FAQs on LODR (Second Amendment) Regulations, 2023

Team Corplaw | corplaw@vinodkothari.com

Updated on October 10, 2023

Brief Background

SEBI had issued various Consultation Papers ('**CPs**')[1] in November 2022 and February 2023 for amending the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('**LODR Regulations'**). The CPs proposed amendments in the disclosure requirements for material events under Reg. 30, disclosure requirements relating to shareholders' agreements, approval for special rights and enduring board positions, sale of undertakings, filling of casual vacancies of directors and KMPs, etc. The proposed amendments were approved by SEBI in its board meeting dated March 29, 2023. *Vide* notification dated June 14, 2023 ('**present notification**'), SEBI has amended the Listing Regulations incorporating the proposed amendments.

Our resource centre on the Listing Regulations can be accessed here.

We have analyzed and collated questions on various nuances and impact of the present notifications for better understanding.

[1]CP on Review of disclosure requirements for material events or information under reg. 30
CP on Strengthening corporate governance and empowering shareholders
CP on filling up vacancy of directors and KMPs

Contents

Brief Background 1

Applicability 11

1. What are the various provisions amended vide the present notification? 11
2. What is the effective date of the present notification? 11

High Value Debt Listed Entities (HVDLEs) [Reg 15(1A] 12

3. What is the timeline available with HVDLEs to comply with the CG requirements under the LODR Regulations? 12

Filling up vacancy in the office of Compliance Officer/ Directors / KMPs 12

4. What is the timeline to fill any vacancy in the office of the Compliance Officer as per Reg 6(1A)? 12
5. Can the vacancy be filled by appointment of a person in interim capacity? 12
6. What does ‘interim capacity’ mean? 12
7. What is the timeline to fill any vacancy in the office of a director as per Reg 17(1E)? 12
8. Which all events may result in vacancy in the office of a director? 12
9. Will the timeline remain the same in case the vacancy is caused by expiry of tenure of a director? [Reg 17(1E)] 13
10. What is the timeline to fill any vacancy in the office of the KMP as per Reg. 26A? 13
11. Can the vacancy be filled by appointment of a person in interim capacity? 13
12. What will be the timeline in case of vacancy in the office of a Company Secretary (‘CS’)? 13
13. Is the timeline aligned with that under the Companies Act, 2013 (‘CA, 2013’)? 14
14. In case of vacancy existing as on the date of notification, what will be the timeline available with the listed entity? 14

Approval requirement for continuation of permanent or non-rotational directors [Reg 17 (1D)] 14

15. Whether approval of shareholders is required for continuation of every director? 14
16. Whether the requirement remains the same in case of a WTD, MD, Manager, Independent Director or a director retiring by rotation? 14
17. What are the examples of permanent directors? 14
18. Whether the requirement remains the same in case of nominee directors? 14

Disclosure of material events/ information under Reg. 30 15

Thresholds/ criteria for disclosure [Reg 30 (4)] 15

19. What are the qualitative and quantitative criteria governing the disclosure of material events/ information? 15
20. In the qualitative criteria, how to determine ‘significant market reaction’? 15

21. What is included in 'turnover'? 16
22. Whether it is enterprise based or entity based? 16
23. What is meant by value/ expected impact in terms of value referred in Reg 30(4)? 16
24. What is the meaning of 'absolute value of profit or loss after tax'? 16
25. What is the rule of correspondence and how is it significant in determining materiality? 16
26. Whether every event listed in Part A, happening at subsidiary level, will be a material event for the listed entity requiring diclosure? 17

Identification as Unpublished Price Sensitive Information (UPSI) 17

27. Whether the events/information identified as material on the basis of the thresholds should be regarded as UPSI? 17
28. If the event/information is a UPSI, what are the actionables for a listed entity? 18

Determination of expected impact on value 18

29. How to ascertain the expected impact on value? [Reg 30(4)] 18
30. The expected impact is to be assessed for 1 year or would it be spread over years? 18
31. Whether the impact should be positive or negative? 18
32. What if the expected impact is not quantifiable? 19
33. In case of fire, how will the listed entity determine the impact? 19

Policy for determination of materiality under Reg 30(4) 19

34. What is the nature of amendment required to be made in the policy for determination of materiality? 19
35. Whether the policy is required to be amended before the amendment comes into effect? 19
36. Whether the policy alone should capture all the requirements? 19
37. Who are required to be regarded as relevant employees of the listed entity identifying potential material events/ information? 19
38. How are the responsibility centers to be fixed for identification/ escalation of material events? 20

Timeline for disclosure 20

39. What is the timeline available for disclosure of continuing events/ information determined as material pursuant to present amendment? 20
40. What is the extent of traveling back required to identify and disclose events under the above query? 20
41. There are many events which may not be specifically covered in the financial statements. E.g., product launches, litigation, tax orders etc. In such a case, how will one identify and disclose the continuing events? 20
42. What are the new line items required to be disclosed under Part A of Schedule III? 21

43. What are the amendments made to existing disclosure requirements under Part A of Schedule III? 21

44. What is the revised timeline for disclosure of material events/information? 21

45. The requirement to disclose within 30 minutes of closure of board meeting is applicable only for specific items specified in sub-para 4 of Para A of Part A of Schedule III? 21

46. Which events are required to be disclosed within 30 minutes of board meeting or within 12 hours? [Reg 30(6)] 22

47. Will a strike in a factory be considered as an event emanating within the listed entity and needs to be disclosed within 12 hours? 22

48. What is the timeline for disclosing an activity falling in Para B, for e.g., capacity addition, if it is approved through circular resolution by the Board of Directors of the Company? Is it 12 hours or 30 minutes? 22

49. In case of appointment of directors/ KMPs/ SMPs, when will the disclosure requirement trigger? At the time of board approval or date of joining? 22

50. In case of resignation of directors, KMPs, SMPs, when will the disclosure requirement trigger? From the date of resignation or the last working day? 22

51. The Company enters into an agreement to provide or receive a service, for a term of five years. The payment clause under the agreement is triggered after the end of the fourth year. When does the disclosure requirement trigger? Whether at time of execution of the agreement or once the payment clause is triggered? 23

52. What if the event occurs on a non-working day/ trading holidays? 24

Acquisition and disposal related [Para A (1) of Part A of Schedule III] 24

53. In case of acquisition, what are the revised thresholds for disclosure? 24

54. In case of acquisition, whether disclosure is required to be made in an existing company or even in case of proposed to be incorporated one? 24

55. Whether incorporation of a new subsidiary/WOS, which is not covered under threshold as specified under Reg 30(4), will require disclosure? 24

56. In case of incorporation of a new subsidiary, when will the disclosure requirement trigger? At the time when the Board provides in-principle approval or when approval is obtained from the concerned regulator? 24

57. In case of investment in a subsidiary, disclosure will be required at the time of credit of subscription money or at the time of allotment of shares by the subsidiary? 25

58. Whether disposal of every undertaking is required to be disclosed? 25

59. In case of sale of stake in a subsidiary or associate company, when is the disclosure required to be made? 25

60. Whether disclosure is required to be made if a subsidiary ceases to be a subsidiary of the listed Entity, in the following cases: 25

61. Whether the aforesaid disclosure is linked to any quantum or amount involved? 25

62. In the case of listed banks, will the branch office be considered as 'unit' requiring disclosures? 26

63. A company operating in restaurants and opens and closes stores/branches of restaurants. Whether opening and closing of stores will be covered under acquisition and disposal under clause 1 of Schedule III.A.A? 26

Ratings related [Para A (3) of Part A of Schedule III] 26

64. Whether new ratings are also required to be disclosed? 26

65. In case of re-affirmation of ratings, whether a disclosure is required? 26

Disclosure of Agreements impacting listed entities - Para A (5A) of Part A of Schedule III read with Reg 30A 27

66. Who all are under an obligation to disclose about agreements impacting the LE? 27

67. What kind of agreements are required to be disclosed? 27

68. What if there is an understanding, MOU or any other informal arrangement, not amounting to an agreement? 28

69. Whether the wishes of a controlling shareholder, expressed in a will, require disclosure? What if the wish or decision of a controlling shareholder is contained in a non-testamentary document such as trust deed, or a family settlement? 28

70. In case of subsisting agreements as on the date of notification, when are the same required to be disclosed? 29

71. The clause makes reference to shareholders - thereby including even minority shareholders. If minority shareholders have entered into an agreement among themselves, how is the LE expected to know or notify? 29

72. If an agreement where the LE is not a party is not disclosed by such party to the Company, who faces the consequences - the LE or such party? 29

73. Which type of restrictions and liability are required to be considered for the purpose of the clause? 29

74. Whether the disclosures under the clause are first time, event-based or continuing? 29

75. In case of existing agreements, what is the disclosure requirement? 30

76. In case, the agreement is executed after the notification of amendment, will it require disclosure in the Annual Report? 30

77. In case of existing agreements to which the listed entity is not a party, how can this be ensured? 30

78. Whether the entire agreement is required to be disclosed? 30

79. Whether a Will prepared by the HUF of the promoter family be considered a potential change or impact on the control of the listed entity as per Reg. 30A and require disclosure? 31

80. Whether an arrangement/agreement entered among promoters of the listed entity mentioning the distribution of their shares among family members be considered as potential change or impact on the control of the listed entity as per Reg. 30A and require disclosure? 31

81. In BTA (Business Transfer Agreement), a clause that says that the Directors in the transferring company can only be inducted/ changed with the prior approval of the transferee company. Will such types of agreements be considered as impacting the management?....31

Fraud or Default [Para A (6) of Part A of Schedule III] 31

82. Fraud or Default is required to be disclosed in relation to whom? 31

83. What is the meaning of Fraud? 31

84. What is the meaning of Default?...32

85. How is Default to be ascertained in case of revolving facilities?.......................................32

86. Whether every instance of Default by a promoter, director, KMP, SMP or subsidiary is required to be disclosed?...32

87. In case of Fraud/ Default by an employee of the listed entity, when is the disclosure required to be made? 32

88. How is the impact on the listed company to be ascertained?...32

89. If the value of Default exceeds the thresholds specified in Reg. 30 (4), whether the disclosure is required to be made?...32

90. In case of fraud by promoter, director, KMP, SMP or subsidiary, is it required to be in relation to only the listed entity or any entity?...33

91. In case the KMPs, SMPS, directors taken into custody by the police would also require intimation?...33

92. If the default by the promoter or director is in personal capacity and causes reputation loss to the listed entity, will it require disclosure?..33

93. Whether general custody of the director by the police officer, unless guilt/ fraud is proved is required to be disclosed?...33

Resignation, unavailability of KMPs etc. [Para A (7C, 7D) of Part A of Schedule III]...............33

94. What are the disclosure requirements in case of resignation of KMP, SMP, Compliance Officer or director other than an independent director?..33

95. In case of unavailability of MD/CEO what are the disclosure requirements? 34

96. When does the rolling period of 90 days start ?...34

97. How is the indisposition or unavailability to be ascertained?..34

Senior Management Personnel ('SMP') 34

98. What are the new disclosure requirements in relation to the SMP?...................................34

99. Whether any annual disclosure is required to be made? 34

100. Whether the annual disclosure is required to be made in the CG report for FY 2022-23? ..35

101. Who all are covered within the ambit of functional head? 35

102. Whether temporary reporting results in classification as SMP? 35

103. In case of change in the functional area of SMP i.e., SMP is shifted from one functional area/vertical to another? 35

Regulatory actions/ orders [Para A (19), (20) of Part A of Schedule III] 35

104. Action taken by which all bodies need to be disclosed? 35

105. What kind of actions/ orders are required to be disclosed? 35

106. In case of an action/ order, what needs to be disclosed and when? 36

107. Whether show cause notice needs to be considered as action taken by the regulatory authority requiring disclosure? 36

108. Whether assessment order from Income Tax authority which is appealable or not final needs to be disclosed? 36

109. Whether levying of fine/ penalty by stock exchanges for non-compliance of LODR (below material threshold) needs to be disclosed? 36

110. In case of action against a subsidiary, only if material is to be disclosed? 37

111. Will compounding fees under legal metrology Act or IT Act be regarded as fine or penalty? 37

112. The Company receives notice for fine/penalty in any matter and the Company has a right to appeal before the higher authority. Can Company choose not to disclose till the time final order is received from appellate authority? 37

113. In a case where an E-way bill was not generated by the dealer and the GST authority imposed a penalty on the Company. Whether the Company is required to disclose the penalty imposed by the authority, even though it is the dealer's responsibility of generating the e-way bill? 37

114. Any late submission fees imposed by an authority, which have been paid after 14th July, have to be disclosed? 37

Other disclosure requirements 37

115. What is the timeline to intimate the schedule of the analysts' meet? 37

116. If the analyst meet is canceled, will it require disclosure? 37

117. Whether prior intimation is required even for one-to-one investor meet/ call? 38

118. Whether press release, social media announcements are also required to be disclosed? 38

119. Whether every communication received from the regulatory, statutory, enforcement, or judicial authorities is required to be disclosed? 38

120. Whether the disclosure is required to be made to the stock exchange in case communication received from the regulatory, statutory, enforcement or judicial authority is prohibited to be disclosed by such authority? 38

Events determined as Material under Para B 38

121. Whether disclosure for tie-up arrangements, new line of business, closure of operations is required only where there is a change in the general character or nature of business?........38

122. In case of loan agreements, whether disclosure is required to be made only where the listed entity is a borrower?..38

123. In case of litigations/ disputes, when is the disclosure required to be made? 39

124. In case of pending litigation/ outcome, how will the listed entity determine the impact? ...39

125. Whether IT Assessment Order be classified as a Para A item or Para B item? When such an assessment order becomes litigation for the listed entity? 39

126. Whether every instance of delay or default in the payment of fines, penalties, dues etc. is required to be disclosed?...39

127. In case of giving of guarantee or indemnity or becoming a surety, when is the disclosure required to be made? 39

128. Whether giving guarantees/ indemnity/ becoming surety in the ordinary course of business will be covered? 39

129. Whether a letter of awareness issued to a bank on behalf of a subsidiary for availing loan facility from the bank by the subsidiary, which is not in the nature of guarantee / indemnity / or does not cast any legal obligation on the listed entity?...39

130. Whether change/resignation of Auditor includes Auditors other than Statutory Auditor? ..40

131. Corporate undertaking by the Holding Company for JV Company under the clause of SHA. Will this be covered in Para B events?..40

132. If a guarantee is provided by a holding company which is an NBFC, would that act in the ordinary course of business for the NBFC? 40

133. If the holding company undertakes to the lender that it will not sell its stake in the subsidiary till the loan obtained by the subsidiary is repaid to the lender. Will such an undertaking require disclosure? 40

