Similar disclosure is required under Schedule V of the Regulations.

**55. What is the minimum prescribed qualification for being appointed as member of audit committee?**

As per Regulation 18(1)(c), it is a mandatory requirement that all members of audit committee are financially literate. Further it is required that at least one member of the audit committee must have accounting or related financial management expertise.

**56. What do you mean by the term "financially literate"?**

As per explanation I of Regulation 18(1) (c), "Financially literate" means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

**57. On what basis a member will be considered to have accounting or related financial management expertise?**

As per explanation II of Regulation 18(1)(c), a member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

**58. Whether the chairman of the audit committee should be an independent director?**

Yes, as per Regulations 18(1) (d), the Chairman of the audit committee should be an independent director.

**59. Whether it is mandatory for the chairman of the audit committee to be present at the Annual General Meeting of the company?**

Yes, as per Regulation 18(1)(d), the Chairman of the audit committee is mandatorily required to be present at Annual General Meeting to answer shareholder queries.

**60. Who can attend the meeting of audit committee, besides its members?**

As per Regulation 18(1) (f), the audit committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee.

**61. Who will be secretary of Audit Committee?**

As per Regulation 18(1) (e), the Company Secretary shall act as the secretary to the Audit Committee.

**62. What is the frequency of meeting of audit committee?**

As per Regulation 18(2) (a), the audit committee should meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.

**63. What is the quorum of audit committee meeting?**

As per Regulation 18(2) (b), the quorum of audit committee meeting should be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

**64. What are the powers of audit committee?**

As per Regulation 18(2) (c), the audit committee shall have power –

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

**65. What is the role of the audit committee?**

As per Part C of Schedule II of Regulation, the role of the audit committee shall include the following –

- i. oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- ii. recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- iii. approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- iv. reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - (b) changes, if any, in accounting policies and practices and reasons for the same;
  - (c) major accounting entries involving estimates based on the exercise of judgment by management;
  - (d) significant adjustments made in the financial statements arising out of audit findings;
  - (e) compliance with listing and other legal requirements relating to financial statements;
  - (f) disclosure of any related party transactions;
  - (g) modified opinion(s) in the draft audit report;

- v. reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- vi. reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- vii. reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- viii. approval or any subsequent modification of transactions of the listed entity with related parties;
- ix. scrutiny of inter-corporate loans and investments;
- x. evaluation of undertakings or assets of the listed entity, wherever it is necessary;
- xi. evaluation of internal financial controls and risk management systems;
- xii. reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- xiii. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- xiv. discussion with internal auditors of any significant findings and follow up there on;
- xv. reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- xvi. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xvii. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

- xviii. to review the functioning of the whistle blower mechanism;
- xix. approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- xx. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

**66. What information shall mandatorily required to be reviewed by audit committee?**

As per part C(b) of schedule II of Regulation, the audit committee must review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the audit committee.
6. Statement of deviations:
  - a. Quarterly statement of deviations(s) including report of monitoring agency, if applicable, submitted to stock exchange (s) in terms of regulation 32(1)
  - b. Annual statement of funds utilizes for purpose other than those stated in the offer document/prospectus/notice in terms of regulation 32(7).

**67. Which listed entities are required to form risk management Committee?**

As per Regulation 21(5), risk management committee is mandatory for top 100 listed entities, which are determined on the basis of market capitalization, as to the end of the immediate previous financial year.

**68. What should be the Composition of the Risk Management Committee?**

As per Regulation 21(2), the majority of the Risk Management Committee shall consist of members of the Board of Directors. Senior executives of the company may be members of the said committee but the chairperson of the committee shall be a member of the Board of Directors.

**69. What is the role of the Board of Directors with respect to the Risk Management Committee?**

As per Regulation 21 (4), the Board shall be responsible for formulating, implementing and monitoring the risk management plan for the listed entity. Further, the Board shall define the role and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

**70. Who shall be chairman of Risk Management Committee?**

As per Regulation 21(3), the chairman of Risk management committee shall be a member of the Board of listed entity.

**71. What should be the composition of the Nomination and Remuneration Committee?**

As per Regulation 19, the nomination and remuneration committee shall comprise of atleast three directors, all of whom shall be non-executive directors and atleast half shall be independent directors. Further section 178(1) states that the Board of directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non- executive directors out of which not less than one half shall be independent directors.

