



## **SEBI circular on corporate governance reporting format**

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# Amendments to corporate governance reporting format

Corporate governance encompasses a broad spectrum of elements, ranging from the role and powers of the board, legislation, board independence, and code of conduct to financial and operational reporting, audit committees, and risk management etc. In the wake of numerous accounting and financial scandals and the resulting decline in investor confidence, corporate governance policies and procedures have come under heightened investor scrutiny.

A good corporate governance should not only be driven by what is required by law, but also by what the investors want to know. Corporate governance information and disclosure has become part of the investment conversation at many institutions. Companies are now getting serious about being open and transparent in this area.

Corporate governance is not a one-size-fits-all solution. The key is organising information into an easy-to-use and easy-to-access format, while providing in-depth information.

Market regulator SEBI came out with a new format for compliance reports on corporate governance (SEBI circular SEBI/HO/CFD/CMD1/CIR/P/2019/78 dated 16 June 2019) to be submitted by listed companies to stock exchanges. This circular prescribes a new format for disclosures to be made quarterly and annually and within six months from the end of the financial year that can be submitted along with the second quarter report.

In view of the revised timelines under the amended regulations, the circular will come into force with effect from the quarter ending 30 September 2019.

Below is the summary of the changes in the revised format of the quarterly compliance report on corporate governance provided by SEBI.



# Report on Corporate Governance

S.No.	Headings	Additional information to be provided by the company	LODR Reference
<b>To be submitted by a listed entity on a quarterly basis</b>			
1.	Composition of Board of Directors	<ul style="list-style-type: none"> <li>Initial date of appointment</li> <li>Date of re-appointment</li> <li>Date of cessation</li> <li>No of independent directorship in listed entities including this listed entity</li> <li>Whether a regular chairperson is appointed</li> <li>Whether a chairperson is related to a managing director or a CEO</li> </ul>	Reg. 17
2.	Composition of Committees of the Board	<ul style="list-style-type: none"> <li>Whether regular chairperson appointed</li> <li>Date of appointment</li> <li>Date of cessation</li> </ul>	Reg. 26(1)
3.	Meeting of Board of Directors & Committees	<ul style="list-style-type: none"> <li>Whether requirement of quorum met</li> <li>Number of directors present</li> <li>Number of independent directors present</li> </ul>	Reg. 17
<b>To be submitted by a listed entity at the end of 6 months after the end of the financial year</b>			
10.	Affirmations with regard to AGM	<ul style="list-style-type: none"> <li>Presence of chairperson of the Stakeholder Relationship Committee at the annual general meeting</li> </ul>	Reg. 20
<b>To be submitted by a listed entity on a yearly basis</b>			
1.	Disclosure on website in terms of Listing Regulations	<ul style="list-style-type: none"> <li>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</li> <li>Advertisements in newspaper as per regulation 47 (1)</li> <li>Credit rating or revision in credit rating obtained by the entity for all its outstanding instruments</li> <li>Separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year</li> <li>Whether the company has provided information under separate section on its website as per regulation 46(2)</li> <li>Materiality policy as per regulation 30</li> <li>Dividend distribution policy as per regulation 43A (as applicable)</li> <li>A statement mentioning that it is certified that these contents on the website of the listed entity are correct</li> </ul>	Reg 46(2)
2.	Annual Affirmations	<ul style="list-style-type: none"> <li>Quorum of board meeting</li> <li>Recommendation of board u/r 17(11)</li> <li>Maximum number of directorship</li> <li>Quorum of Nomination and Remuneration Committee meeting</li> <li>Meeting of Nomination and Remuneration Committee</li> <li>Meeting of Stakeholder Relationship Committee</li> <li>Meeting of Risk Management Committee</li> <li>Disclosure of related party transactions on consolidated basis</li> <li>Annual Secretarial Compliance Report</li> <li>Alternate director to independent director</li> <li>Declaration from independent director</li> <li>Directors and officers insurance</li> </ul>	Reg. 17, Reg 18-21, Reg 23(9); Reg. 24 (A), Reg. 25



Earlier only the Company Secretary / Compliance Officer / Managing Director / CEO of a company was authorised to sign the Corporate Governance Report. This authority has now been extended to the CFO as well.

Non-compliance of the above regulations will result in a financial penalty ranging from Rs 2,000/- per day to Rs 5,000/- per day.

While all the above-mentioned amendments are crucial to adhere to, we feel amendments related to disclosures on the company's website will require significant focus and effort to ensure compliance.

### **Disclosures on the website**

Nearly every company has an online presence in today's world. However, website disclosures are still a mystery for various business owners. Also, businesses need to make several disclosures, depending

on the sector or industry they operate in. Hence, prescribed regulatory requirements for website disclosure were essential.

The mode of communication of the company's corporate governance to the various stakeholders is extremely important. To remain credible, companies need to make this information readily accessible and focus their efforts on providing clear, concise disclosures in the most transparent manner possible.

