

CORPORATE GOVERNANCE

LISTING OBLIGATION & DISCLOSURE REQUIREMENTS (LoDR)

CORPORATE GOVERNANCE - AUDIT COMMITTEE

Legal Framework

- SEBI Listing Obligation and Disclosure Requirements, 2015 (LODR) are mandatory on all listed companies
- Who have listed shares, debentures, IDRs, Mutual Fund units, other specified securities
- LODR is a replacement of Listing Agreement – Clause 49
- Deals with only post-listing requirements and not pre-listing

AUDIT COMMITTEE - LODR

- Applies to all Listed companies
- Min 3 members
- 2/3rd ID including Chairman
- All financially literate
- 1 with financial expertise
- Chairperson to be present at AGM
- Invitees - Finance Director, Head of Finance / Internal Audit, Statutory Auditor
- Meet at least 4 times in a year, max gap of 120 days
- Quorum – Minimum 2 or 1/3rd (greater)
- CS of co to be the secretary

AUDIT COMMITTEE – CA13

- Applies to Public companies with Paid up capital ≥ 10 Crores, or Borrowings from Bank, FI, Deposits ≥ 50 Crores or Turnover ≥ 100 Crores as per last audited BS
- Min 3 members
- Majority ID
- Majority incl Chairperson to be financially literate
- Rest governed by provisions on Committees under CA13

Powers of AC

- Investigate matters
- Inquiry from employees
- Attendance of outsider
- Seek legal or other professional advice

Review of Information by AC

- MD&A Report
- Internal Audit Reports - Relating to IC weaknesses
- Statutory auditor - Letter of weakness of ICs
- Related party transactions statement review
- Statement of deviation of end use of funds
- Appointment etc of Chief Internal Auditor

Role of AC

- REVIEW WITH MGT
- Quarterly results (before submission ofr BOD approval)
- Annual FS and AR wrt
 - DRS
 - Changes in Accounting Policies
 - Estimates
 - Listing and other legal requirements
 - RP Disclosures
 - Modifications in AR
- Statement of
 - End Use of Funds raised through public / preferential issue
 - Report of Monetary agency if appointed
 - Statement of fund utilised for other purpose
- Role wrt Auditors
 - Recommend appointment
 - Approval for other services by auditor
 - Auditors independence and performance review
 - Scope and Timing discussion with auditor
 - Adequacy of IA function
 - Significant findings of IA
 - Findings on internal investigation / failure of IC / suspected frauds
- Other Significant area
 - Oversight of FR process
 - RP transactions
 - Inter-corporate L&A
 - Valuation of assets where necessary
 - IFC and Risk management system review
 - Reasons for default in repayment of dues to debenture holders, depositors, SH and creditors
 - Whistle Blower Mechanism review
 - Other functions mentioned u/s 177

Auditor's procedures in relation to AC

- Ascertain from minute books
- Assess deficiencies identified by AC and actions taken