Responding to market rumors [Reg 30(11)] 40

134. Whether the requirement to confirm or deny any reported event or information in the mainstream media to stock exchanges is mandatory?..40

135. What is the disclosure requirement for such listed entities covered above? 41

136. What is the timeline available for responding to the same?..41

137. What is the meaning of mainstream media? 41

138. What kind of rumours are required to be considered by the listed entity?..........................41

139. What is the approach to be followed by the listed entity in order to meet this requirement? 41

140. If the requirement becomes applicable once on account of market capitalization, will it continue to apply at all times thereafter?..42

141. Is it mandatory to confirm/ deny/ clarify any rumor in mainstream media?........................42

142. What if someone plants a fake rumour in the mainstream media? Whether the listed entity is required to respond to such rumour?....................42

143. Whether market rumors related to the events specified in Schedule III which are not of general nature and indicate rumours on impending material events should be responded to? 42

144. Whether the listed entity is required to intimate the response to the stock exchange or the individual person who sought clarification? 42

145. Whether the rumours at an industry level are required to be responded to? 42

Shareholder special rights related [Reg 31B(1)]....................42

146. What are the special rights typically granted by a listed entity to its shareholders? 42

147. What is the intent behind periodic review by shareholders?....................43

148. What is the approval requirement for granting of such special rights?....................43

149. Is there an exemption from the approval requirement?....................43

Business Responsibility and Sustainability Reporting (BRSR) [Reg 34(2)]....................43

150. Whether assurance is required for all parts of BRSR?....................43

151. What is the meaning of BRSR Core?....................43

152. Is it applicable to every equity listed entity?....................44

153. What is the meaning of the value chain?....................44

154. What is the format of reporting? 44

Sale, lease or disposal of undertaking outside Scheme of Arrangement [Reg 37A]....................44

155. What is the scope and applicability of Regulation 37A? 44

156. What is the approval regime required to be followed in case of sale, lease or disposal of an undertaking?....................45

157. What are the disclosure requirements while seeking shareholders' approval? 45

158. How is it different from that required under other provisions of the Listing Regulations? .45

159. In case the sale, lease or disposal is being done to a related party such that it becomes a material RPT, whether a single approval is recommended? 45

160. Is there an exemption from the approval mechanism?....................46

161. Whether the aforesaid exemption is absolute or conditional?....................46

162. Whether the exemption will be available in following situations? 47

163. What are the immediate actionable for listed entities in relation to Regulation 37A?.........48

164. Will creation of charge on assets be considered as disposal of undertaking? 48

165. Whether agreements with Banks for the mortgage of property, will it lead to sale of undertaking under Reg. 37A?....................48

Others....................48

166. What is the reporting requirement in case of cyber security incidents under Reg. 27 (2) (ba)? 48

167. Whether any format of reporting has been prescribed? 48

168. What is the timeline available for filing financial results in case of new listed entities under Reg. 33 (3) (j)? 49

169. What is the revised disclosure requirement in case of debt listed entities under Reg. 57? ..49

170. Whether disclosure in terms of Regulation 57 (2) & (3) is required to be made for the quarter ending June 30, 2023? 49

171. What is the format of disclosure for Regulation 57? 49

Annexure A 50

Annexure B 56

Annexure C 63

Applicability

1. **What are the various provisions amended vide the present notification?**

Major amendments introduced *vide* the present notification are as follows:

- Filling of vacancy in the office of directors and KMPs [reg. 6(1A), reg. 17(IE), 26A respectively];
- Approval of shareholders once in 5 years for non-rotational directors, or those with a fixed term of more than 5 years (inserted) [reg. 17(1D)];
- Disclosure of details of cyber security incidents or breach/ loss of data/ documents in the quarterly CG report [reg. 27(2)(ba)];
- Disclosure requirements for certain types of agreements binding listed entities [reg. 30A];
- Approval requirements for special rights given to shareholders [reg. 31B];
- Disclosure of financial results by newly listed entities [reg. 33(3)(j)];
- Requirement of obtaining assurance of BRSR core [reg. 34(2)(f)];
- Approval requirements in case of sale, lease or disposal of an undertaking outside Scheme of Arrangement [reg. 37A];

Some existing provisions amended with some of them having significant implications (in bold) vide the present notification:

- Extension of time period for mandatory applicability of Corporate Governance (**'CG'**) provisions on High Value Debt Listed Entities (**'HVDLEs'**) [reg. 15(1A)];
- **Disclosure of material events**;
- **Quantitative criteria for determining material events under para B of part A of Schedule III have been inserted [reg. 30(4)];**
- **Timelines for disclosure of material events [reg. 30(6)]**;
- **Confirmation or denial of events reported in mainstream media (defined under reg. 2(1)(ra)) [reg. 30(11)]**;
- **Disclosures under Reg 30 pursuant to a communication received from any regulatory or enforcement or judicial authority to be backed by such communication as well [reg. 30(13)]**;
- Timeline for disclosure of schedule of analysts meet [reg. 46(2)(o)];
- Intimations regarding payment of interest/ principal of non-convertible securities [reg. 57];
- Insertion/ amendments in para A and B of part A of Schedule III.

2. **What is the effective date of the present notification?**

The present notification shall become effective on the 30th day of publication in the official gazette i.e. July 14, 2023 except for following provisions which are immediately effective i.e. June 14, 2023;

- Extension for mandatory applicability of CG provisions on HVDLEs;
- Requirement of obtaining assurance of BRSR core;
- Approval requirements in case of sale, lease or disposal of an undertaking outside Scheme of Arrangement;
- Intimation of payment of interest/principle to the stock exchange by a debt listed entity.

High Value Debt Listed Entities (HVDLEs) [Reg 15(1A]

3. **What is the timeline available with HVDLEs to comply with the CG requirements under the LODR Regulations?**

   Earlier, HVDLEs were required to comply with CG requirements on 'comply or explain basis' till March 31, 2023 and mandatorily thereafter. Now, the same is extended till March 31, 2024. Thus, HVDLEs will be mandatorily required to comply with corporate governance requirements from April 01, 2024 as per Reg 15(1A).

Filling up vacancy in the office of Compliance Officer/ Directors / KMPs

4. **What is the timeline to fill any vacancy in the office of the Compliance Officer as per Reg 6(1A)?**

   The vacancy in the office of Compliance Officer is required to be filled at the earliest. Maximum time available is 3 months from the date of vacancy.

5. **Can the vacancy be filled by appointment of a person in interim capacity?**

   Yes, the vacancy that arises in the office needs to be filled up by appointment of a person in the interim period so as to ensure that the position and its responsibilities are adequately taken care of till such time the management finds a suitable candidate to hold the said position for the regular official period. However, the amended regulation requires that the interim placeholder shall also be duly qualified to be a compliance officer, that is, must be a qualified company secretary [Reg 6 (1)]. Further, all the obligations under the such laws will be applicable to such a person appointed for the interim period.

6. **What does 'interim capacity' mean?**

   Interim capacity would mean appointing a KMP for filling up the vacancy for a temporary period until a new eligible candidate is appointed for the regular official period. The provisions requires that appointment of a person as KMP in interim capacity should be in compliance with the applicable laws and the appointee should be aware of the obligations cast under the applicable laws.

7. **What is the timeline to fill any vacancy in the office of a director as per Reg 17(1E)?**

   In case of vacancy in the office of a director, the same has to be filled at the earliest and in any case not later than 3 months from the date of such vacancy as per Reg 17(1E). However, for cases where the cessation is on account of completion of the pre-fixed period, see Q 9 below.

8. **Which all events may result in vacancy in the office of a director?**

   Vacancy in the office of a director may be caused, inclusively, on account of completion of tenure, resignation, death, removal, disqualification or debarment.

9. **Will the timeline remain the same in case the vacancy is caused by expiry of tenure of a director? [Reg 17(1E)]**

   No. If the vacancy is pursuant to expiry of the term of office of director, which leads to non-compliance with the board composition related requirements under reg. 17(1), then such vacancy is required to be filled by the date on which such office is vacated. Hence, the need/timeline for filling the vacancy may be interpreted as follows:

   - Sec 161 (4) of CA, 2013 relates to a casual vacancy only of a director appointed by the shareholders. If the director was, for example, an additional director who has not been regularized by the shareholders, the provisions relating to casual vacancy does not apply at all.
   - The LE's board may be sufficiently thick - that is, it has more members than needed. In such cases, if the articles or regulations framed in pursuance thereof permit the LE not to fill the vacancy at all, and it has been decided not to fill the vacancy, the LE may not fill the vacancy.
   - If the vacancy is not one which is not to be filled at all, it should be filled within 3 months.
   - If the vacancy is one which causes a deviation from the requirements as to board composition - for example, number of directors falling below 6, number of independent directors falling below the requirement, a single women director's office falling vacant, etc., and the vacancy was imminent or pre-known (for example, not caused by death, resignation, etc), in that case, the vacancy should be filled immediately as on the date of the vacancy.

   For e.g. the tenure of a director is about to expire on September 30, 2023. In that case, as the date of vacation is known to the listed entity in advance, the vacancy which will be created post expiry of his/her tenure will be required to be filled on or before September 30, 2023.

10. **What is the timeline to fill any vacancy in the office of the KMP as per Reg. 26A?**

    The vacancy in the office of KMP i.e. CEO, MD, WTD, Manager & CFO is required to be filled at the earliest. Maximum time available is 3 months from the date of vacancy.

11. **Can the vacancy be filled by appointment of a person in interim capacity?**

    Yes, the vacancy may be filled by appointing a person in interim capacity so as to ensure that the position and its responsibilities are adequately taken care of till such time the management finds a suitable candidate to hold the said position for the regular official period. However, the person appointed in interim capacity should also be fulfilling the prescribed conditions. Further, all the obligations under the law will be applicable to such a person appointed in the interim capacity.

12. **What will be the timeline in case of vacancy in the office of a Company Secretary ('CS')?**

    Reg. 26A (1) does not make a reference to the CS of the listed entity. However, Reg. 6 (1A) provides a timeline of 3 months to fill the vacancy in the office of the compliance officer or the listed entity. Typically, the CS of the listed entity appointed in terms of Section 203 of CA, 2013 is the compliance officer and therefore, the timeline of 3 months should also be available in case of CS too.

13. **Is the timeline aligned with that under the Companies Act, 2013 ('CA, 2013')?**

    Section 203(5) of CA, 2013 provides a time of 6 months from the date of vacancy in the office of KMPs Hence, the provisions of LODR Regulations are stricter and the listed entity will be required to adhere to such a stricter timeline.

14. **In case of vacancy existing as on the date of notification, what will be the timeline available with the listed entity?**

    The timeline cannot apply retrospectively and therefore, for a vacancy existing as on the date of notification, a timeline of 3 months from the date of the provision coming into effect should apply. For e.g. if there was a vacancy in the office of KMP w.e.f. April 15, 2023 the period of 3 months cannot be said to expire on July 14, 2023 (the date on which the amendment comes into effect). Instead, a timeline till October 14, 2023 should be available to the company.

Approval requirement for continuation of permanent or non-rotational directors [Reg 17 (1D)]

15. **Whether approval of shareholders is required for continuation of every director?**

    The approval is required for a director who is serving continuously on the board without having obtained shareholders' approval in the last 5 years ('permanent director'). The said requirement is effective from April 1, 2024. Therefore, if any director is serving on the board, for whom shareholders' approval for continuing as director has not been obtained since April 2019, the listed entity will be required to obtain the approval of shareholders for his continuation as a director in the general meeting held after April 1, 2024 as per Reg 17(1D).

16. **Whether the requirement remains the same in case of a WTD, MD, Manager, Independent Director or a director retiring by rotation?**

    The requirement of obtaining shareholder approval once in every five years is not applicable in case of WTD, MD, Manager, Independent Director as they already have a defined term of upto 5 years and approval is required for re-appointment. Further, in case of a director whose office is liable to determination by retirement by rotation, the approval of shareholders is obtained in compliance with section 152(6) of CA, 2013 which is usually once in 3 years.

17. **What are the examples of permanent directors?**

    Founder directors, Non-executive directors, etc. whether appointed pursuant to rights conferred in the Articles of Association or not, whose office is not liable to determination by retirement by rotation.

18. **Whether the requirement remains the same in case of nominee directors?**

    No, the requirement of obtaining shareholders' approval once in every 5 years is not applicable in case of a director appointed pursuant to the order of the court/ tribunal or the director nominated by the government

(except in case of PSUs) or financial sector regulator or financial institution or debenture trustees. However, other nominees, for example, nominees of a strategic investor or JV partner will require shareholders' vote as per this provision.

Disclosure of material events/ information under Reg. 30

Thresholds/ criteria for disclosure [Reg 30 (4)]

19. **What are the qualitative and quantitative criteria governing the disclosure of material events/ information?**

The qualitative criteria governing disclosure of material events/information as per Reg 30(4) is where the omission in disclosure of such event/ information is likely to result in:

- discontinuity or alteration of an event or information already available publicly; or
- significant market reaction if the said omission came to light at a later date.

The quantitative criteria has been inserted vide the present amendment.

The quantitative criteria governing disclosure of material events/information as per Reg 30(4) is that the omission of an event or information, whose value or the expected impact in terms of value, exceeds any of the following threshold:

- 2% of turnover, as per the last audited consolidated financial statements;
- 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
- 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.

The thresholds are based on the last audited consolidated financial statements of the listed entity. Considering that the present financial year is the first year of applicability, the thresholds will be determined based on the consolidated financial statements as on 31st March, 2023. In case of profit related parameter, an average of the last 3 FYs i.e. FY 22-23, 21-22 and 20-21 will be required to be taken into account.

20. **In the qualitative criteria, how to determine 'significant market reaction'?**

The determination of significant market reaction in case of items under Para A of Part A of Schedule III, is irrelevant since those are deemed material events. In case of Para B items, the fact that if it crosses the numerical threshold, there will be a significant market reaction. Apart from the same, in case of other matters, the policy will have to provide guidance on the manner of identifying events causing significant market reaction. The limit or parameter may be aligned to Reg. 30 (4) or may slightly vary. However, it should not be way higher than the thresholds in the regulation. The idea is to have a threshold which is indicative of the potential impact in the prices of the listed securities.

21. **What is included in 'turnover'?**

Turnover is as defined under the CA, 2013 i.e., the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.

22. **Whether it is enterprise based or entity based?**

The thresholds specified under Reg 30(4) are not entity based as it relates to consolidated figures and is therefore, enterprise based.