Web presence through company portals can be used to make it easy for investors to find and use information, while at the same time meet proposed requirements. Most companies have understood the need for robust corporate governance as a differentiator, making it an integral part of their strategy. Disclosure on the website is a great way to bring visibility to your corporate governance policies. Proper disclosures on the

company portal can promote corporate integrity and regulatory compliance and potentially help to restore investor confidence.

Moving forward, companies can expect even more disclosure requirements to be introduced, including a longer list of events that require real-time disclosure and/or the posting to a company's website. Effective disclosure strategy can and will be an extremely useful tool for companies in meeting these new requirements, helping reduce company stress and cost and deliver timely information to investors.

In this regard, a list of website disclosures mandated by SEBI has been produced below.

*Mandatory website disclosures as per SEBI (Listing Obligations and Disclosure Requirements), Regulation, 2015 & SEBI circular SEBI/HO/CFD/CMD1/CIR/P/2019/78 dated 16 June 2019.*

# Disclosures by the Listed Company on the Website

Categories of Disclosure	Details of Disclosure
Company Information	Details of its Business
	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
Board of Directors and Senior Management information	Shareholding Pattern
	Terms and conditions of appointment of independent directors
	Composition of various committees of board of directors
	Details of familiarisation programs imparted to independent directors including the following details <ul style="list-style-type: none"> <li>• Number of programs attended by independent directors (during the year and on a cumulative basis till date),</li> <li>• number of hours spent by independent directors in such programs (during the year and on cumulative basis till date), and</li> <li>• other relevant details</li> </ul>
	Code of Conduct of board of directors and senior management personnel
	Criteria of making payments to non-executive directors , if the same has not been disclosed in annual report
Stakeholder Relationship	The email address for grievance redressal and other relevant details
	Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances
	Notices given to Shareholders by advertisement.
	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
Financial Disclosures	Financial information including <ul style="list-style-type: none"> <li>• notice of meeting of the board of directors where financial results will be discussed</li> <li>• financial results, on conclusion of the meeting of the board of directors where the financial results were approved</li> <li>• complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc.</li> </ul>
	Financial results, as specified in regulation 33, along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor.
	if the listed entity has submitted both standalone and consolidated financial results, the listed entity will publish consolidate financial results along-with: <ul style="list-style-type: none"> <li>• Turnover</li> <li>• Profit Before Tax</li> <li>• Profit After Tax</li> </ul>
	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

Categories of Disclosure	Details of Disclosure
Financial Disclosures	<p>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.</p> <p>Separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year</p> <p>Notice of meeting of the board of directors where financial results will be discussed.</p> <p>Credit rating or revision in credit rating obtained by the entity for all its outstanding instruments</p>
Policies	<p>Details of establishment of vigil mechanism/ whistle blower policy</p> <p>Policy on dealing with related party transactions</p> <p>Policy for determining 'material' subsidiaries</p> <p>Materiality Policy (Events) as per regulation 30</p> <p>Dividend Distribution policy as per regulation 43A (as applicable)</p>
Others	<p>Details of agreements entered into with the media companys and/or their associates, etc.</p> <p>Disclosure of events or information: The listed entity will disclose on its website all such events or information which has been disclosed to stock exchange(s) under regulation 30, and such disclosures will be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.</p> <p>A statement mentioning that it is certified that these contents on the website of the listed entity are correct.</p>



### Penalty as per SEBI Circular dated 3 May 2018

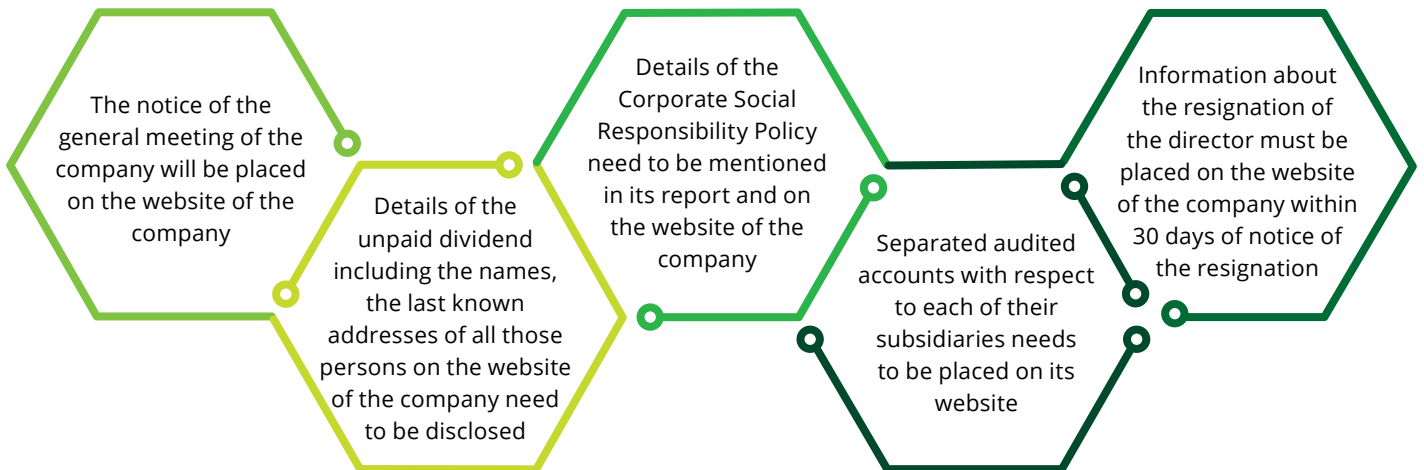
- In the event of non-compliance with norms pertaining to a functional website, an advisory or warning letter will be issued by the regulatory authority for each instance of non-compliance.
- Rs 10,000 will be levied per instance for every additional advisory/warning letter exceeding the four advisory/ warning letters in a financial year.