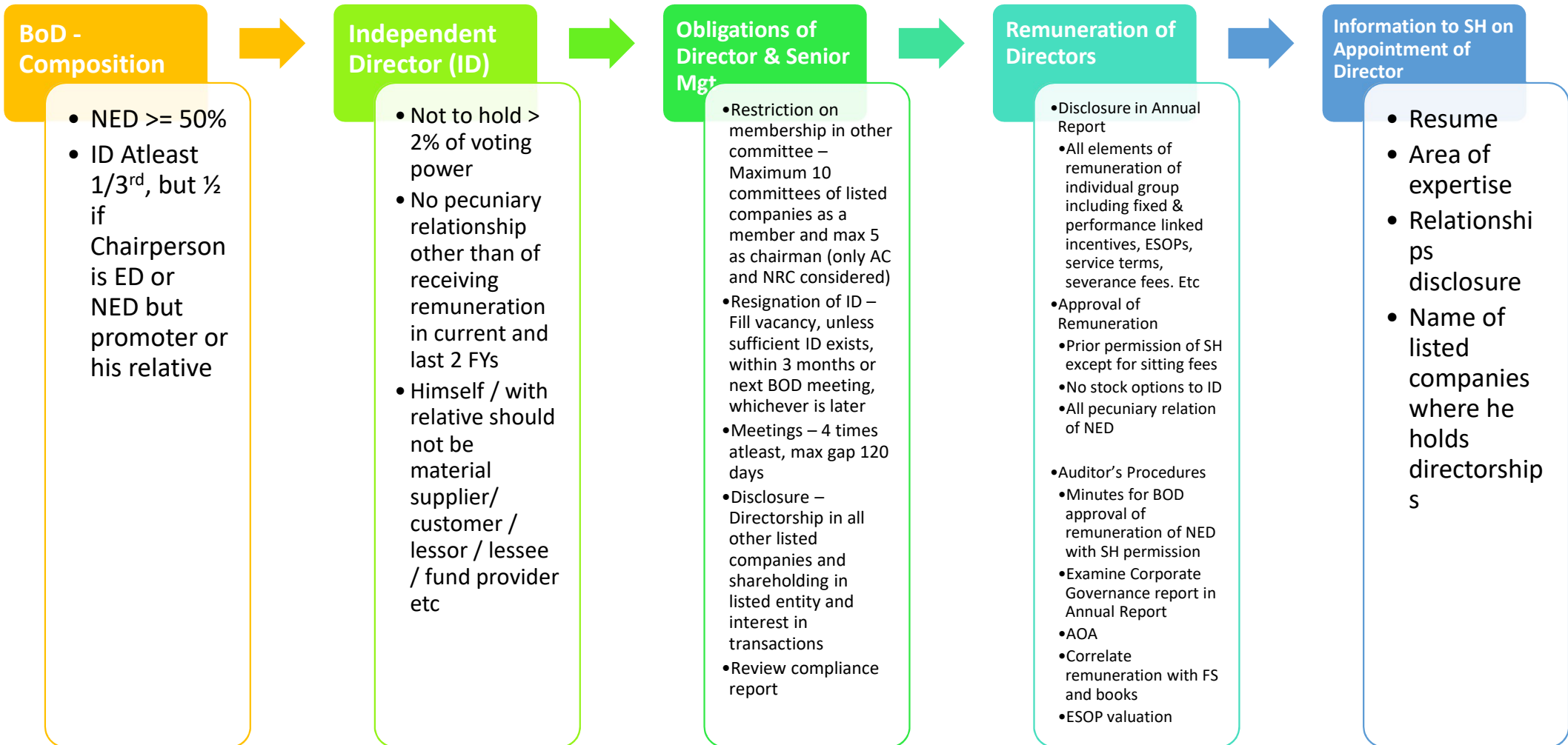
Auditor in AC meeting

- Right to be heard but not vote
- 2-way communication

Auditor's Responsibility and Report

- Verification of actual implementation of guidelines
- Neither certificate nor expression of opinion

CORPORATE GOVERNANCE - BOD



UNLISTED SUBSIDIARY OF LISTED COMPANY

All Unlisted Subsidiaries

BOD meeting minutes to be placed for review by Listed company's BOD

Significant (>10%) transactions entered by them to be put up for review by BOD. BOD may provide a blanket approval subject to T&C

AC to review its FS and Investments particularly

Unlisted Material Subsidiary (>20% of NW / > 20% Income)

At least 1 ID to be on their BOD

SH below 50% to be with SR in GM

Selling assets > 20% of assets requires SR in GM

Company to have policy to identify such subsidiaries

CORPORATE GOVERNANCE – UNLISTED SUBSIDIARY COMPANIES

CORPORATE GOVERNANCE – COMMITTEES



- Committee formed for grievance redressal of SH, DH, etc relating to transfer, dividends, etc
- Chairperson – NED
- BOD to decide other members
- Audit Procedures
 - See minutes to check constitution of such committee
 - Check committees minutes
 - Pending grievances status



