

Material Changes brought in force by the SEBI (LODR) Amendment Regulations, 2018

- ❖ Related party to include any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity.
- ❖ Independent directors to regard such persons as ineligible who are member of the promoter group of the listed entity or who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.
- ❖ Amendment made to definition of material subsidiary by reducing the threshold from twenty percent to ten percent.
- ❖ Senior management to include one level below chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.
- ❖ Requirement to appoint woman Independent Director by top 500 listed entities w.e.f. April 1, 2019 and by top 1000 listed entities w.e.f. April 1, 2020.
- ❖ Requirement to have minimum 6 directors by top 1000 listed entities w.e.f. April 1, 2019 and by top 2000 listed entities w.e.f. April 1, 2020.
- ❖ Special resolution for appointing/ continuing the directorship of any person as a non-executive director who has attained the age of seventy five years. The explanatory

statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

- ❖ Requirement of having a non-executive Chairman who shall not be related to the MD/ CEO of the listed entity. Applicable to top 500 listed entities on the basis of market capitalisation, as at the end of the immediate previous financial year.
- ❖ Revised quorum requirement for every meeting of Board being one-third of its total strength or three directors, whichever is higher, including at least one independent director.
- ❖ Requirement to obtain approval of shareholders by special resolution every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.
- ❖ Requirement to obtain approval of shareholders by special resolution for the fees or compensation payable to executive directors who are promoters or members of promoter group in case in excess of Rupees 5 crore or 2.5 per cent of the net profits of the listed entity.
- ❖ Maximum number of directorships held at any point of time in equity listed entities. Effective date: April 1, 2019 for limit of 8 listed entities and April 1, 2020 for limit of 7 listed entities.
- ❖ The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

- ❖ Material RPT threshold in case of a transaction involving payments made to a related party with respect to brand usage or royalty revised. Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity shall be considered material.
- ❖ In case of voting for Material RPTs, related parties need not abstain from voting and can cast vote against/ not in favor of the transaction.
- ❖ Disclosures of related party transactions on a consolidated basis to be submitted on half-yearly basis within 30 days from the date of publication of its standalone and consolidated financial results for the half year.
- ❖ Mandatory requirement to submit consolidated financial results. The listed entity shall also submit the audited or limited reviewed financial results in respect of the last quarter along-with the results for the entire financial year.
- ❖ Mandatory requirement to submit cashflow statement as part of its standalone and consolidated financial results for the half year.
- ❖ Limited review of at least eighty percent of each of the consolidated revenue, assets and profits, respectively shall have been subject to audit/ limited review for the purpose of quarterly consolidated financial results.
- ❖ Notice sent to shareholders for appointment/ re-appointment of statutory auditors shall include disclosure in the explanatory statement in relation to proposed fees and credentials of the auditors. Effective from April 1, 2019.

- ❖ The role of Audit Committee has been enhanced it should also review the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.
- ❖ The role of Nomination and Remuneration Committee has been enhanced, as it is now required to recommend to the board, all remuneration, in whatever form, payable to senior management.
- ❖ In case of resignation of the auditor, detailed reasons for resignation as given by the auditor, is now required to be disclosed by the listed entities to the stock exchanges as soon as possible but not later than twenty-four hours of receipt of such reasons from the auditor.
- ❖ In case of resignation of the Independent Director, the detailed reason for such resignation is required to be disclosed to the SEs, within seven days of the resignation, including a confirmation from the ID that there is no other material reasons other than those provided.
- ❖ Where the impact of the audit qualification is not quantifiable, the management is now mandatorily required to make an estimate which the auditor shall review and report accordingly. For this purpose, the management may be permitted to not provide estimate on matters like going concerns or sub-judice matters; in which case, the management shall provide the reasons and the auditor shall review the same and report accordingly.
- ❖ Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results is required to be made.
