

SEBI Listing Obligations and Disclosure Requirements (LODR) Regulations

SEBI had revamped its Listing Agreement in 2015 that the companies need to enter into with the stock exchanges while listing its securities with the new SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) The Listing Regulations have been notified with the regulator aiming to consolidate and streamline the existing listing agreements for different segments of the capital market into one single document across various types of securities listed on the stock exchanges.

Applicability

- a. SEBI Listing Regulations are applicable to a listed entity who has listed any of the following securities on recognized stock exchange(s).
- b. Specified securities listed on the main board or SME Exchange or Institutional Trading Platform;
- c. Non-Convertible Debt Securities, Non- Convertible Redeemable Preference Shares, perpetual debt instrument, perpetual non-cumulative preference shares;
- d. Indian depository receipts;
- e. Securitized debt instruments and
- f. Units issued by mutual funds.

Features

SEBI Listing Regulations have been sub-divided into two parts **(a)** substantive provisions incorporated in the main body of Regulations **(b)** procedural requirements in the form of Schedules to the Regulations. Chapter II of the SEBI Listing Regulations provide the broad principles in relation to disclosures and obligations of the listed entities. In the event of absence of specific requirements or ambiguity, these principles would serve to guide the listed entities. Chapter III of the SEBI Listing Regulations provide Obligations which are common to all listed entities have been enumerated. These include general obligation of compliance of listed entity, appointment of common compliance officer, filings on electronic platform, mandatory registration on SCORES, etc. Chapter IV to IX of the SEBI Listing Regulations deal with obligations which are applicable to specific types of securities have been incorporated in various chapters. Chapter X and XI of the SEBI Listing Regulations provide that Stock Exchanges have been given responsibility to monitor compliance or adequacy of compliance with provisions of these regulations and to take action for non-compliance.

Important Clauses of LODR

Corporate Governance and its Applicability

1. These provisions shall apply to a listed entity which has listed its specified securities on any recognised stock exchange either on the main board or on SME Exchange or on institutional trading platform.
2. The compliance with the corporate governance provisions as specified in regulations 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C , D and E of Schedule V shall not apply, in respect of:

(a) The listed entity having paid up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty five crore, as on the last day of the previous financial year:

provided that where the provisions of the regulations specified in this regulation becomes 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.

(b) The listed entity which has listed its specified securities on the SME Exchange:

“Provided that for other listed entities which are not companies, but body corporate or are subject to regulations under other statues, the provisions of corporate governance provisions as specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and Para C, D and E of Schedule V shall apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant authorities.”

3. Notwithstanding with above, the provisions of Companies Act, 2013 shall continue to apply, wherever applicable.

Composition of Board of Directors

The board of directors can be called the brain of the company. They are responsible for taking all the big decisions and making policy changes. These decisions are taken in special meetings members of the board hold together, called ‘Board Meetings’. Section 149 of the Companies Act states that every company’s board of directors must necessarily have a minimum of three directors if it is a public company, two directors if it is a private company and one director in a one person company. The maximum number of members a company can assign as directors is fifteen. However, the company can pass a special resolution in a general meeting to allow for assigning more than fifteen members to the board of directors. The maximum number of companies that an individual can become a director of, is 20 companies. At least one director, who has lived in India for a minimum of 182 calendar days of the previous year, shall be appointed by every company’s board. It is a mandatory rule. At least, one woman director must be appointed by the company. All listed companies must have at least one-third proportion of their board of directors as independent directors.

The members of the board shall have an optimum combination of executive and non-executive directors and at least one woman director. At least 50per cent of the board of directors must be non-executive directors. When the board chairman is a non-executive director, a minimum of one-third directors shall be made up of independent directors. In case of the board chairman being an executive director, a minimum of half of the board of directors shall comprise of independent directors. However, in case a non-executive chairman is a promoter of the said listed company or directly related to a promoter or a high-level manager, at least half of all directors will comprise of independent directors.

Frequency of Board Meetings

1. **As per LODR:** At least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.
2. **As per Companies Act, 2013:** Minimum number of four board meetings every year and the gap shall not exceed 120 days between two consecutive meetings of the board.

Committees as per SEBI (LODR) and their Composition

- a. Audit Committee:** The audit committee is a mandatory committee. There shall be minimum three directors as members in this committee. Two-thirds of the members of audit committee shall be independent Directors. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise. Company Secretary shall act as the secretary to the audit committee. The frequency of meeting of Audit Committee is at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings. The quorum for the meetings are two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.
- b. Nomination and remuneration committee:** It is also a mandatory committee. There will be minimum three directors as members. All directors of the committee shall be non-executive directors. At least fifty percent of the directors shall be independent directors. The Chairperson will 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 and shall not chair such Committee.
- c. Stakeholders Relationship Committee:** The purpose for this committee is to look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders. The chairperson shall be a non-executive director. The board of directors shall decide other members of this committee.
- d. Risk Management Committee:** The Majority of members of Risk Management Committee shall consist of members of the board of directors. The Chairperson shall be the member of the Board of Directors. Senior executives of the listed entity may be members of the committee.