23. **What is meant by value/ expected impact in terms of value referred in Reg 30(4)?**

The quantitative criteria for determining the materiality is to be tested for value and expected impact in terms of value. While "value" would generally be certain and known at the time of the event or information requiring disclosure, "expected impact in terms of value" is to be determined on the basis of the likelihood of triggering the threshold.

There are two points relevant here: First, the impact need not be immediate. For any of the Para B events, the impact may be phased over time. The impact needs to be seen when the event reaches its expected maturity value, as per projections made by the company.

Second point: the value or the estimated impact in value terms has to be tested against the least of the three parameters given the regulation, viz., turnover, net worth, and profit. In almost every probability, the least of the 3 nos will be 5% of profits. Hence, when it comes to estimating the value or the impact in terms of value, the most relevant parameter in value estimation will be profit.

24. **What is the meaning of 'absolute value of profit or loss after tax'?**

'Absolute value of profit or loss after tax' means to take absolute figures of profit/loss. The threshold w.r.t. profit/ loss is to be computed by taking the absolute values of profit or loss after tax, for the immediately preceding 3 FYs. The averaging does not mean netting-off, in this case, where profits of a company in one year gets reduced due to the losses in other financial years, or vice versa; rather, the values are required to be taken on an absolute basis.

For e.g., suppose a listed company reported a profit of Rs. 5 crores in FY 20-21, profit of Rs. 3 crores in FY 21-22 and loss of Rs. 1 crore in FY 22-23. The limit of materiality in the instant case will be derived as [5% of {(5+3+1)/3}], i.e., Rs. 15 lacs and not [5% of {(5+3-1)/3}].

25. **What is the rule of correspondence and how is it significant in determining materiality?**

In a practical scenario, out of the three parameters provided for the materiality thresholds under Reg. 30(4), 5% of the average of the absolute value of profit or loss after tax, as per the last 3 audited consolidated financial statements, is generally the lowest amount. In case materiality thresholds are being applied on a

Para B item, value or expected impact in terms of value is likely to be compared with the 5% of the average of the absolute value of profit or loss after tax.

For example, Company is launching a new product and its expected turnover and profit from the new product line is around Rs. 500 Cr. and Rs. 15 Cr. respectively. Materiality thresholds of the Company are 2% of turnover, as per the last audited consolidated financial statements is Rs. 2000 Cr. and 5% of the average of the absolute value of profit or loss after tax, as per the last 3 audited consolidated financial statements, is Rs. 200 Cr.

To determine the materiality, expected turnover from the new product cannot be compared with the materiality limit of net profits, as the same will lead to inappropriate comparison. Here the rule of correspondence comes into consideration which says the expected impact on turnover is to be compared with the turnover thresholds and the expected profit with the profit thresholds to make a suitable comparison.

In our view, wherever materiality thresholds are to be applied, the rule of correspondence will play a significant role.

26. **Whether every event listed in Part A, happening at subsidiary level, will be a material event for the listed entity requiring diclosure?**

Under Schedule III.A.A, items for which disclosure is required in respect of subsidiaries are expressly stated. In other cases, the listed entity has to define the materiality guidelines (by way of thresholds or otherwise) in respect of the events pertaining to the subsidiary, in its policy or by way of an SOP. In other words, not every event listed in Part A, happening at subsidiary level, will be a material event for the listed entity. If the subsidiary is material, an event or information at subsidiary level may have to be tested based on its impact on either the consolidated results, or the holding entity, and therefore, the criteria fixed for Para C events, or residual events covered by Reg 30 (12) may have to be applied.

Identification as Unpublished Price Sensitive Information (UPSI)

27. **Whether the events/information identified as material on the basis of the thresholds should be regarded as UPSI?**

Generally speaking, the answer should be affirmative s. SEBI (PIT) Regulations, 2015 defines UPSI as any information, relating to a company or its securities, directly or indirectly, that is not generally available and which upon becoming generally available, is likely to **materially affect the price of the securities**. Events/ information that are determined as material by applying the thresholds given in Reg. 30 (4), especially those covered under Para B of Part A of Schedule III to the Listing Regulations should be regarded as UPSI till the same has been made generally available. The criteria for materiality treatment under Reg 30 are now laid by the regulations; in case of PIT Regulations, the listed may have its own criteria. Unless there is a strong justification for treating something which is determined to be material for the purpose of reg 30, applying the thresholds given in the regulations, but not material for the purpose of UPSI protection, the listed entity should align the two.

The purpose of UPSI determination is that before an information is disclosed, in terms of Reg 30, its confidentiality is protected, a trail of internal or external sharing is maintained, and insiders do not trade on the same. Therefore, there is no reason why such protective stance should not apply in case of material events/information.

28. **If the event/information is a UPSI, what are the actionables for a listed entity?**

Once the listed entity identifies that a particular information is a UPSI, it will be required to ensure the following in line with the SEBI (PIT) Regulations, 2015:

a. Identify the DPs who have access to the UPSI and close the trading window for them and their immediate relatives;
b. Send the notice of confidentiality to the persons other than DPs with whom UPSI has been shared;
c. Make entry in the Structured Digital Database for the DPs and the connected persons with whom UPSI is shared;
d. Maintain the confidentiality of UPSI till its disclosure to the stock exchange;
e. Ensure disclosure of UPSI on a uniform basis in accordance with the Code of Fair Disclosure of the listed entity.

Determination of expected impact on value

29. **How to ascertain the expected impact on value? [Reg 30(4)]**

Expected value will be based on the expected impact of the proposed corporate action, for example installation of a plant, addition of capacity, obtention of an order, etc.

As discussed above, the value of an event or information is not just its size, but its impact on shareholders. The materiality of an information is based on its impact on the bottomline. Given the fact that the threshold is almost certainly 5% of average profits, the most relevance value to search for in Para B events will the impact of the event or information on the profits.

30. **The expected impact is to be assessed for 1 year or would it be spread over years?**

Expected impact under Reg 30(4)(i)(c) does not necessarily mean immediate impact; it may be spread over a period of time, on reaching the full effect of the corporate action. For e.g. the installation of machinery will not have an immediate impact on the profits, however, it will have an impact on the future turnover, and thus impact profits. The projections made by the management should be seen for assessing the impact.

31. **Whether the impact should be positive or negative?**

Both positive as well as negative impact in terms of Reg 30(4) on the turnover, networth or profit of the listed entity should be considered.

32. **What if the expected impact is not quantifiable?**

    For any event, there should be some way of ascertaining the impact in terms of value. The KMPs will be required to determine and the discussion should be minuted covering the basis of the rationale.

33. **In case of fire, how will the listed entity determine the impact?**

    In case of fire, the impact caused on account of the disruption of properties in terms of value needs to be considered along with the potential impact on the production capacity.

Policy for determination of materiality under Reg 30(4)

34. **What is the nature of amendment required to be made in the policy for determination of materiality?**

    The Amendment Regulations require the materiality policy to be framed in a manner so as to assist the relevant employees in identifying potential material event or information and reporting the same to the authorised KMPs. Further, the materiality policy may also contain tests for determining materiality in addition to the proposed thresholds specified above, but the same shall not have an effect of diluting any requirements of the Regulations. The listed entity will have to ensure that the policy does not dilute the requirements specified in the Listing Regulations.

35. **Whether the policy is required to be amended before the amendment comes into effect?**

    The Amended Regulations will be effective from July 14, 2023. The listed entity will be guided by the amended provisions and the materiality policy for determination and disclosure of material events. However, considering the fact that the amendment in the materiality policy will be more of a qualitative amendment and not merely reproducing the amended provisions of law, it will require discussion and some time before the same is placed before the Board for approval, for e.g. guidance on events emanating within or outside the listed entity, guidance on ascertaining the impact on the listed entity on account of fraud, circumstances indicating indisposition or unavailability of MD/ CEO.

    Therefore, it may not be feasible to have it approved before July 14, 2023 and accordingly, the listed entity should endeavor to take it up in the first Board meeting after the provisions are notified.

36. **Whether the policy alone should capture all the requirements?**

    No. The Company may have the broad parameters incorporated in the Policy and can consider having an operating manual or an SOP capturing the minute details on flow of information, responsibility of relevant employees etc.

37. **Who are required to be regarded as relevant employees of the listed entity identifying potential material events/ information?**

    Depending on the organizational hierarchy, "relevant employees" in terms of Reg 30(4) may generally mean to include the heads of departments/ functions, project heads, factory managers, etc. The list of employees designated as Designated Persons under the PIT Regulations may also be used to identify the

relevant employees. The intent is to identify and sensitize the employees who will have access to or may be instrumental in origination of material events/ information.

38. **How are the responsibility centers to be fixed for identification/ escalation of material events?**

    Sources for origination of material events/ information emanating within the listed entity to be identified, for e.g. the M&A team, business teams, legal team and sensitized with the requirement and the underlying threshold under Reg. 30 (4) as applicable to the listed entity during the financial year. Further, departments or functional heads who interact with external entities/agencies and are likely to have the information on material events emanating from outside the listed entities, for e.g. compliance team/ legal team coordinating with the regulatory authorities or enforcement agencies will also be required to be sensitized on the obligations. The time available for disclosure of material events/ information is quite narrow and therefore, effective flow of information will be required to be ensured.

Timeline for disclosure

39. **What is the timeline available for disclosure of continuing events/ information determined as material pursuant to present amendment?**

    Continuing events/information which become material pursuant to present amendment i.e. insertion of quantitative criteria for determining materiality under Reg. 30 (4), will be required to be disclosed within 30 days from the date of the amendment coming into effect, i.e. by August 13, 2023.

40. **What is the extent of traveling back required to identify and disclose events under the above query?**

    Considering that the same is to be determined on the basis of thresholds as per last audited financial statements, one may travel backwards upto the approval of the last audited financial statements to track undisclosed material event or information, i.e., from 1st April, 2023 till effective date of the Amendment Regulations. Any event or information which existed prior to the date of the last financial statements might have found its way, either as a liability, or as a provision, or as a contingent liability, in the financial statements. Hence, the event or information is already public.

41. **There are many events which may not be specifically covered in the financial statements. E.g., product launches, litigation, tax orders etc. In such a case, how will one identify and disclose the continuing events?**

    Though unlikely, but please see if each of the above are true:

    (a) The event or information was material at the time of its occurrence.
    (b) It was tested for materiality, based on whatever criteria the company then had, and was found not to be material, and hence was not disclosed.
    (c) The event or information has not found its way anywhere, either by of external public information (say, litigation), or otherwise, The event has not impacted the company's performance so far, and therefore, it is not forming part of the financial statements in either way.

(d) The event or information may still have an impact, and such impact in terms of value is now falling under materiality threshold.

In our view, it will mostly be events/information during the financial year only.

42. **What are the new line items required to be disclosed under Part A of Schedule III?**

As provided in Annexure A below.

43. **What are the amendments made to existing disclosure requirements under Part A of Schedule III?**

As provided in Annexure B below

44. **What is the revised timeline for disclosure of material events/information?**

The timeline for disclosure of material events/information is as follows;

Nature of information	**Timelines for disclosure**
Developments happening or information originating within a listed entity	Within 12 hours
Information originating outside a listed entity that is informed to the same by a third party	Within 24 hours
Outcome of board meeting for matters specified in Schedule III	Within 30 minutes from the conclusion of the Board Meeting
Schedule of analysts or institutional investors meet	At least 2 clear working days in advance
Detailed reasons and other disclosures pertaining to resignation of KMP, SMP, compliance officer, directors including independent directors.	Within 7 days from date of resignation
Presentation and audio/ video recording of analyst/ investor meet	before the next trading day or within 24 hours from the conclusion of such calls, whichever is earlier
Transcripts of analyst/ investor meet	Within 5 working days of conclusion of such call

45. **The requirement to disclose within 30 minutes of closure of board meeting is applicable only for specific items specified in sub-para 4 of Para A of Part A of Schedule III?**

No, the requirement to disclose within 30 minutes of the closure of the board meeting is extended to all material events/ information under Part A of Schedule III for which decision was taken in the board meeting.

46. **Which events are required to be disclosed within 30 minutes of board meeting or within 12 hours? [Reg 30(6)]**

    The listed entity will be required to ascertain the timeline in the following manner:

    - Event/ information emanating from outside the organization - within 24 hours of occurrence of event;
    - Event/ information emanating from within the organization:
        - Event emanating from a decision taking in the board meeting - within 30 minutes from the closure of such meeting.
        - Others - within 12 hours of occurrence of event

    SEBI vide its circular dated July 13, 2023, provided the list of events along with disclosures to be made in case of events and prescribed timeline for the same . (refer Annexure C below).

47. **Will a strike in a factory be considered as an event emanating within the listed entity and needs to be disclosed within 12 hours?**

    The strike in a factory will be undertaken by the workers of the listed entity and therefore, cannot be considered as emanating within the listed entity. The listed entity will have to receive the information relating to the same. Therefore, it will be required to be disclosed within 24 hrs.

48. **What is the timeline for disclosing an activity falling in Para B, for e.g., capacity addition, if it is approved through circular resolution by the Board of Directors of the Company? Is it 12 hours or 30 minutes?**

    In case of circular resolution, there is no conclusion time of the meeting from which the disclosure timeline may trigger. Therefore, the requirement of making disclosure within 30 minutes does not arise. Timeline of 12 hours will be applicable and the disclosure timeline will trigger from the point where majority consent is received on the said circular resolution. We are not currently getting into whether an item, which may constitute an important item of business so as to constitute a material event or information, should at all be settled by circulation.

49. **In case of appointment of directors/ KMPs/ SMPs, when will the disclosure requirement trigger? At the time of board approval or date of joining?**

    The appointment of directors, KMPs and SMPs are required to be approved by the board of directors. The effective date of appointment may be at a later date. Since, the approval is decided at the board meeting, it should be disclosed within 30 minutes of the conclusion of the board meeting as per Reg 30(6).

50. **In case of resignation of directors, KMPs, SMPs, when will the disclosure requirement trigger? From the date of resignation or the last working day?**

    The process of resignation differs in case of a non-executive director, executive directors and employees of the Company. It may initiate with a notice of resignation from an employee, which may be followed by a series of discussions and negotiations and concluding with the acceptance of resignation by the employer

and ultimately relieving the employee from his office. A notice of resignation may not lead to cessation of employment unless the same is accepted.

Where the law provides for a time-bound disclosure requirement (as soon as reasonably possible and not later than 12 hours from the occurrence of event or information), it becomes important to identify the point in time when the disclosure requirement gets triggered. There may be several dates that may be considered during the resignation process -

a. Date of receipt of notice of resignation that may provide for the resignation to be effective immediately or from a future date;
b. Date of relieving;
c. Date of acceptance of resignation by the employer.