**72. Who can be the chairman of Nomination and Remuneration Committee?**

As per Regulation 19(2), only an independent director shall be the chairman of such committee. Moreover, the chairperson of the listed entity (whether executive or non- executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such committee. Further proviso to Section 178(1) states that the chairperson of the Company shall not chair the Committee.

**73. Whether the chairman of the Nomination and Remuneration Committee is under obligation to be present at the AGM of the company?**

As per Regulation 19(3), the chairman may be present at the AGM, to answer the shareholders' queries. However, it would be up to the Chairman to decide who should answer the queries. Further section 178(7) states that the chairperson of each of the committees or in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.

**74. What is the role of Nomination and Remuneration Committee?**

As per Part D of Schedule II of regulation, the role of the committee shall inter-alia, include the following –

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of Independent Directors and the Board;
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.
5. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

**75. Whether the listed entity is required to disclose the remuneration policy and evaluation criteria to the shareholders?**

As per Part D of schedule II of regulation and as per Section 134(3)(e) of the Companies Act, 2013, the listed entity shall disclose the remuneration policy and the evaluation criteria in its Annual Report and also in the Boards' Report.

**76. What should be composition of stakeholders Relationship Committee?**

As per Regulation 20, the listed entity shall constitute a Stakeholders Relationship Committee to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders.

The chairperson of this committee shall be a non-executive director. The board of directors shall decide other members of this committee.

**77. Why should a listed entity constitute the stakeholders relationship committee?**

As per Regulation 20(1), listed entity shall constitute a Stakeholders Relationship Committee to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders.

**78. Who can be the chairman and members of the Stakeholders Relationship Committee?**

As per Regulation 20(2), the chairman of the Committee shall be a non-executive director and the board shall decide the other members.

**79. What is the role of stakeholder's relationship committee?**

As per Part D of schedule II of Regulation, the committee shall consider and

resolve the grievances of the security holders of the listed entity including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.

## **I. Board Policies**

### **80. What are the mandatory policies under listing regulations?**

- a. Risk Management / Evaluation policy
- b. Policy for preservation of documents
- c. Archival policy
- d. Policy for determining of a "Material Subsidiary"
- e. Policy on determining "materiality of related party transactions"
- f. Policy for determination of materiality of events
- g. Policy on Whistle blower Mechanism or vigil mechanism Policy
- h. Policy relating to the remuneration of directors, KMPs & other employees
- i. Policy on diversity of Board
- j. Dividend Distribution Policy

## **J. Corporate Governance Requirements with respect to Subsidiary of a Listed Company**

### **81. What are the corporate governance requirements with respect to the subsidiary of a listed entity?**

As per Regulation 24(1), at least one independent director on the Board of Directors of the listed entity shall be a director on the Board of Directors of an unlisted material subsidiary, incorporated in India.

As per Regulation 24(2), the Audit Committee of the listed entity shall also reviews the financial statements, in particular, the investments made by the unlisted subsidiary.

As per Regulation 24(3), the minutes of the Board meetings of the unlisted subsidiary must be placed at the Board meeting of the listed entity.

As per Regulation 24(4), the management of the unlisted subsidiary should periodically bring to the attention of the Board of Directors of the listed entity, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary.



**82. What is meaning of significant transaction or arrangement?**

As per Explanation of Regulation 24(4), 'significant transactions or arrangement' shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as case may be, of the unlisted material subsidiary for the immediately precedings accounting year.

**83. Can any listed entity dispose of shares in its material subsidiary?**

As per Regulation 24(5), a listed entity can dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) not less than 50% Further divestment is made under a scheme of arrangement duly approved by a Court/ Tribunal. However, it can dispose its share resulting in reduction of its shareholding by more than 50% or resulting in the subsidiary ceasing to be it subsidiary only after by passing special resolution in its general meeting.

**84. Can any listed entity dispose of assets of its Material Subsidiary?**

As per Regulation 24(6), a listed entity can sell, dispose and leasing of assets up to twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year and further sale/ dispose/ lease is made under a scheme of arrangement duly approved by a Court/ Tribunal. However with approval of shareholders by way of special resolution it can sale, dispose or lease more than 20% of assets of material subsidiary.