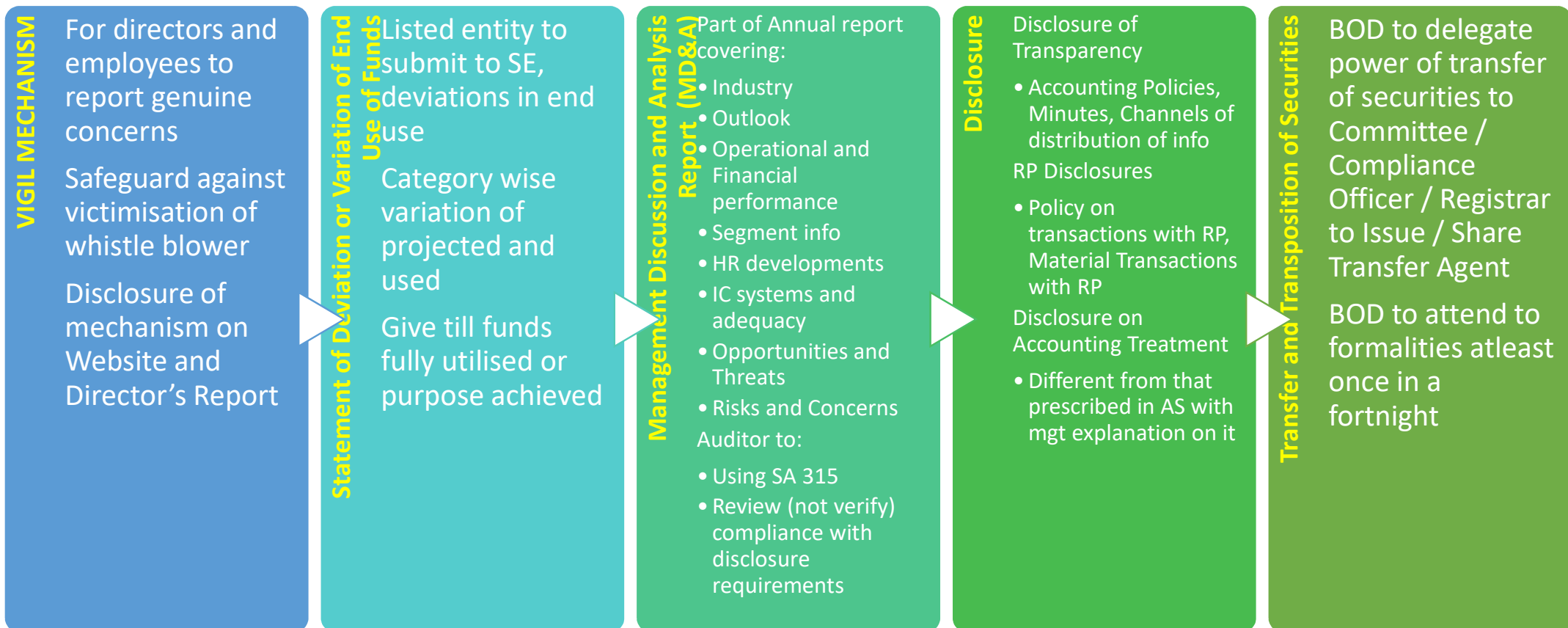
Nomination & Remuneration Committee (NRC)

- **Composition**
 - BOD to constitute
 - Atleast 3 Directors
 - All NED and ½ ID
 - Chairperson – ID
- Chairperson to attend AGM to answer SH queries
- **Role of NRC**
 - Criteria for selection of Director
 - Recommend to BOD policy on remuneration of Director, KPM & others
 - Policy on diversity
 - Criteria for evaluation of ID & BOD
 - Qualification criteria
 - Whether to extend term based on performance evaluation



- BOD to constitute
- Majority from BOD
- Chairperson – Director and Senior person
- BOD to define Roles

CORPORATE GOVERNANCE – OTHER PROVISIONS



Compliance Certificate (CEO & CFO)



CEO and CFO certify



FS reviewed and prepared as per FRf/w and give T&F View



No transactions are Illegal, Violative of code or Fraudulent



Acceptance of responsibility to establish IC and intimate deficiencies to AC and correct them



Informed to auditors on:

- Changes in ICs
- Changes in Accounting Policies
- Instance of significant frauds

Report on Corporate Governance



Submit quarterly report as per SEBI format to SE



Within 15 days of close of quarter



Signed by compliance officer or CEO



Auditor to check whether separate section on Corporate Governance included in Annual Report

COMPLIANCE CERTIFICATE (CA/CS)



By Company auditor or practicing CS



Can give adverse report



Adverse report may not affect T&F view

CORPORATE GOVERNANCE – REPORTS & CERTIFICATE