LODR does not provide any guidance on the resignation date to be considered. Guidance may therefore be taken from section 168 of the CA, 2013 dealing with resignation of directors which specifies that the resignation of a director shall take effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice whichever is later. Therefore, in case of Non-Executive Directors (‘NEDs’), the intimation will get triggered upon receipt of resignation letter from the director.

In case of Executive Directors, including Managing Director and KMP, the resignation shall be governed by the terms of the employment contract. If a notice period has been specified in the employment contract, the resignation will be effective from the end of such period. However, where the notice of resignation is received by the Company in accordance with the employment contract, the information should not be withheld till completion of the notice period. Accordingly, the intimation will be required to be made upon receipt of the resignation letter, unless the employment contract provides for mandatory acceptance of resignation in order to be effective.

Further details such as the letter of resignation along with the detailed reasons for resignation should be disclosed within 7 days of receipt of resignation letter.

51. **The Company enters into an agreement to provide or receive a service, for a term of five years. The payment clause under the agreement is triggered after the end of the fourth year. When does the disclosure requirement trigger? Whether at time of execution of the agreement or once the payment clause is triggered?**

Assuming entering into the agreement is a material event or information in the instant example, the disclosure requirement will trigger at the time of entering into the service agreement and not at the time of actual payment inflows.Timing of payment inflow is not a relevant parameter to determine the disclosure requirement.

52. **What if the event occurs on a non-working day/ trading holidays?**

    The provisions do not refer to 'working hours' or 'working day'. Accordingly, the endeavor should be to upload the information within the prescribed time of 12 hrs or 24 hrs even if it is a non-working day/ trading holiday. In case of a delayed disclosure, the reason for delay will have to be stated in terms of Reg. 30 (6).

Acquisition and disposal related [Para A (1) of Part A of Schedule III]

53. **In case of acquisition, what are the revised thresholds for disclosure?**

    The revised thresholds for disclosure of acquisition as per Para A (1) of Part A of Schedule III are as follows:

    - the listed entity holds shares or voting rights aggregating to 5% or more of the shares or voting rights in the acquiring company;
    - there has been a change of more than 2% of total shareholding / voting rights in the holding from the date of last disclosure;
    - the cost of acquisition or the price at which the shares are acquired exceeds any of the following:
        - 2% of turnover, as per the last audited consolidated financial statements;
        - 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
        - 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.

    The thresholds are based on the last audited consolidated financial statements of the listed entity. Considering that the present financial year is the first year of applicability, the thresholds will be determined based on the consolidated financial statements as on 31st March, 2023. In case of profit related parameter, an average of the last 3 FYs i.e. FY 22-23, 21-22 and 20-21 will be required to be taken into account.

54. **In case of acquisition, whether disclosure is required to be made in an existing company or even in case of proposed to be incorporated one?**

    Disclosure is required to be made for acquisition of the existing company as well as in the company proposed to be incorporated as per Para A of Part A of Schedule III, if it meets the requirements covered above.

55. **Whether incorporation of a new subsidiary/WOS, which is not covered under threshold as specified under Reg 30(4), will require disclosure?**

    Yes, disclosure is required to be made for incorporation of a new subsidiary/WOS as per Schedule IIIA.A.

56. **In case of incorporation of a new subsidiary, when will the disclosure requirement trigger? At the time when the Board provides in-principle approval or when approval is obtained from the concerned regulator?**

    As specified by SEBI in its Consultation Paper, a mere in-principlele decision does not require any disclosure. However, if the approval by the Board is specific to a particular proposal, and the subsequent

regulatory approval is more or less certain, the disclosure may be made immediately after the board decision. This will be particularly so, if the company takes specific and substantial measures, say, investment into capital, before the regulatory approval. However, if no specific steps can be taken or have been taken before regulatory approval, the company may await the approval.

57. **In case of investment in a subsidiary, disclosure will be required at the time of credit of subscription money or at the time of allotment of shares by the subsidiary?**

    Disclosure requirement will trigger when the Board of Directors of the holding company provides approval for making investment in the subsidiary.

58. **Whether disposal of every undertaking is required to be disclosed?**

    The disclosure is required to be made for sale or disposal of 'whole or substantially the whole' of the 'undertaking' as per Para A of Part A of Schedule III. Further, as per section 180(1)(a) of CA, 2013, the term 'undertaking' means an undertaking in which the investment of the company exceeds 20% of its net worth as per the audited balance sheet of the preceding FY or an undertaking which generates 20% of the total income of the company during the previous FY. Further, the expression 'substantially the whole of the undertaking' in any FY means 20% or more of the value of the undertaking as per the audited balance sheet of the preceding FY. Accordingly, every disposal is not required to be disclosed.

59. **In case of sale of stake in a subsidiary or associate company, when is the disclosure required to be made?**

    The disclosure in respect of sale of stake in a subsidiary or associate company will be required to be upon execution of an agreement to sell or undertaking actual sale of shares or voting rights, in case no agreement is executed.

60. **Whether disclosure is required to be made if a subsidiary ceases to be a subsidiary of the listed Entity, in the following cases:**

    (a) Preferential issue of shares on a private placement basis
    (b) By virtue of the scheme of arrangement

    Yes, in both cases, disclosure will be required to be made when an entity ceases to be a subsidiary/associate or when there is a change in the stake held in the subsidiary/associate

61. **Whether the aforesaid disclosure is linked to any quantum or amount involved?**

    The disclosure is needed if the sale or agreement to sell has the effect of the entity ceasing to be a wholly owned subsidiary or a subsidiary or an associate of the listed entity.

    Additionally, if the amount involved in sale of subsidiary or associate company meets any of the following thresholds as per Reg 30(4), disclosure will be required to be made:

- 2% of turnover, as per the last audited consolidated financial statements;
- 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
- 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.

The thresholds are based on the last audited consolidated financial statements of the listed entity. Considering that the present financial year is the first year of applicability, the thresholds will be determined based on the consolidated financial statements as on 31st March, 2023. In case of profit related parameter, an average of the last 3 FYs i.e. FY 22-23, 21-22 and 20-21 will be required to be taken into account.

62. **In the case of listed banks, will the branch office be considered as 'unit' requiring disclosures?**

    No. Shifting of branches or opening of new branches is typically not considered as a unit. Here, the intent is to refer to a business vertical or division or silo.

63. **A company operating in restaurants and opens and closes stores/branches of restaurants. Whether opening and closing of stores will be covered under acquisition and disposal under clause 1 of Schedule III.A.A?**

    There are two important words in the regulation; the company may appropriately define both either in its policy, or its internal SOP - unit and division. On the face of it, opening or closing of a food outlet is comparable to a delivery unit; the meaning of a unit is one which carries an economic activity from end to end. A mere depot or delivery outlet is not a unit.

Ratings related [Para A (3) of Part A of Schedule III]

64. **Whether new ratings are also required to be disclosed?**

    Yes, new ratings are also required to be disclosed as per para A of Part A of Schedule III

65. **In case of re-affirmation of ratings, whether a disclosure is required?**

    While there is not an explicit requirement stated in the provisions, it is suggested to disclose the same to indicate that the same ratings continue to remain valid.

Disclosure of Agreements impacting listed entities - Para A (5A) of Part A of Schedule III read with Reg 30A

66. **Who all are under an obligation to disclose about agreements impacting the LE?**

    All the shareholders, promoters, promoter group entities, related parties, directors, KMPs and employees of a listed entity or of its holding, subsidiary and associate company are under the obligation to make disclosure about agreements that are covered within the scope of item 5A.

67. **What kind of agreements are required to be disclosed?**

    The scope of clause 5A of Para A of Part A of Schedule III seems to be very wide at the first reading, but an itemisation or fragmentation of the clause may result in better understanding.

- Scope of the agreement:
  - Impacting the management or control of the LE
  - Imposing any restriction on the LE, except in normal course of business
  - Imposing a liability on the LE, except in normal course of business
- Nexus: The above things in the scope may be arising
  - Directly from the agreement, or
  - Indirectly
  - Potentially
  - Or if the purpose and effect of the agreement is to result into what is listed in the scope
- At what stage:
  - Entering into the agreement, rescission, alteration or amendment of the agreement
- Parties to the agreement:
  - Shareholders
  - Promoters and promoter group entites
  - Related parties
  - Directors
  - KMPs
  - Employees
- Of which entity:
  - LE
  - Holding entity
  - Subsidiary
  - Associate
- With who:
  - Inter-se
  - With the LE
  - With a third party

-

There are numerous agreements that are entered into by shareholders - for example, SHAs, SPAs, buy-back agreements, performance-related agreements, liquidity preferences, etc. These may be entered into between JV partners, family members, strategic investors, etc. These agreements may or may not be having the LE

as a party or even a confirming party. However, these agreements pertain to management or control of the LE and therefore, may require disclosure in terms of Clause 5A.

If promoters or holding entities have made a pledge of substantial shares of the LE, such that there is a potential risk of change of management or control, that may also require disclosure.

68. **What if there is an understanding, MOU or any other informal arrangement, not amounting to an agreement?**

The language used in the clause is "agreement". An MOU is not an agreement, but in order to distinguish between an MOU and an agreement, it is not the caption but the content of the document that matters. If the so-called MOU is intended as enforceable, it is indeed an agreement. The fact that the understanding, MOU or arrangement is not stamped does not matter.

69. **Whether the wishes of a controlling shareholder, expressed in a will, require disclosure? What if the wish or decision of a controlling shareholder is contained in a non-testamentary document such as trust deed, or a family settlement?**

First of all, let it be clear that a will is super confidential, and there is nothing in any law or regulation that may require disclosure of a will, during the lifetime of an individual. Will is not an agreement either. The word "agreement" implies a mutually binding agreement between two parties, inter vivos. A settlement by way of a trust, and a trustee accepting obligation to hold a property in trust subject to wishes of the settlor is not an agreement. Agreement has to be mutual; a trust is one-sided. Promoters and promoter group entities have disclosed shareholding in the company. If the promoters are part of a family, as they normally are, they might have internal understanding on who will look after what aspect of the listed company's management. They may also, at times, have family level understanding that one entity will looked after by Brother A, while another will be looked after by B. These are part of a family's understanding or settlement. These understandings, even if scripted, do not constitute "agreement", which is founded on consideration and mutual performance obligations. Therefore, the key questions to ask are:

- Is the piece of paper an agreement? If there is purely an oral understanding, there is nothing to file, as such understanding is no more than a family's innate internal accord.
- If it is succession or inheritance related, in our view, it is completely private information, and in any case, cannot be an "agreement".
- If it is an MoU, there are rulings to suggest that an MoU is not an agreement, unless it is intended to be binding.
- In essence, it will be agreement, only when it contains mutually binding, enforceable, actionable matters pertaining to the management or control of the listed entity.
- Is this agreement relating to management or control of the listed entity? Does it have clauses which pertain to management or control, or the way the family manages or controls the listed entity, or does it have clauses whereby the management or control of the listed entity will be continued, carried or impacted, the contracting parties should consider disclosure.

- Whether the listed entity is a party, or a confirming party, or not, should not matter. Here, the question is not enforceability against the listed entity - the question is shareholder information. Rulings such as V B Rangaraj [https://indiankanoon.org/doc/140212/] are not relevant for this purpose

70. **In case of subsisting agreements as on the date of notification, when are the same required to be disclosed?**

    SEBI vide its circular dated July 13, 2023, provided the timelines fo making disclosure in case of subsisting agreements, which are as follows:

    a. July 31, 2023: Parties to the subsisting agreements are required to inform the listed entity about the agreement to which such a listed entity is not a party:

    b. August 14, 2023: Listed entity is required to disclose all such subsisting agreements to the stock exchange and on its website

71. **The clause makes reference to shareholders - thereby including even minority shareholders. If minority shareholders have entered into an agreement among themselves, how is the LE expected to know or notify?**

    First of all, if the agreement is to impact the management or control of the LE, it is not conceivable as to how an agreement between numerous small shareholders will at all be covered by the scope of the clause.

    In any case, the provisions of the clause are supplemented by Reg 30A, which requires such shareholders to report the agreement, if coming within the scope of the clause. The shareholders report it to the LE, and the LE reports it forward.

72. **If an agreement where the LE is not a party is not disclosed by such party to the Company, who faces the consequences - the LE or such party?**

    The obligation is on the party to the agreement, if LE is not a party, to disclose the agreement to the LE within 2 days. The LE will be required to disclose to the exchange only when intimated by the party to the agreement. Hence, if there is a party to the agreement, who, despite being covered by the scope of the clause, does not disclose the same to the LE, the implications of the same are on such party.

73. **Which type of restrictions and liability are required to be considered for the purpose of the clause?**

    First of all, any restriction or liability which is created by an agreement in the normal course of business is carved out.

    As for agreements other than in the normal course of business, area allocation agreements, non-compete agreements, cartelisations, agreements to reward some KMPs with ESOPs or bonuses not forming part of the terms of employment, etc. may be examples.

74. **Whether the disclosures under the clause are first time, event-based or continuing?**

    The clause, read with Reg 30A and Para G of Schedule V, requires disclosure at three stages.

A one-time disclosure will be required for all subsisting agreements coming within the scope of the clause by virtue of Reg 30A.

As and when, after notification, agreements are entered into, disclosure will be required within 12 hours or 24 hours as the case may be, in case where the LE is a party, or not a party.

Further, by virtue of para F of schedule V, there will be an annual report disclosure. Reading this requirement with Reg 30A (2), we are of the view that the disclosures will be made, in case of first time disclosure in the Annual report of FY 22-23 or FY 23-24, and in case of all subsequent disclosures, in the AR forthcoming. The disclosure, in our understanding, is not cumulative in nature.

Our article on the said topic can be accessed here.

75. **In case of existing agreements, what is the disclosure requirement?**

In terms of Reg. 30 A (2), the listed entity is required to disclose the number of agreements that subsist as on the date of notification of clause 5A to para A of part A of schedule III i.e as on June 14, 2023 their salient features, including the link to the webpage where the complete details of such agreements are available, in the Annual Report for the financial year 2022-23 or for the financial year 2023-24.

76. **In case, the agreement is executed after the notification of amendment, will it require disclosure in the Annual Report?**

In terms of part G of Schedule V, it appears that all information reported by the LE in terms of Clause 5A during the reporting period requires to be succinctly put into the Annual Report as well.