Compliance Officer and his Obligations

1. A listed entity shall appoint a qualified Company Secretary (CS) as the Compliance Officer.
2. The compliance officer of the listed entity shall be responsible for-
 - (a) Ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.
 - (b) Co-ordination with and reporting to the Board, recognized stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in manner as specified from time to time.
 - (c) Ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.
 - (d) Monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors:

Provided that the requirements of this regulation shall not be applicable in the case of units issued by mutual funds which are listed on recognized stock exchange(s) but shall be governed by the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

Preservation of Documents

The listed entity shall have a policy for preservation of documents, approved by its board of directors, classifying them in at least two categories as follows:-

- (a) documents whose preservation shall be permanent in nature ;
- (b) documents with preservation period of not less than eight years after completion of the relevant transactions:

Mechanism for Grievance Redressal

The listed entity shall ensure that it is registered on the SCORES platform or such other electronic platform or system of the Board as shall be mandated from time to time, in order to handle investor complaints electronically. The listed entity shall file with the recognised stock exchange(s) on a quarterly basis, within twenty one days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.

Related party transactions

The definition of ‘related party’ and ‘related party transaction’ have been amended to provide an exception for units issued by mutual funds which are listed on a recognised stock exchanges. Listed entity shall formulate a policy on materiality of related party transactions. Prior approval of all related party transactions by Audit Committee is required. Audit Committee may provide omnibus approval to related party transactions which will be valid for one year only. Previously all material related party transactions required shareholders’ approval through special resolution and the related parties shall abstain from voting on such resolutions. As per the SEBI Listing Regulations, ordinary resolution shall suffice and the related party shall abstain from voting on such resolution, irrespective of the related party being a party to the transaction.

Independent directors

A person shall not serve as an independent director in more than seven listed entities: Provided that any person who is serving as a whole time director in any listed entity shall serve as an independent director in not more than three listed entities.

Other corporate governance requirements

- a. The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognized stock exchange(s) within fifteen days from close of the quarter.
- b. Details of all material transactions with related parties shall be disclosed along with the Corporate Governance report.
- c. The Corporate Governance report shall be signed either by the compliance officer or the chief executive officer of the listed entity.

Holding of specified securities and shareholding pattern

1. The listed entity shall submit to the stock exchange a statement showing holding of securities and shareholding pattern separately for each class of securities, in the format specified by the Board from time to time within the following timelines:

- (a) one day prior to listing of its securities on the stock exchange

(b) on a quarterly basis, within twenty one days from the end of each quarter and

(c) within ten days of any capital restructuring of the listed entity resulting in a change exceeding two per cent of the total paid-up share capital.

Provided that in case of listed entities which have listed their specified securities on SME Exchange, the above statements shall be submitted on a half yearly basis within twenty one days from the end of each half year.

2. The listed entity shall ensure that hundred percent of shareholding of promoters and promoter group is in dematerialized form and the same is maintained on a continuous basis in the manner as specified by the Board.

3. The listed entity shall comply with circulars or directions issued by the Board from time to time with respect to maintenance of shareholding in dematerialized form.

Annual Report

The listed entity shall submit the annual report to the stock exchange within twenty one working days of it being approved and adopted in the Annual General Meeting as per the provisions of the Companies Act, 2013.

The Annual Report shall contain:

- 1) Balance Sheet, Profit & Loss Accounts, Cash flow statement and Statement of change in Equity
- 2) Cash Flow Statement as issued by Statutory Auditors.
- 3) Directors Report.
- 4) Management Discussion and Analysis Report.

Record Date or Date of closure of transfer books

The listed company will intimate Stock Exchanges, 7 days in advance about the record date for:

1. declaration of dividend
2. issue of right or bonus shares
3. issue of shares for conversion of debentures or any other convertible security
4. corporate actions like mergers, de-mergers, splits and bonus shares

There shall be a gap of at least 30 days between two Record Dates.

E-Voting

The Listed Companies shall provide e-voting facility to all its shareholders, in respect of all shareholders' resolutions. The results of e-voting to be submitted within forty eight hours of conclusion of its General Meeting in the format Specified by SEBI.

Disclosures on the Website of a Listed Entity

The listed entity shall maintain a functional website containing the basic information about the listed entity. 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 and policy for determining ‘material’ subsidiaries;
- h. details of familiarization programmes imparted to independent directors.
- i. the email address for grievance redressal and other relevant details;
- j. contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
- k. financial information including:
 - (i) notice of meeting of the board of directors where financial results shall be discussed;
 - (ii) Approved financial results.
 - (iii) complete copy of the annual report of the Company.
- l. shareholding pattern;

The listed entity shall ensure that the contents of the website are correct. The listed entity shall update any change in the content of its website within two working days from the date of such change in content.

Disclaimer:

1. These notes are only for the students.
2. These notes are prepared after referring various books and websites.