



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 atleast 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 Chairman 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 Quaterly results (before submission ofr BOD

Auditor's

AC

Assess

taken

procedures

in relation to

Ascertain from

minute books

deficiencies

identified by

AC and actions

- approval) Annual FS and AR wrt
- DRS . Changes in Accounting
- Policies Estimates
- · Listing and other legal
- 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 auditr
- Adequacy of IA function
- · Significant findings of IA
- · Findings on internal investigation / failure of IC / suspected frauds Other Significant area
- Overisght 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
- dehenture holders depositors, SH and creditors
- · Whistle Blower Mechanism
- Other functions mentioned u/s 177

Auditor in AC meeting

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

Auditor's Responsibil ity and Report

- Verification of actual implementat ion of guidelines
- Neither certificate nor expression of opinion

Buy Lectures and Books at www.elearn.fast.edu.in





CORPORATE GOVERNANCE - BOD

BoD - Composition

- NED >= 50%
- ID Atleast 1/3rd, but ½ if Chairperson is ED or NED but promoter or his relative

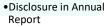
Independent Director (ID)

- Not to hold > 2% of voting power
- No pecuniary relationship other than of receiving remuneration in current and last 2 FYs
- Himself / with relative should not be material supplier/ customer / lessor / lessee / fund provider etc

Obligations of Director & Senior Mgt

- •Restriction on membership in other committee Maximum 10 committees of listed companies as a member and max 5 as chairman (only AC and NRC considered)
- Resignation of ID –
 Fill vacancy, unless sufficient ID exists, within 3 months or next BOD meeting, whichever is later
- Meetings 4 times atleast, max gap 120 days
- Disclosure —
 Directorship in all other listed companies and shareholding in listed entity and interest in transactions
- Review compliance report

Remuneration of Directors



- •All elements of remuneration of individual group including fixed & performance linked incentives, ESOPs, service terms, severance fees. Etc
- Approval of Remuneration
- Prior permission of SH except for sitting fees
- •No stock options to ID
- •All pecuniary relation of NED
- •Auditor's Procedures
- Minutes for BOD approval of remuneration of NED with SH permission
- •Examine Corporate Governance report in Annual Report
- AOA
- •Correlate remuneration with FS and books
- ESOP valuation

Information to SH on Appointment of Director

- Resume
- Area of expertise
- Relationshi ps disclosure
- Name of listed companies where he holds directorship





UNLISTED SUBSIDIARY OF LISTED COMPANY

CORPORATE GOVERNANCE – UNLISTED SUBSIDIARY COMPANIES

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)

Atleast 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 – 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)



- BOD to constitute
- Atleast 3Directors
- 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

Risk
Management
Committee

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





CORPORATE GOVERNANCE – OTHER PROVISIONS

GIL MECHANISM

For directors and employees to report genuine concerns

Safeguard against victimisation of whistle blower

Disclosure of mechanism on Website and Director's Report Listed entity to submit to SE, deviations in end

Category wise variation of projected and used

Give till funds fully utilised or purpose achieved Part of Annual report covering:

- ≥ Industry
 - Outlook
- Operational and Financial performance
- Segment info
- HR developments
- IC systems and adequacy
- Opportunities and Threats
- Risks and Concerns Auditor to:
- Using SA 315
- Review (not verify) compliance with disclosure requirements

Disclosure of Transparency

Disclosure

 Accounting Policies, Minutes, Channels of distribution of info
 RP Disclosures

 Policy on transactions with RP, Material Transactions with RP

Disclosure on Accounting Treatment

• Different from that prescribed in AS with mgt explanation on it

BOD to delegate power of transfer of securities to Committee / Compliance Officer / Registrar to Issue / Share Transfer Agent

BOD to attend to formalities atleast once in a fortnight





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