77. **In case of existing agreements to which the listed entity is not a party, how can this be ensured?**

In terms of Reg. 30 (A) of Listing Regulations, all the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel and employees of a listed entity or of its holding, subsidiary and associate company, who are parties to the agreements specified in clause 5A of para A of part A of schedule III to these regulations, are required to inform the listed entity about such agreements within two working days of entering into such agreements or signing an agreement to enter into such agreements. The requirement is applicable for subsisting agreements as well and therefore, these should be informed at the earliest as no express timeline has been specified by SEBI.

78. **Whether the entire agreement is required to be disclosed?**

As per the language of the provision, the entire agreement needs to be disclosed, However, an agreement may contain diverse matters. For example, a typical family settlement of the promoter family may have content dealing with other family matters in addition to the LE.

In our view, the relevance of the disclosure of the agreement is delineated by its impact on the management, control, restrictions or liability. Hence, such parts of the agreement, as relates to the same, may be extracted and disclosed.

79. **Whether a Will prepared by the HUF of the promoter family be considered a potential change or impact on the control of the listed entity as per Reg. 30A and require disclosure?**

    Any will or trust deed executed by a person which provides for the allocation or distribution of one's holdings is not an agreement between the two parties and hence does not require disclosure under Reg. 30A. Refer to our article on the said topic can be accessed here.

80. **Whether an arrangement/agreement entered among promoters of the listed entity mentioning the distribution of their shares among family members be considered as potential change or impact on the control of the listed entity as per Reg. 30A and require disclosure?**

    Under the purview of Reg. 30A along with clause 5A of Schedule III.A.A, an agreement will require disclosure only if it provides for mutually binding, enforceable, actionable matters impacting the management or control of the listed entity. Refer to our article on the said topic can be accessed here.

81. **In BTA (Business Transfer Agreement), a clause that says that the Directors in the transferring company can only be inducted/ changed with the prior approval of the transferee company. Will such types of agreements be considered as impacting the management?**

    Such types of protective clauses do not have an impact on the management or control of the listed entity.

Fraud or Default [Para A (6) of Part A of Schedule III]

82. **Fraud or Default is required to be disclosed in relation to whom?**

    Fraud or defaults in relation to the listed entity, its promoter, director, KMP, senior management or subsidiary or arrest of KMP, senior management, promoter or director of the listed entity, whether occurred within India or abroad, is required to be disclosed Para A (6) of Part A of Schedule III.

83. **What is the meaning of Fraud?**

    Fraud shall include fraud as defined under Reg. 2(1)(c) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, which provides as follows:

    It includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include :

    1. a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;
    2. a suggestion as to a fact which is not true by one who does not believe it to be true;
    3. an active concealment of a fact by a person having knowledge or belief of the fact;
    4. a promise made without any intention of performing it;

5. a representation made in a reckless and careless manner whether it be true or false;
6. any such act or omission as any other law specifically declares to be fraudulent;
7. deceptive behavior by a person depriving another of informed consent or full participation;
8. a false statement made without reasonable ground for believing it to be true;
9. the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

84. **What is the meaning of Default?**

Default shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.

85. **How is Default to be ascertained in case of revolving facilities?**

In case of revolving facilities like cash credit, an entity would be considered to be in default if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power (whichever is lower) for more than 30 days.

86. **Whether every instance of Default by a promoter, director, KMP, SMP or subsidiary is required to be disclosed?**

Only those instances of default which have or may have an impact on the listed entity will be required to be disclosed.

87. **In case of Fraud/ Default by an employee of the listed entity, when is the disclosure required to be made?**

Frauds/ defaults by employees that have or may have an impact on the listed entity is required to be disclosed.

88. **How is the impact on the listed company to be ascertained?**

The impact may be ascertained on the basis of the likely outcome of the default, for e.g. if as a result of default or fraud the aforementioned persons are debarred from accessing securities market or holding position in the listed entity or the listed entity itself is also debarred from accessing securities market, if the shareholding is freezed etc. Guidance in relation to the same should also be provided in the materiality policy framed by the listed entity.

89. **If the value of Default exceeds the thresholds specified in Reg. 30 (4), whether the disclosure is required to be made?**

In case of fraud/default by a promoter, director, KMP, SMP or subsidiary the disclosure will be required to be made irrespective of the threshold if it has an impact on the listed entity.

In case of fraud/ default by employees of a listed company, the disclosure will be required to be made if such fraud/default has an impact on the listed entity and exceeds the thresholds of materiality specified under Regulation 30 (4), given that the clause is covered under Para B and is required to be evaluated in terms of thresholds given under Reg. 30 (4).

90. **In case of fraud by promoter, director, KMP, SMP or subsidiary, is it required to be in relation to only the listed entity or any entity?**

    It is to be noted that the provision specifically states that the default by promoter, director, KMP, SMP or subsidiary is to be disclosed only if it impacts the listed entity. However, there is no such guidance in case of fraud by them. In our view, since the said clause falls under deemed material event, therefore, any instance of fraud (not merely alleged) by the promoters, directors, KMP or SMP or the subsidiary whether in relation to the listed entity or not will require disclosure.

91. **In case the KMPs, SMPS, directors taken into custody by the police would also require intimation?**

    One needs to understand that taking someone in custody for the purpose of interrogation for an allegation on some third person should be taken as a case of arrest. An arrest is the act of depriving people of their liberty, usually in relation to an investigation or prevention of a crime, and thus detaining the arrested person in a procedure as part of the criminal justice system[2]. Therefore, where it is a former case, the same should not require any intimation.

92. **If the default by the promoter or director is in personal capacity and causes reputation loss to the listed entity, will it require disclosure?**

    If it causes a reputational risk on the listed entity which can potentially reflect upon its prices, it will require disclosure.

93. **Whether general custody of the director by the police officer, unless guilt/ fraud is proved is required to be disclosed?**

    In terms of Para A (6) of Part A of Schedule III, arrest of directors is required to be disclosed on the happening of the event/information. Further details may be disclosed as an update to the original intimation.

Resignation, unavailability of KMPs etc. [Para A (7C, 7D) of Part A of Schedule III]

94. **What are the disclosure requirements in case of resignation of KMP, SMP, Compliance Officer or director other than an independent director?**

    In case of resignation of KMP, SMP, Compliance Officer or director other than an independent director; the letter of resignation along with detailed reasons for the resignation is required to be disclosed within 7 days from the date that such resignation comes into effect.

---

[2] ***https://ijcrt.org/papers/IJCRT1801306.pdf***

95. **In case of unavailability of MD/CEO what are the disclosure requirements?**

    In case, the MD/CEO of the listed entity is indisposed or unavailable in a regular manner for more than 45 days in any rolling period of 90 days, the fact of their non-availability along with the reasons for such indisposition or unavailability, is to be disclosed.

96. **When does the rolling period of 90 days start ?**

    The rolling period is to be considered on a continuous basis and cannot be fixed to any calendar period. A continuous period of 90 days, where MD is not available for more than 45 days will trigger the disclosure requirement.

97. **How is the indisposition or unavailability to be ascertained?**

    This is subjective and necessary guidance will be required to be provided in the materiality policy. It could be as a result of prolonged absence due to arrest, serious illness etc.

Senior Management Personnel (‘SMP’)

98. **What are the new disclosure requirements in relation to the SMP?**

    The following disclosures are required to be made in relation to the SMP in terms of Para A of Part A of Schedule III:

    - Instances of fraud, defaults or arrest of the SMP, whether occurred within India or abroad, which has or may have an impact on the listed entity
    - Changes in SMP including resignation along with reasons for resignation and letter of resignation;
    - Details of announcement or communication through social media intermediaries or mainstream media by SMP in relation to any event or information which is material for the listed entity in terms of regulation 30 and is not already made available in the public domain by the listed entity;
        - 'social media intermediary' means an intermediary which primarily or solely enables online interaction between two or more users and allows them to create, upload, share, disseminate, modify or access information using its services.
    - Regulatory, statutory, enforcement, judicial actions against SMP in relation to listed entity, in the nature of search, seizure, re-opening of accounts, investigations, suspensions, sanctions, imposition of fine/ penalty, settlement, debarment, disqualifications, warning/ caution;

99. **Whether any annual disclosure is required to be made?**

    Yes, particulars of senior management including the changes therein since the close of the previous FY is required to be reported in the CG Report. Accordingly, the list of SMP with basic details as the name and designation along with details of changes indicated as a footnote, will have to be disclosed as per Para C (5B) of Schedule V

100. **Whether the annual disclosure is required to be made in the CG report for FY 2022-23?**

The Amendment Regulations are effective from July 14, 2023. Therefore, the disclosure in the CG report should be effective prospectively i.e. for the annual report prepared for the FY ended 2023-24.

101. **Who all are covered within the ambit of functional head?**

Functional head means someone heading a particular function. The said functional head reports to the head of the organisational hierarchy i.e., MD/ CEO/ COO as the case may be. Where the head of a function reports to another functional head, and not to the general head, such persons should not be classified as SMP. For e.g., where head of HR, IT, Tax etc., reports to the CFO, being head of finance function, the former ones cannot be regarded as SMP as they are not heading the function.

Our article on the said topic can be accessed here.

102. **Whether temporary reporting results in classification as SMP?**

No. temporary reporting on account of casual vacancy or operational need etc will not result in classification as SMP. Similarly, secretary/ assistant to CEO, cannot be regarded as one level below CEO requiring SMP classification. Consultants engaged for discharging the duties of an SMP also cannot be considered as an SMP. Consultant is not an employee and appointment of SMP means a person appointed by the Board as SMP.

103. **In case of change in the functional area of SMP i.e., SMP is shifted from one functional area/vertical to another?**

Due to shifting from one functional area/vertical to another, there is no change in designation of the SMPs, hence, no disclosure is required to be made.

Regulatory actions/ orders [Para A (19), (20) of Part A of Schedule III]

104. **Action taken by which all bodies need to be disclosed?**

Actions taken by all regulatory, statutory, enforcement authority or judicial bodies against the listed entity or its directors, KMP, SMP, promoter or subsidiary, **in relation to the listed entity** shall be required to be disclosed.

105. **What kind of actions/ orders are required to be disclosed?**

Actions initiated or orders passed in relation to the following is required to be disclosed:

- search or seizure; or
- re-opening of accounts under section 130 of the Companies Act, 2013; or
- investigation under the provisions of Chapter XIV of the Companies Act, 2013;

Actions taken or orders passed in relation to the following is required to be disclosed:

- suspension;
- imposition of fine or penalty;
- settlement of proceedings;
- debarment;
- disqualification;
- closure of operations;
- sanctions imposed;
- warning or caution; or
- any other similar action(s), by whatever name called.

106. **In case of an action/ order, what needs to be disclosed and when?**

In case of action/order, the following details pertaining to the actions initiated, taken or orders passed will be required to be disclosed within 24 hours:

- name of the authority;
- nature and details of the action(s) taken, initiated or order(s) passed;
- date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority;
- details of the violation(s)/contravention(s) committed or alleged to be committed;
- impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.

107. **Whether show cause notice needs to be considered as action taken by the regulatory authority requiring disclosure?**

Issue of show cause notice is not an instance of action taken, it is a first step of initiation of inquiry as explained under rule 4 of SEBI Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hence no disclosure in required to be made. Our article on the said topic can be accessed here.

108. **Whether assessment order from Income Tax authority which is appealable or not final needs to be disclosed?**

The disclosure is to be made only if the order passed is in respect of suspension, imposition of fine or penalty, settlement of proceedings, debarment, disqualification, closure of operations, sanctions imposed, warning or caution, etc. The assessment order from the Income Tax authority is not covered above. Hence, it will not require disclosure.

109. **Whether levying of fine/ penalty by stock exchanges for non-compliance of LODR (below material threshold) needs to be disclosed?**

Stock exchanges may be considered as statutory bodies given the fact that it acts under the aegis of SEBI and have several powers being delegated by SEBI to ensure implementation of rules, regulations guidelines, circulars, etc. rolled out by SEBI. Hence, levying of fines/ penalties by stock exchanges should require disclosure.

110. **In case of action against a subsidiary, only if material is to be disclosed?**

Action taken or orders passed by any regulatory, statutory, enforcement authority or judicial body against the subsidiary of a listed entity is required to be disclosed irrespective of the materiality of the event [Clause 19 and 20 of Para A of Part A of Schedule III].

111. **Will compounding fees under legal metrology Act or IT Act be regarded as fine or penalty?**

Compounding fees is neither a fine nor a penalty, hence, not required to be disclosed.

112. **The Company receives notice for fine/penalty in any matter and the Company has a right to appeal before the higher authority. Can Company choose not to disclose till the time final order is received from appellate authority?**

No, the notice imposing penalty or levying fines will require disclosure under Schedule III.A.A irrespective of the fact that the Company has right to appeal in the said matter. Once notice is disclosed, thereafter, all the stages of developments, including the proceedings with the appellate authority and orders passed by such authority, are required to be disclosed.

113. **In a case where an E-way bill was not generated by the dealer and the GST authority imposed a penalty on the Company. Whether the Company is required to disclose the penalty imposed by the authority, even though it is the dealer's responsibility of generating the e-way bill?**

Yes, since the penalty has been imposed on the Company, necessary disclosure is required to be made to the stock exchange.

114. **Any late submission fees imposed by an authority, which have been paid after 14th July, have to be disclosed?**

Any late/additional fees are not construed as fine/penalty, thus does not require disclosure.

Other disclosure requirements

115. **What is the timeline to intimate the schedule of the analysts' meet?**

Schedule of analysts or institutional investors' meet is to be intimated at least 2 working days in advance excluding the date of the intimation and the date of the meet in terms of Para A (15) of Part A of Schedule III

116. **If the analyst meet is canceled, will it require disclosure?**

Since, the schedule of analyst meet is intimated, any update on the same, including cancellation will be required to be disclosed.

117. **Whether prior intimation is required even for one-to-one investor meet/ call?**

Definition of "meet" refers to group meetings or group conference calls. Therefore, prior intimation in relation to one-to-one meet is not required under law. However, in our view, the same should be disclosed for the purpose of information of stakeholders.

118. **Whether press release, social media announcements are also required to be disclosed?**

Yes, the announcement or communication through social media or mainstream media by directors, promoters, KMP or SMP of listed entity, in relation to any event which is material in terms of reg. 30 and is not already made available in public domain by the listed entity is required to be disclosed in terms of Para A (18) of Part A of Schedule III.

119. **Whether every communication received from the regulatory, statutory, enforcement, or judicial authorities is required to be disclosed?**

No, in terms of Reg. 30 (13) of LODR the disclosure would be required only if the event/ information is covered under Part A of Schedule III.