**Companies Act, 2013 and Rules framed thereunder** also mandate to make certain disclosures on the company's website, if a website is maintained by the company.

Disclosures to be made on the website of the company governed by the Companies Act, 2013 and rules thereon are as under:

#### Disclosures by a Private Company:

Private companies will abide by the following requirements:



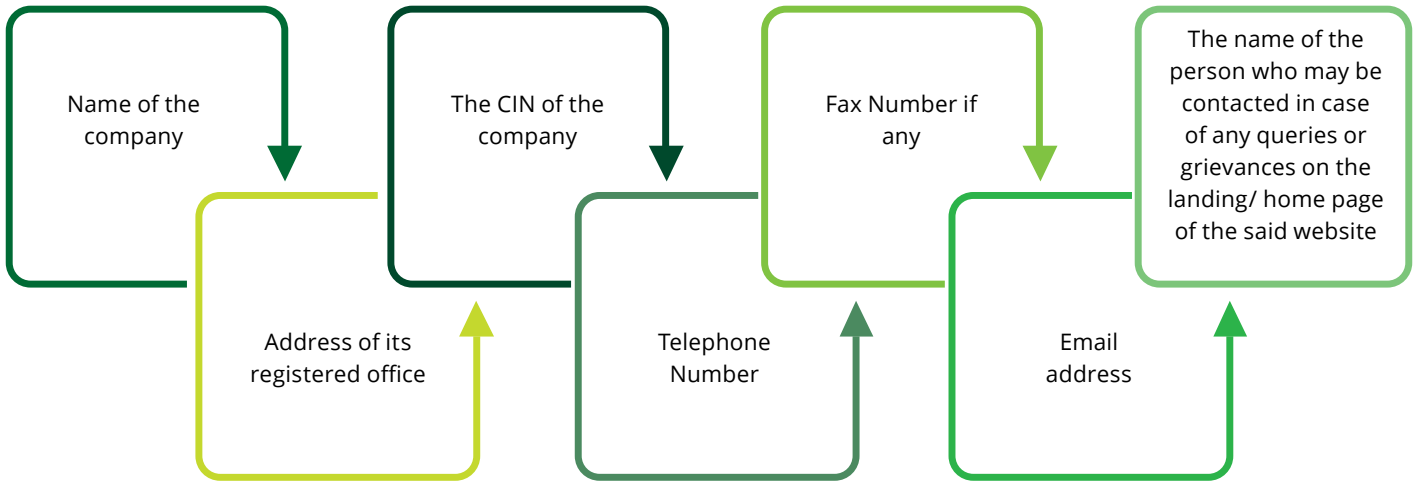
#### Disclosures by an Unlisted Public Company:

An unlisted public company, in addition to the abovementioned disclosures, are required to publish the following on their website:

- 01 The notice of "Change of objects for which money is raised through prospectus" must be placed on the website of the company
- 02 A copy of the circular of any invitation of deposits from the public must be on the website of the company
- 03 A closure of register of members or debenture holders or other security holders
- 04 A notice of the postal ballot
- 05 Results of the postal ballot will be declared along with the scrutiniser's report
- 06 Details of the establishment of the vigil mechanism will be disclosed by the company on its website, if any
- 07 Terms of Appointment of independent director will also be posted on the company's website

### Disclosures by a company which conducts an online business:

Companies which are generally in the business of online services and marketing must disclose or publish:



### Penalty as per Companies Act, 2013

No specific penalties are provided for non-compliance of the website disclosure requirements in the Companies Act, 2013. But as per Section 450 (punishment where no specific penalty or punishment is provided) of the Act, if the company or any officer of the company who is in default or such other person will be punishable with fine which may extend to Rs 10,000. Moreover, where the contravention is a continuing one, a further fine of Rs 1,000 for every day will be applicable after the first during which the contravention continues.

Hence, it is highly advisable that the websites of the companies must be updated.



### Points to Ponder

- Are you prepared to disclose the additional requirements effective 30 September 2019?
- Have you identified areas that may require some pre-work before they are ready to be disclosed i.e. different policies, agreements, training programs, etc. that need to be implemented before these can be disclosed?
- Is there ownership established internally for these disclosures to be effectively implemented?
- With dynamic online search becoming the primary source of information rather than one-time printed reports, do you have the mechanism to ensure your website reflects your Corporate Governance philosophy effectively? Is the information there current and more reliable than that which is available on external media?
- Do you get your website audited regularly to ascertain whether it adheres to Corporate Governance disclosure requirements?



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