**K. Related Party Transactions****85. Whether related party transaction requires prior approval of audit committee?**

As per Regulation 23(2) and as per Rule 6A of Companies (Meeting of board and its power), rules, 2014, all related party transactions shall require approval of the audit committee.

**86. What is the role of audit committee in relation to omnibus related party transactions?**

As per Regulation 23(3), the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature;

- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

**87. What are contents of omnibus approval?**

As per Regulation 23(3)(c), omnibus approval shall contains the following –

- i. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
- ii. the indicative base price / current contracted price and the formula for variation in the price if any and
- iii. such other conditions as the Audit Committee may deem fit;

However, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

**88. Whether audit committee review the related party transactions?**

As per Regulation 23(3) (d), audit Committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.

**89. What is validity of omnibus approval as given?**

As per regulation 23(3) (e), omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

**90. What is the relevance of material related party transactions?**

As per Regulation 23(5),all material Related Party transactions shall require approval of the shareholders through resolution and all the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

**91. What are the situations where the related party transactions don't need any prior approval?**

As per Regulation 23(5), following are the situations where a Related Party Transaction doesn't need any prior approval:-

- i. Transactions entered in to between two government companies.
- ii. Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

**92. How to determine the materiality of events or information by the listed entity?**

As per regulation 30(4), the listed entity shall consider the following criteria for determination of event or information –

- a. The omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
- b. The omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date;
- c. In case where criteria specified in sub clause (a) and (b) are not applicable, an event/ information may be treated as being material if the opinion of the board of directors of the listed entity, the event/ information is considered material.

**L. Vigil Mechanism****93. Is it mandatory for a listed entity to establish a Vigil mechanism?**

Yes, as per Regulation 22(1), it is a mandatory requirement for the listed entity to establish vigil mechanism for directors and employees to report concern about unethical behaviour, actual or suspected fraud or violation of the listed entity code of conduct or ethics policy.

**94. What is the role of audit committee in vigil mechanism of the company?**

As per part D of Schedule II and Regulation 22(2), the role of audit committee includes reviewing the functioning of vigil mechanism of the listed entity. The vigil mechanism of the listed entity also requires providing for direct access to the chairman of the audit committee in exceptional cases for adequate safeguards against victimization of director (s)/ employee (s) who avail of the mechanism.

**95. Is it mandatory for a company to disclose about the vigil mechanism?**

Yes, as per Regulation 46 (2) (e), the details of establishment of vigil mechanism shall be disclosed by the listed entity on its website and in the Boards' report.

**I. APPROVAL, INTIMATION AND DISCLOSURE REQUIREMENTS****Non-executive Directors' compensation and disclosures****96. Whether remuneration paid to non executive director requires prior approval?**

As per regulation 17(6)(a), all fees/compensation, if any paid to non-executive

directors, including independent director shall be fixed by the Board of Directors and requires previous approval of shareholders.

**97. Does it require previous approval of shareholder to grant stock option to non executive directors?**

Yes, as per Regulation 17(6) (c), the shareholders' resolution shall also specify the limits for the maximum number of stock options that can be granted to non-executive directors, in any financial year and in aggregate.

**98. Whether sitting fees paid to non-executive directors require previous approval in general meeting?**

As per regulation 17(6) (b), payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees without approval of the Central Government does not require prior approval of shareholder's in general meeting.

**99. Whether the Chief executive officer and chief financial officer are required to provide compliance certificate?**

Yes as per regulation 17(8), the Chief Executive officer and the Chief financial officer shall provide the following compliance certificate to the board of directors as specified in Part B of schedule II that :

- A. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of their knowledge and belief no transactions entered into by the company during the year which are fraudulent or illegal or violative of the company's code of conduct.
- C. They accept responsibility for establishing and maintaining internal control for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and also disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

- D. They have indicated to the auditor and audit committee:
- a. significant changes in internal control over financial reporting during the year;
  - b. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - c. Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

**100. When the Compliance certificate should be submitted to the Board by the CEO/CFO?**

The Compliance certificate should be submitted to Board annually before or at the time when the annual accounts are presented to Board.

**Related party Transactions**

**101. What are disclosure requirement by a company with respect to related party transaction?**

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance and shall also disclose the policy on dealing with related party transactions on its website.