120. **Whether the disclosure is required to be made to the stock exchange in case communication received from the regulatory, statutory, enforcement or judicial authority is prohibited to be disclosed by such authority?**

In case of an event/information requiring disclosure pursuant to the receipt of a communication from any regulatory, statutory, enforcement, or judicial authority, the listed entity shall disclose the event/information to the stock exchanges along with the communication received from such authority.

However, in case such authority prohibits disclosure of communication, then the event/information requiring disclosure pursuant to receipt of the said communication also cannot be disclosed altogether.

Events determined as Material under Para B

121. **Whether disclosure for tie-up arrangements, new line of business, closure of operations is required only where there is a change in the general character or nature of business?**

The disclosure for tie-up arrangements, new line of business, closure of operations is required if it is material in terms of the thresholds given under reg. 30 (4), irrespective of whether there is a change in the general character or nature of business.

122. **In case of loan agreements, whether disclosure is required to be made only where the listed entity is a borrower?**

Entering into loan agreements which are binding and not in the normal course of business, including revision(s) or amendment(s) or termination(s) thereof, are required to be disclosed even if the listed entity is not a borrower in terms of Para B (5) of Part A of Schedule III.

123. **In case of litigations/ disputes, when is the disclosure required to be made?**

The disclosure about the litigations or disputes is to be made at the time of initiation or outcome which may have an impact on the listed entity in terms of Para B (8) of Part A of Schedule III.

124. **In case of pending litigation/ outcome, how will the listed entity determine the impact?**

The actual value of the amount involved in the litigation/ outcome or the expected impact in terms of value will have to be determined and considered.

125. **Whether IT Assessment Order be classified as a Para A item or Para B item? When such an assessment order becomes litigation for the listed entity?**

As per SEBI Circular dated July 13, 2023, pending litigations having impact on the Company under Para B items includes 'assessment'. Therefore, IT assessment order will require disclosure under clause 8 of Para B items if the amount of tax demand falls under the materiality thresholds.

In case a fine/penalty is imposed under the said assessment order, then disclosure requirements under clause 20 of Para A will get triggered.

126. **Whether every instance of delay or default in the payment of fines, penalties, dues etc. is required to be disclosed?**

The delay or default in the payment of fines, penalties, dues, etc. only to the regulatory, statutory, enforcement or judicial authority is required to be disclosed in terms of Para B (13) of Part A of Schedule III if it exceeds the threshold prescribed under Reg. 30 (4).

127. **In case of giving of guarantee or indemnity or becoming a surety, when is the disclosure required to be made?**

The disclosure is to be made at the time of giving of guarantee or indemnity or becoming a surety.

128. **Whether giving guarantees/ indemnity/ becoming surety in the ordinary course of business will be covered?**

The listed entities engaged in the business of giving guarantees/ indemnity/ becoming surety, such as banks and financial institutions, will not be required to give the disclosures.

129. **Whether a letter of awareness issued to a bank on behalf of a subsidiary for availing loan facility from the bank by the subsidiary, which is not in the nature of guarantee / indemnity / or does not cast any legal obligation on the listed entity?**

Guarantees or indemnity or becoming a surety, by whatever name called, including comfort letter, side letter, etc. are required to be disclosed in case such guarantees, indemnity or surety becomes material on a standalone or even on a cumulative basis. In case, by virtue of the letter of awareness issued to the bank,

no obligation is created on the listed entity then there is no question of impact on the listed entity. Hence, no disclosure is required.

130. **Whether change/resignation of Auditor includes Auditors other than Statutory Auditor?**

The standalone term 'auditor' referred in Listing Regulations includes only statutory auditor. In case of other types of auditors, the provision makes a specific reference.

131. **Corporate undertaking by the Holding Company for JV Company under the clause of SHA. Will this be covered in Para B events?**

It can neither be regarded as an agreement not in normal course of business nor extending of guarantee or indemnity to a third party. Therefore, disclosure should not be required. However, the analysis by SEBI in the SEBI BM agenda, the regulator expects a disclosure even in case of loans given to subsidiaries, including wholly owned subsidiaries.

132. **If a guarantee is provided by a holding company which is an NBFC, would that act in the ordinary course of business for the NBFC?**

Guarantee by a holding company to its subsidiary is classified as a transaction in the ordinary course of business. In case, NBFC is giving guarantees not in the ordinary course of business or is not engaged in the business of giving loans/ guarantees. Then, the guarantee provided by holding NBFC will not be construed in the normal course of business. Hence, disclosure is required to be made.

133. **If the holding company undertakes to the lender that it will not sell its stake in the subsidiary till the loan obtained by the subsidiary is repaid to the lender. Will such an undertaking require disclosure?**

The intent is if the subsidiary defaults, the holding has an obligation to repay, if guarantee is provided. However, if only an undertaking is provided which does not provide for payment in case of default by the subsidiary, then there is no obligation on the holding company to pay in the event of default. Hence, disclosure is not required to be made.

Responding to market rumors [Reg 30(11)]

134. **Whether the requirement to confirm or deny any reported event or information in the mainstream media to stock exchanges is mandatory?**

The requirement to confirm, deny or clarify any reported event or information in the mainstream media to the stock exchange as per Reg 30(11) is mandatory for top 100 listed entities with effect from February 1, 2024 and thereafter for top 250 listed entities with effect from August 1, 2024[3].

[3] Timelines for applicability of rumour verification extended *vide* SEBI Circular dated 30th September, 2023

135. **What is the disclosure requirement for such listed entities covered above?**

If any information or event is reported in the mainstream media which is not general in nature and which indicates rumours of an impending specific material event or information then the same will be required to be confirmed, denied or clarified by the listed entity.

136. **What is the timeline available for responding to the same?**

The market rumors are required to be responded as soon as possible, in any case within 24 hours from reporting of such event/information in the mainstream media as per Reg 30(11)

137. **What is the meaning of mainstream media?**

Mainstream media means print or electronic copy of

- Newspapers registered with the Registrar of Newspapers for India (the listed entity can check here if the newspaper is registered);
- News channels permitted by Ministry of Information and Broadcasting under Government of India;
  - List of news and non-news channels may be accessed here.
- Content published by the publisher of news and current affairs content as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021; and
  - includes newly received or noteworthy content, including analysis, especially about recent events primarily of socio-political, economic or cultural nature, made available over the internet or computer networks, and any digital media shall be news and current affairs content where the context, substance, purpose, import and meaning of such information is in the nature of news and current affairs content.
- Newspapers or news channels or news and current affairs content similarly registered or permitted or regulated, as the case may be, in jurisdictions outside India.

138. **What kind of rumours are required to be considered by the listed entity?**

The rumour should relate to certain events in the listed entity. Rumour relating to general economic reforms, policy reforms, promoters, KMP etc will not be required to be considered by the listed entity.

139. **What is the approach to be followed by the listed entity in order to meet this requirement?**

The listed entity will have to check for any significant price movement in the prices of the securities where there is any material event/ information within the listed entity which is yet to be made generally available, for e.g. some potential acquisition, expansion plans etc. The idea is not to scan through the entire mainstream media and check every information being stated about the listed entity.
Suggestive approach for responding to market rumours:

- Rumours that are specific to the listed entity;
- They relate to something which is internal to the company, or in case of external event, the company has more knowledge than the public in general;
- The company becomes aware, or reasonably, is deemed to be aware of the rumour;
- There is a significant impact on the prices of the company’s securities.

140. **If the requirement becomes applicable once on account of market capitalization, will it continue to apply at all times thereafter?**

Yes, if the requirement becomes applicable once on account of market capitalization it will continue to apply at all times thereafter in view of Reg. 3 (2) of the Listing Regulations.

141. **Is it mandatory to confirm/ deny/ clarify any rumor in mainstream media?**

No. Rumours reported in mainstream media which are not general in nature and relates to impending specific material event/information of the listed entity is required to be clarified as per Reg 30(11)

142. **What if someone plants a fake rumour in the mainstream media? Whether the listed entity is required to respond to such rumour?**

Any rumour circulating in the mainstream media need not be responded. It should relate to impending specific material event/information of the listed entity.

143. **Whether market rumors related to the events specified in Schedule III which are not of general nature and indicate rumours on impending material events should be responded to?**

Regarding the rumour relating to the events specified in Schedule III which are not in general nature and indicate rumors on impending material events, the listed entity needs to determine whether the current stage of the material event is sensible enough to make disclosure of the same to the general public. Also, the listed entity has to consider whether the rumour is regarding internal event or external event.

144. **Whether the listed entity is required to intimate the response to the stock exchange or the individual person who sought clarification?**

Where the verification request has been received over email, it may be responded likewise. Otherwise, responding to the rumor on the stock exchange platform will suffice as it will be a generally available information.

145. **Whether the rumours at an industry level are required to be responded to?**

Rumours relating to the industry level are not required to be addressed/verified as it does not relate specifically to the listed entity and hence shall not be having any direct impact on the proces of the listed entity.

Shareholder special rights related [Reg 31B(1)]

146. **What are the special rights typically granted by a listed entity to its shareholders?**

Some of the common types of special rights granted to the shareholders are Nomination Rights, Veto Rights / Affirmative voting, Information Rights, Anti-Dilution Rights, Right of First Refusal, Tag Along Rights, Divestment Rights, etc. These rights are generally given to attract investments in a company prior to listing and are included in the SHAs executed between the company and the pre-IPO investors / promoters.

147. **What is the intent behind periodic review by shareholders?**

As per the principles specified in Reg. 4 of the Listing Regulations, every listed entity shall ensure equitable treatment of all shareholders, including minority and foreign shareholders. However, if any shareholder enjoys special rights and privileges, the same should have been agreed upon by all the other shareholders of a company. Further, such rights and privileges must be in proportion to one's holding in the company.
Once a public company gets listed, the special rights available to shareholders are put up for approval of the shareholders in the first general meeting, post-listing. On a review of the voting pattern of public shareholders and the commentaries available in public domain around such special rights seen in certain recently listed companies, especially the new-age tech companies, SEBI observed that public institutional shareholders are increasingly voicing their concerns against special rights being conferred upon the promoters / founders / certain body corporates of those companies.
SEBI also observed that the SHAs are drafted in such a way that those special rights (nomination rights) would continue to be available even after significant dilution of their holding in those entities. This permits the shareholders to enjoy such special rights perpetually, which is against the principle of rights being proportional to one's holding in a company.
Therefore, in order to address the issue of certain shareholders enjoying special rights perpetually, the Amendment Regulations require that any special right (existing / proposed) granted to a shareholder of a listed entity shall be subject to shareholder approval once in every 5 years from the date of grant of such special rights.

148. **What is the approval requirement for granting of such special rights?**

Any special right given to any shareholder is required to be approved by the shareholders by way of special resolution once in 5 years starting from the date of grant of such special right as per Reg 31B(1).

149. **Is there an exemption from the approval requirement?**

The shareholders' approval is not required if the special rights are given to a financial institution under a lending arrangement in the normal course of business or to a debenture trustee under a subscription agreement for the debentures issued by the listed entity, if such financial institution or the debenture trustee becomes a shareholder of the listed entity as a consequence of such lending arrangement or subscription agreement for the debentures as per Reg 31B(1).

Business Responsibility and Sustainability Reporting (BRSR) [Reg 34(2)]

150. **Whether assurance is required for all parts of BRSR?**

No. Assurance reporting is only required for BRSR Core.

151. **What is the meaning of BRSR Core?**

In order to achieve the twin objectives of improving credibility and limiting the cost of compliance, SEBI *vide* consultation paper on ESG Disclosures, Ratings and Investing dated February 20, 2023, proposed reporting of BRSR core framework consisting of Key Performance Indicators (KPIs) under each of the E, S and G attributes/ areas, that are quantitative and outcome oriented metrics that needs to be reasonably

assured. The BRSR Core framework also specifies the methodology to facilitate reporting by corporates and verification of the reported data by an assurance provider. The attributes provided by SEBI in the circular dated 12th July, 2023 are as follows:

1. Change in GHG footprint
2. Change in water footprint
3. Investing in reducing its environmental footprints
4. Embracing circularity - details related to waste management by the entity
5. Enhancing employee wellbeing and safety
6. Enabling gender diversity in business
7. Enabling inclusive development
8. Fairness in engaging with customers and suppliers
9. Openness of business.

152. **Is it applicable to every equity listed entity?**

It is applicable to top 1000 equity listed entities based on the market capitalization as on 31st March of every FY as per Reg 34(2).

153. **What is the meaning of the value chain?**

Value chain is defined by SEBI as – *"value chain shall encompass the **top upstream and downstream partners** of a listed entity, **cumulatively comprising 75% of its purchases / sales (by value) respectively**"*

GRI Standards Glossary 2020 defines value chain as
"An organization's *value chain encompasses the activities that convert input into output by adding value. It includes entities with which the organization has a direct or indirect business relationship and which either (a) supply products or services that contribute to the organization's own products or services, or (b) receive products or services from the organization.*
Note 1: This *definition is based on United Nations (UN), The Corporate Responsibility to Respect Human Rights: An Interpretive Guide, 2012.*
Note 2: The value chain covers the full range of an organization's upstream and downstream activities, which encompass the full *life cycle of a product or service, from its conception to its end use."*

154. **What is the format of reporting?**

The format of reporting has been prescribed by SEBI *vide* Circular dated 13th July, 2023.

Sale, lease or disposal of undertaking outside Scheme of Arrangement [Reg 37A]

155. **What is the scope and applicability of Regulation 37A?**

Sale, lease and disposal of undertaking, other than by way of Scheme of Arrangement ('SoA') is presently covered under section 180(1)(a) of CA, 2013. Reg. 37A now requires listed entities to follow a stricter

regime for disposal of undertaking *inter alia* mandating approval from majority of the public shareholders who are not interested in the transaction, disclosure of the object, commercial rationale and use of proceeds arising from such transaction. The regulation will be effective from July 14, 2023.
While the exemption has been provided in case of transactions with WOS, the approval regime will apply in case of disposal of undertaking by such WOS or any reduction in shareholding in the WOS subsequent to transfer of the undertaking.

156. **What is the approval regime required to be followed in case of sale, lease or disposal of an undertaking?**

The shareholders approval is to be obtained in the following manner:

- Prior approval by way of special resolution; and
- Approval from the majority of the eligible public shareholders.

Eligible public shareholders who are not interested, directly or indirectly, in the transaction.

157. **What are the disclosure requirements while seeking shareholders' approval?**

The listed will be required to disclose the object of and commercial rationale for carrying out such sale, lease or disposal of the undertaking, and the use of proceeds arising therefrom.

158. **How is it different from that required under other provisions of the Listing Regulations?**

The approval requirement for sale/ disposal of undertaking is different from the one required for appointment of IDs under reg. 25(2A) or in case of scheme of arrangement under reg. 37A.

Approval under reg 37A **[sale of undertaking)**	**Approval under reg 25(2A)** **[appointment of IDs]**	**Approval under reg 37** **[Scheme of Arrangement]**
Special resolution; and	Special resolution; or	Majority of members representing 3/4th in value [as per section 230]
Approval from majority of the eligible public shareholders	Ordinary resolution and approval from majority of the public shareholders	Approval from majority of the public shareholders

159. **In case the sale, lease or disposal is being done to a related party such that it becomes a material RPT, whether a single approval is recommended?**

Where the transaction of sale or disposal of undertaking is a material RPT, then the following should be noted:

- Approval from shareholders for an RPT is required only in case where such RPT is material either as per CA, 2013 or Listing Regulations;
- If material, the approval requirement under RPT framework will be applicable which is a lot different from the approval framework for disposal of undertaking under section 180(1)(a) or reg. 37A.

Points of difference	**Approval under reg 37A**	**Approval under reg 23**
Resolution type	(i) Special resolution; and (ii) Approval from majority of the eligible public shareholders	Ordinary resolution
Who cannot vote	For the purpose of the second criteria of approval, public shareholders who have a direct or indirect interest in the transaction, cannot vote.	All related parties of the company cannot vote irrespective of whether such entity is a related party to the particular transaction or not.

- Accordingly, two separate resolutions ought to be taken to the shareholders for approval (i) for sale, lease or disposal of undertaking; and (ii) for approval of a Material RPT.

160. **Is there an exemption from the approval mechanism?**

The approval of shareholders is not required as per Reg 37A in case of the following:

- Sale, lease or disposal of undertaking to a WOS whose accounts are consolidated with the listed entity;
- Sale, lease or disposal of undertaking by virtue of a covenant covered under an agreement with a financial institution or with a debenture trustee.

161. **Whether the aforesaid exemption is absolute or conditional?**

The exemption from approval requirements for sale/ disposal of undertaking to a WOS is subject to the following conditions:

- Such WOS should not further sell, lease or dispose the whole or substantially the whole of the undertaking, whether in whole or in part, to any other entity;
- The listed entity should not dilute its shareholding below 100% in such WOS.

In case, any of the above conditions are breached, the listed entity will be required to take shareholders' approval in the manner specified in FAQ No. 90 above.

162. **Whether the exemption will be available in following situations?**

Sr. No.	**Scenarios**	**Applicability of reg. 37A of the listed entity ('LE')**
1.	LE transfers an undertaking to WOS	Not applicable
2.	LE transfers an undertaking to a 90% subsidiary	Applicable
3.	LE transfers an undertaking to WOS which further transfers the same undertaking to another entity	Applicable
4.	LE transfers an undertaking to WOS. The WOS transfers some other undertaking to another entity	Not applicable
5.	LE has not transferred any undertaking to WOS. WOS intends to transfer its undertaking to another entity.	Not applicable
6.	The WOS is itself a result of hive off (outside scheme) of an undertaking from the LE. It now intends to transfer its undertaking to another entity	Applicable. Considering the WOS itself in toto is a result of transfer of an undertaking by the LE, any further transfer by it ought to be covered by reg 37A.
7.	LE has transferred an undertaking to the WOS pursuant to SoA. Now the WOS intends to transfer that undertaking to another entity	Not applicable
8.	LE has transferred its undertaking to WOS. Now LE intends to dilute its shareholding in the WOS: by transferring its shareholding in the WOS; by allowing the WOS to issue convertible securities to any other entity	Applicable
9.	LE intends to dilute its shareholding in any other WOS	Not applicable. However, applicability of clause (5) and (6) of reg. 24 of Listing Regulations is to be checked individually for each case.
10.	LE has transferred the undertaking to its WOS prior to the amendment, the WOS is further transferring such undertaking post this amendment	Applicable. Keeping in mind the intent of the provision, if the WOS, to which an undertaking was transferred prior to the notification of the Amendment Regulations, intends to transfer such undertaking to any entity, the provisions of reg 37A should be made applicable and requisite approval from the shareholders of the LE is required to be obtained.

Source: Article by Ms. Nitu Poddar - Stricter framework for sale, lease or disposal of undertaking by a listed entity.

163. **What are the immediate actionable for listed entities in relation to Regulation 37A**?

Extension of the provision to WOS will require some background work to be done by the listed entity which has WOS. The listed entity needs to travel back to check if there has been any transfer of undertaking to the WOS or if the WOS is actually an outcome of spin off from the listed entity.

Having done so, the listed entity and its WOS needs to be adequately sensitised with the amendments so that the listed entity can be alerted in case (i) the undertaking from the listed entity is proposed to be transferred to another entity; or (ii) the listed entity intends to dilute its shareholding in the WOS (even by 1%) where an undertaking has been transferred.

164. **Will creation of charge on assets be considered as disposal of undertaking?**

Creation of charge should be covered under the disposal of undertaking, unless such charge is created under a financial agreement with a financial institution regulated by RBI or with Debenture trustee registered with SEBI.

165. **Whether agreements with Banks for the mortgage of property, will it lead to sale of undertaking under Reg. 37A?**

Sale, lease, or disposal of undertaking by virtue of a covenant covered under an agreement with a financial institution regulated by RBI will not require approval under Regulation 37A.

Others

166. **What is the reporting requirement in case of cyber security incidents under Reg. 27 (2) (ba)?**

The details of cyber security incidents or breaches or loss of data or documents will be required to be disclosed in the quarterly CG report under reg. 27(2)(a).

167. **Whether any format of reporting has been prescribed?**

The format of reporting is yet to be prescribed by SEBI. However, the CP provided the draft format as follows:

S. No.	Nature of the event (cyber security incident/ cyber security breach/ loss of data or documents)	Date of the event	Brief of the event	Impact on the operation of the listed entity	Corrective action taken	Compliance with the guidelines of CERT-In or other concerned authority

168. **What is the timeline available for filing financial results in case of new listed entities under Reg. 33 (3) (j)?**

The newly listed entities will be required to disclose the financial results for the quarter or the financial year immediately succeeding the period for which the financial statements have been disclosed in the offer document within 45 days (in case of June, September or December quarter)/ 60 days (in case of March quarter) or within 21 days from the date of listing whichever is later.

For e.g. The listing date is January 31. The financial results for the December quarter will be disclosed within: (a) within 45 days from the end of quarter (February 14); or (b) within 21 days from the date of listing (February 21), whichever is later, i.e., February 21.

169. **What is the revised disclosure requirement in case of debt listed entities under Reg. 57?**

The listed entity is required to submit a certificate regarding the status of payment of interest or dividend or repayment or redemption of principal of non-convertible securities, within one working day of it becoming due, in the manner and format specified by SEBI.

There is no change in the timeline of disclosure. The requirement of quarterly disclosures under reg. 57(2) and (3) has been done away with.

170. **Whether disclosure in terms of Regulation 57 (2) & (3) is required to be made for the quarter ending June 30, 2023?**

The amendment in relation to Reg. 57 has been made effective from the date of publication in Offiical Gazette i.e. June 14, 2023. Therefore, the aforesaid sub-regulations stand omitted from that date and accordingly, there is no requirement to furnish the disclosure for quarter ending June 30, 2023.

171. **What is the format of disclosure for Regulation 57?**

The format of disclosure under reg. 57 is given under Para 2.2 of Chapter XI of the SEBI Operational Circular dated July 29, 2022.

Annexure A

New line items required to be disclosed under Part A of Schedule III

Newly inserted clauses pursuant to the amendment	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendments**
Deemed material events under Para A of Part A of Schedule III		
Clause 5A - Agreements entered into by the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel, employees of the listed entity or of its holding, subsidiary or associate company, among themselves or with the listed entity or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the listed entity or impose any restriction or create any liability upon the listed entity, shall be disclosed to the Stock Exchanges, including disclosure of any rescission, amendment or alteration of such agreements thereto, whether or not the listed entity is a party to such agreements: Provided that such agreements entered into by a listed entity in the normal course of business shall not be required to be disclosed unless they, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the listed entity or they are required to be disclosed in terms of any other provisions of these regulations. Explanation: For the purpose of this clause, the term "directly or indirectly" includes agreements creating obligation on the parties to such agreements to	–	● All agreements entered into by a stakeholder of the listed entity or of its holding, subsidiary or associate company having an impact on the management or control of the listed entity, or imposing any restriction or liability on the listed entity shall require disclosure, if the same is not in the normal course of business. ● An agreement that is entered into the normal course of business is also required to be disclosed if it has an impact on the management or control of the listed entity. ● These may generally include the Shareholders' Agreements wherein the shareholders may put certain conditions or restrictions with respect to the management of the affairs of the listed entity. ● For example, agreements creating security interest on one or more assets of the listed entity against the financing facilities provided to the same will be excluded from reporting under this clause.

Newly inserted clauses pursuant to the amendment	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendments**
ensure that listed entity shall or shall not act in a particular manner.		
Clause 7C - In case of resignation of key managerial personnel, senior management, Compliance Officer or director other than an independent director; the letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel, senior management, Compliance Officer or director shall be disclosed to the stock exchanges by the listed entities within seven days from the date that such resignation comes into effect.	Letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel, senior management, Compliance Officer or director within seven days from effective date of such resignation	As against the existing regulations that require disclosure of detailed reasons of resignation only in case of an auditor or an independent director, the Amendment Regulations require such disclosure for all classes of persons whose change requires intimation to the stock exchanges, along with the letter of resignation
Clause 7D - In case the Managing Director or Chief Executive Officer of the listed entity was indisposed or unavailable to fulfil the requirements of the role in a regular manner for more than forty five days in any rolling period of ninety days, the same along with the reasons for such indisposition or unavailability, shall be disclosed to the stock exchange(s)	Reasons for such indisposition or unavailability, to be disclosed to the stock exchange(s).	● This requires intimation to the SEs where the MD/ CEO is unavailable to fulfil his roles in a regular manner for more than 45 days in a continuous period of 90 days, with reasons thereof. ● This may ideally include instances where the MD/ CEO is not available to look after the affairs of the listed entity as a result of prolonged illness, serious ailments, etc.

Newly inserted clauses pursuant to the amendment	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendments**
Clause 18 - Announcement or communication through social media intermediaries or mainstream media by directors, promoters, key managerial personnel or senior management of a listed entity, in relation to any event or information which is material for the listed entity in terms of regulation 30 of these regulations and is not already made available in the public domain by the listed entity. Explanation – "social media intermediaries" shall have the same meaning as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021	–	● This requires intimation of mass announcements made by the specified stakeholders of listed entity that the entity itself has not directly made available in the public domain to be intimated to the stock exchanges. ● Only such communications that are material to the listed entity in terms of Reg 30 and are undisclosed is required to be intimated. ● For example, information about a charitable program or some employee welfare programme announced in the media, would not generally be "material" to the listed entity, and therefore, does not require disclosure.

Newly inserted clauses pursuant to the amendment	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendments**
Clause 19 - Action(s) initiated or orders passed by any regulatory, statutory, enforcement authority or judicial body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, in respect of the following: (a) search or seizure; or (b) re-opening of accounts under section 130 of the Companies Act, 2013; or (c) investigation under the provisions of Chapter XIV of the Companies Act, 2013; along with the following details pertaining to the actions(s) initiated, taken or orders passed: i. name of the authority; ii. nature and details of the action(s) taken, initiated or order(s) passed; iii. date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority; iv. details of the violation(s)/contravention(s) committed or alleged to be committed; v. impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.	–	● Actions right from the stage of their initiation are required to be reported ○ by any regulatory, statutory, enforcement authority or judicial body ○ against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, ○ in the nature of search/ seizure, re-opening of accounts, or investigation under the Act ● Specific details that are required to be reported have been specified

Newly inserted clauses pursuant to the amendment	Additional Disclosure as per SEBI Circular of July 13, 2023	Impact of the amendments
Clause 20 - Action(s) taken or orders passed by any regulatory, statutory, enforcement authority or judicial body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, in respect of the following: (a) suspension; (b) imposition of fine or penalty; (c) settlement of proceedings; (d) debarment; (e) disqualification; (f) closure of operations; (g) sanctions imposed; (h) warning or caution; or (i) any other similar action(s) by whatever name called; along with the following details pertaining to the actions(s) initiated, taken or orders passed: i. name of the authority; ii. nature and details of the action(s) taken, initiated or order(s) passed; iii. date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority; iv. details of the violation(s)/contravention(s) committed or alleged to be committed; v. impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.	–	This is a further expansion of the aforesaid clause wherein other types of actions are covered.
Clause 21 - Voluntary revision of financial statements or the report of the board of directors of the listed entity under section 131 of the Companies Act, 2013	–	If a listed entity applies for voluntary revision of its financial statements, the same needs to be intimated to the stock exchanges.

Newly inserted clauses pursuant to the amendment	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendments**
Events under Para B of Part A of Schedule III that are to be tested on materiality as per Reg 30(4)		
Clause 13 - Delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority.	a) name of the authority; b) b)details of fines, penalties, dues, etc. including amount; c) due date of payment; d) reasons for delay or default in payment; e) impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible. In addition to the above, details of payment including date of payment and amount paid shall be disclosed upon payment of the fines, penalties, dues, etc.	In absence of any specific clarification provided, delay of even one day in making such payments will be covered under the present clause. Having said that, it is important to note that the insertion has been made under Para B, and therefore, materiality has to be determined under Reg 30(4)

Annexure B

Amendments in the existing disclosure requirements under Part A of Schedule III

Existing clause	Amended clause	Additional Disclosure as per SEBI Circular of July 13, 2023	Impact of the amendment
Deemed material events [Para A of Part A of Schedule III]			
Clause 1 - Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/ demerger/ restructuring), or sale or disposal of any unit(s), division(s) or subsidiary of the listed entity or any other restructuring. Explanation.- For the purpose of this sub-para, the word 'acquisition' shall mean,- (i) acquiring control, whether directly or indirectly; or, (ii)acquiring or agreeing to acquire shares or voting rights in, a company, whether directly or indirectly, such that - (a) the listed entity holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said company, or; (b) there has been a change in holding from the last disclosure made under sub-clause (a) of clause (ii) of the	Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation, merger, demerger or restructuring), sale or disposal of any unit(s), division(s), **whole or substantially the whole of the undertaking(s)** or subsidiary of the listed entity, **sale of stake in associate company of the listed entity** or any other restructuring Explanation (1) - For the purpose of this sub-paragraph, the word 'acquisition' shall mean- (i) acquiring control, whether directly or indirectly; or (ii) acquiring or agreement to acquire shares or voting rights in a company, **whether existing or to be incorporated**, whether directly or indirectly, such that - (a) the listed entity holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said company; or (b) there has been a change in	Whether the sale, lease or disposal of the undertaking is outside Scheme of Arrangement? If yes, details of the same including compliance with regulation 37A of LODR Regulations.	• The scope of disclosures on sale/ disposal has been modified to also include - ○ Whole or substantially the whole of undertaking ○ Sale of stake in the associate company of the listed entity. • It is clarified that acquisition of shares or voting rights in a company proposed to be incorporated will also be included within the meaning of "acquisition" for this clause. • In addition to the existing events in relation to "acquisition" as were considered material for disclosure, the same has also been linked with the materiality thresholds incorporated under Reg 30.