**102. If a company has not disclosed the policy on dealing with related party transactions on its annual report but drawn a reference in the annual report with respect to the same?**

Yes, a company can do so. A company has to provide a web link thereto in the annual report of the policy disclosed on the website.

**103. Whether material related party transactions require shareholders approval?**

As per regulation 23(4), all material related party transactions shall require approval of shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

**104. Whether the appointment of CFO requires prior approval of audit committee?**

The audit committee approves the appointment of CFO (i.e., the whole-time Finance

Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

### **Accounting Treatment**

**105. If in the preparation of financial statements a treatment different from that prescribed in the accounting Standard has been followed then what are the steps required to be taken by a company in this regard?**

If accounting standards are not followed, the fact should be disclosed in financial statement, together with management's explanation why it believes such alternative treatment is giving more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report.

### **Remuneration of Directors**

**106. Whether the remuneration of directors should be disclosed in the annual report?**

Yes, as per schedule V, the remuneration of directors must be disclosed in the annual report.

**107. What are the disclosures required to be made in the annual report with respect to the non-executive directors?**

As per Schedule V following disclosures are required to be made in annual report –

- All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company;
- Criteria of making payments to non-executive directors;
- The number of shares and convertible instruments held by non-executive directors;
- Disclosure of the shareholding of the non executive directors

**108. Can a company instead of making disclosure in the annual report regarding the criteria of making payment to the non executive director, put it up on its website?**

Yes, as per Schedule V, a company alternatively may put up on the company's website and reference drawn thereto in the annual report.

**109. What kind of disclosures is required to make in the section on Corporate Governance of the annual report relating to remuneration of directors?**

As per schedule V and In addition to the disclosures required under the Companies

Act, 2013, the following disclosures are required to be made with respect to the remuneration of directors:

- All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc.
- Details of fixed component and performance linked incentives, along with the performance criteria.
- Service contracts, notice period, severance fees.
- Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.

**110. Whether it is mandatory to inform the shareholders in case a director is appointed or re-appointed?**

Yes, the shareholders of the company must be provided of the information regarding appointment or re-appointment of a director.

**111. What are the information required to be provided to the shareholders in case a director is appointed or re-appointed?**

In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information – (a) A brief resume of the director; (b) Nature of his expertise in specific functional areas (c) Names of companies in which the person also holds the directorship and the membership of Committees of the Board and (d) Shareholding of non-executive directors.

**112. What are the other information required to be provided to the shareholders?**

- Disclosure of relationship between directors inter-se.
- Notice of appointment of a director.
- Prospectus and letter of offer for issuances and any related filings made to the stock exchanges where the company is listed.
- Quarterly results and presentations made by the company to analysts which has also been displayed by the company on its website or sent to the stock exchange for the purpose of putting up on its website.

**Corporate Governance**

**113. Is it mandatory to have a separate section on corporate Governance in the Annual Report?**

Yes, as per schedule V of regulations, there must be a separate section on

corporate governance in the annual report of the listed entity with a detailed compliance report on corporate governance.

**114. Who will sign the compliance report on corporate Governance?**

As per regulation 27(c), the report shall be signed either by the Compliance Officer or the Chief Executive Officer of the listed entity

**115. Does the listed entity need to submit the compliance report on corporate governance to the stock exchange?**

Yes, as per regulation 27(2)(a), the listed entity shall submit a quarterly compliance report on corporate governance to the stock exchange(s) within 15 days from the close of quarter .

**116. Whether the Compliance report is to be placed before the Board of directors?**

Yes, as per regulation 17(3), the board of director shall periodically review compliance reports pertaining to all laws applicable to the listed entity, prepared by the listed entity as well as steps taken by the listed entity to rectify instances of non-compliances.

**117. When the compliance certificate on Corporate Governance is required to be sent to the shareholders?**

The compliance certificate should be sent annually to the shareholders and the same certificate should also be sent to the stock exchanges along with the annual report filed by the company.

**118. Whether the company needs to post the code of conduct on its website?**

The code of conduct must be posted on the website of the company. It should also form part of Annual Report.

**119. Whether maintenance of functional website is compulsory?**

Yes as per regulation 46(1), the listed entity shall maintain a functional website containing the basic information.