Existing clause	**Amended clause**	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendment**
Explanation to this sub-para and such change exceeds two per cent of the total shareholding or voting rights in the said company.	holding from the last disclosure made under sub-clause (a) of clause (ii) of the Explanation to this sub-paragraph and such change exceeds two per cent of the total shareholding or voting rights in the said company; or **(c) the cost of acquisition or the price at which the shares are acquired exceeds the threshold specified in sub-clause (c) of clause (i) of sub-regulation (4) of regulation 30**. **Explanation (2) - For the purpose of this sub-paragraph, "sale or disposal of subsidiary" and "sale of stake in associate company" shall include-** **(i) an agreement to sell or sale of shares or voting rights in a company such that the company ceases to be a wholly owned subsidiary, a subsidiary or an associate company of the listed entity; or** **(ii) an agreement to sell or sale of shares or voting rights in a subsidiary or associate company such that the amount of the sale exceeds the threshold specified in sub-clause (c) of clause (i) of sub-regulation**		• Materiality for the sale/ disposal of the "subsidiary" or "associate" has been linked with the materiality thresholds under Reg 30. • Sale or disposal of stake in a subsidiary/ associate that results in the cessation of the existing relation of the entity as a wholly-owned subsidiary, subsidiary or an associate of the listed entity shall require disclosure, irrespective of the quantum or amount involved.

Existing clause	**Amended clause**	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendment**
	(4) of regulation 30. **Explanation (3)- For the purpose of this sub-paragraph, "undertaking" and "substantially the whole of the undertaking" shall have the same meaning as given under section 180 of the Companies Act, 2013."**		
Clause 3 - Revision in Rating(s)	**New Rating(s) or** Revision in Rating(s)	Disclosure required for the following as well - a)Revision in rating even if it was not requested for/ later withdrawn by the listed entity b)Revision in rating outlook even without revision in rating score. c)ESG ratings by registered ESG Rating Providers.	Clarificatory change - requires disclosure of all ratings, whether newly obtained or revised. A question that remains unanswered is as to whether the re-affirmation of existing ratings will also require intimation? While there may not be an explicit requirement, it is still suggested to disclose the same.
Clause 6 - Fraud/defaults by promoter or key managerial personnel or by listed entity or arrest of key managerial personnel or promoter	Fraud or defaults by a listed entity, its promoter, **director**, key managerial personnel, **senior management or subsidiary** or arrest of key managerial personnel, **senior management**, promoter **or director** of the listed entity, **whether occurred within**	–	● The scope of frauds/ defaults that require disclosure has been expanded to include the same conducted by - ○ Director (was earlier covered under Para B)

Existing clause	**Amended clause**	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendment**
	India or abroad: **For the purpose of this sub-paragraph:** **(i) 'Fraud' shall include fraud as defined under Regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.** **(ii)'Default' shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.** **Explanation 1- In case of revolving facilities like cash credit, an entity would be considered to be in 'default' if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than thirty days.** **Explanation 2- Default by a promoter, director, key managerial personnel, senior management, subsidiary shall mean default which has or may have an impact on the listed entity."**		○ Senior management ○ Subsidiary ● Similarly, the scope of arrest stands modified. ● It is clarified that such instances are required to be reported irrespective of whether the same occurred in India or abroad. ● The meaning of "fraud" and "default" has been clarified, including in the case of revolving facilities. ● It is clarified that for defaults other than of the listed entity itself, the same is required to be reported only when the same has an impact on the listed entity. ● Therefore, personal defaults of individuals having no impact on the listed entity need not be reported.
Clause 7 - Change in	Change in directors, key	–	The same has been

Existing clause	**Amended clause**	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendment**
directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer	managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary, **senior management** etc.), Auditor and Compliance Officer		extended to the senior management as well
Clause 11 - Reference to BIFR and winding-up petition filed by any party / creditors	~~Reference to BIFR and~~ winding-up petition filed by any party / creditors	–	Clarificatory change - reference to BIFR has been removed since the same is non-existent
Events that are to be tested on materiality guidelines [Para B of Part A of Schedule III]			
Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit/division (entirety or piecemeal).	~~Change in the general character or nature of business brought about by~~ Any of the following events pertaining to the listed entity: (a) arrangements for strategic, technical, manufacturing, or marketing tie-up; or (b) adoption of new line(s) of business; or (c) closure of operation of any unit, division or subsidiary (in entirety or in piecemeal).	–	The struck part has been omitted, so as to require disclosure on the occurrence of such events, irrespective of whether there is a change in the nature of business pursuant to that.
Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof.	Agreements (viz. loan agreement(s) ~~(as a borrower)~~ or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof.	In case of loan agreements, details of lender/borrower, nature of the loan, total amount of loan granted/taken, total amount outstanding, date of execution of the loan	The reference of “as a borrower” has been removed to include such material loan agreements as well, where the listed entity is a party in the capacity of a lender. This does not include

Existing clause	**Amended clause**	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendment**
		agreement/sanction letter, details of the security provided to the lenders / by the borrowers for such loan or in case outstanding loans lent to a party or borrowed from a party become material on a cumulative basis;	loan agreements entered into by financing companies in the normal course of its business.
Litigation(s) / dispute(s) / regulatory action(s) with impact	**Pendency of any** litigation(s) / dispute(s) / ~~regulatory action(s)~~ or the outcome thereof which may have an impact on the listed entity.	In case the amount involved in ongoing litigations or disputes with an opposing party become material on a cumulative basis, then the same shall also be required to be disclosed to the stock exchange(s)	• The substitution of "regulatory actions" is followed by the insertion of two new clauses under Para A of Part A (see table below) • It is clarified that the pendency of any litigation or dispute or its outcome is also required to be reported.
Fraud/defaults etc. by directors (other than key managerial personnel) or employees of listed entity	Fraud/ defaults ~~etc. by directors (other than key managerial personnel) or~~ employees of listed entity **which may have an impact on the listed entity.**	–	• Instances of fraud/ defaults by directors have been included within the deemed material events. • Only such instances of frauds/ defaults by employees that may have an impact on the listed entity and the impact is likely to

Existing clause	**Amended clause**	**Additional Disclosure as per SEBI Circular of July 13, 2023**	**Impact of the amendment**
			be material require disclosures.
Giving of guarantees or indemnity or becoming a surety for any third party.	Giving of guarantees or indemnity or becoming a surety, **by whatever name called,** for any third party.	In case the amount involved in ongoing litigations or disputes with an opposing party become material on a cumulative basis, then the same shall also be required to be disclosed to the stock exchange(s)	To ensure compliance in spirit, a phrase has been added such that nomenclature does not matter, if the effect remains that of giving guarantee/ indemnity/ surety.

Annexure C

Timeline for disclosure of events specified under Part A of Schedule III of LODR Regulations

Sub-para	Events	Timeline for disclosure
Items specified in Para A of Part A of Scheule III		
1.	Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/ demerger/restructuring), sale or disposal of any unit(s), division(s), whole or substantially the whole of the undertaking(s) or subsidiary of the listed entity, sale of stake in the associate company of the listed entity or any other restructuring.	Within 12 hours *
2.	Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.	Within 12 hours *
3.	New Ratings(s) or Revision in Rating(s).	Within 24 hours
4.	Outcome of Meetings of the board of directors held to consider; a. dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched; b. any cancellation of dividend with reasons thereof; c. the decision on buyback of securities; d. the decision with respect to fund raising proposed to be undertaken e. increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched; f. reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to; g. short particulars of any other alterations of capital, including calls; h. financial results; i. decision on voluntary delisting by the listed entity from stock exchange(s):	Within 30 minutes of closure of the Board meeting. In case of a Board meeting held for more than one day financial results shall be disclosed within 30 minutes of end of the meeting for the day on which it has been considered.
5.	Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), agreement(s)/treaty(ies)/contract(s) with media companies) which	Within 12 hours * (for agreements where listed entity is a party);

Sub-para	Events	Timeline for disclosure
	are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof.	Within 24 hours (for agreements where the Company is not a party).
5A.	Agreements entered into by the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel, employees of the listed entity or of its holding, subsidiary or associate company, among themselves or with the listed entity or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the listed entity or impose any restriction or create any liability upon the listed entity, shall be disclosed to the Stock Exchanges, including disclosure of any rescission, amendment or alteration of such agreements thereto, whether or not the listed entity is a party to such agreements: Provided that such agreements entered into by a listed entity in the normal course of business shall not be required to be disclosed unless they, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the listed entity or they are required to be disclosed in terms of any other provisions of these regulations.	In case of agreements subsisting as on July 14, 2023 Inform on or before August 14, 2023 In case of future agreements” Within 12 hours* (for agreements where the Company is a party); Within 24 hours (for agreements where the Company is not a party).
6.	Fraud or defaults by a listed entity, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director whether occurred within India or abroad.	Within 24 hours
7.	Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), senior management, Auditor and Compliance Officer.	Within 12 hours * (except in case resignation); Within 24 hours (in case of resignation)
7A.	In case of resignation of the auditor of the listed entity, detailed reasons for resignation of auditor, as given by the said auditor.	Within 24 hours of receipt of reasons for resignation
7B.	Resignation of independent director including reasons for resignation.	Within 7 days from the date of resignation
7C.	Letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel, senior management, Compliance Officer or director.	Within 7 days from the date of resignation coming into effect
7D.	In case the Managing Director or Chief Executive Officer of the listed entity was indisposed or unavailable to fulfil the requirements of the role in a regular manner for more than forty five days in any rolling period of ninety days, the same along with the reasons for such indisposition or unavailability, shall be disclosed to the stock exchange(s).	Within 12 hours *

Sub-para	Events	Timeline for disclosure
8.	Appointment or discontinuation of share transfer agent.	Within 12 hours *
9.	Resolution plan/ Restructuring in relation to loans/borrowings from banks/financial institutions.	Within 24 hours
10.	One time settlement with a bank.	Within 24 hours
11.	Winding-up petition filed by any party / creditors.	Within 24 hours
12.	Issuance of notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity.	Within 12 hours *
13.	Proceedings of annual and extraordinary general meetings of the listed entity.	Within 12 hours *
14.	Amendments to memorandum and articles of association of listed entity, in brief.	Within 12 hours *
15.	(a) Schedule of analysts or institutional investors meet and presentations made by the listed entity to analysts or institutional investors. (b) Audio or video recordings and transcripts of post earnings/quarterly calls, by whatever name called, conducted physically or through digital means.	(a) Atleast 2 working days in advance (excluding the date of the intimation and the date of the meet). (b) Following timeline: ● the presentation and the audio/video recordings shall be promptly made available on the website and in any case, before the next trading day or within twenty-four hours from the conclusion of such calls, whichever is earlier; ● the transcripts of such calls shall be made available on the website within five working days of the conclusion of such calls.
16.	Events in relation to the corporate insolvency resolution process (CIRP) of a listed corporate debtor under the Insolvency Code.	Within 24 hours
17.	Initiation of Forensic audit: In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by listed entities: (a) The fact of initiation of forensic audit along-with name of entity initiating the audit and reasons for the same, if available; (b) Final forensic audit report (other than for forensic audit	Within 12 hours* (if initiated by the Company); Within 24 hours (if initiated by an external agency).

Sub-para	Events	Timeline for disclosure
	initiated by regulatory / enforcement agencies) on receipt by the listed entity along with comments of the management, if any.	
18.	Announcement or communication through social media intermediaries or mainstream media by directors, promoters, key managerial personnel or senior management of a listed entity, in relation to any event or information which is material for the listed entity in terms of regulation 30 of these regulations and is not already made available in the public domain by the listed entity.	Within 24 hours
19.	Action(s) initiated or orders passed by any regulatory, statutory, enforcement authority or judicial body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, in respect of the following: (a) search or seizure; or (b) re-opening of accounts under section 130 of the Companies Act, 2013; or (c) investigation under the provisions of Chapter XIV of the Companies Act, 2013;	Within 24 hours
20.	Action(s) taken or orders passed by any regulatory, statutory, enforcement authority or judicial body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, in respect of the following: (a) suspension; (b) Imposition of fine or penalty; (c) settlement of proceedings; (d) debarment; (e) disqualification; (f) closure of operations; (g) sanctions imposed; (h) warning or caution; or (i) any other similar action(s) by whatever name called;	Within 24 hours
21.	Voluntary revision of financial statements or the report of the board of directors of the listed entity under section 131 of the Companies Act, 2013.	Within 12 hours *

Sub-para	Events	Timeline for Disclosure
Items specified in Para B of Part A of Scheule III		
1.	Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division	Within 12 hours *
2.	Any of the following events pertaining to the Company: (a) arrangements for strategic, technical, manufacturing, or marketing tie-up; or (b) adoption of new line(s) of business; or (c) closure of operation of any unit, division or subsidiary (in entirety or in piecemeal).	Within 12 hours *
3.	Capacity addition or product launch	Within 12 hours *
4.	Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business.	Within 24 hours
5.	Agreements (viz. loan agreement(s) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof.	Within 12 hours * (for agreements where the Company is a party); Within 24 hours (for agreements where the Company is not a party).
6.	Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.	Within 24 hours
7.	Effect(s) arising out of change in the regulatory framework applicable to the Company.	Within 24 hours
8.	Pendency of any litigation(s) or dispute(s) or the outcome thereof which may have an impact on the Company	Within 24 hours
9.	Frauds or defaults by employees of the Company which has or may have an impact on the Company	Within 24 hours
10.	Options to purchase securities including any ESOP/ESPS Scheme	Within 12 hours *
11.	Giving of guarantees or indemnity or becoming a surety by whatever name called for any third party.	Within 12 hours *

12.	Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.	Within 24 hours
13.	Delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority.	Within 12 hours *

* *In case the event or information emanates from a decision taken in a meeting of board of directors, the same is required to be disclosed within 30 minutes from the closure of such meeting as against the timeline indicated in the table above.*