



Stringent Disclosure Requirements under Regulation 30 of LODR Regulations



Background



Journey of the LODR (Second Amendment) Regulations, 2023

Discussion paper dated November 12, 2022 (comments were solicited to be sent upto November 27, 2022)



Board meeting (approved the changes in the meeting held on March 29, 2023)



Amendment notification (Notification was issued on June 14, 2023)



Rationale behind the Proposals

Rationale

**Numerous Complaints/
references regarding
inadequate / inaccurate /
misleading / delayed
disclosures**

**Need for guidance for
determining materiality of
events or information for
ensuring uniform disclosures**

**Delay in making timely
disclosures**





Materiality Criteria for Disclosure

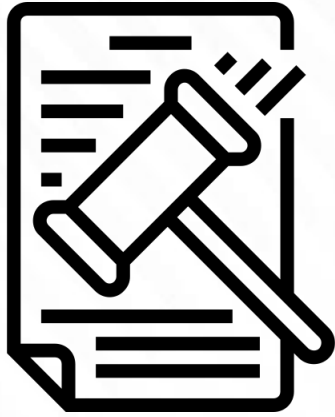
Para A	Para B & C
No materiality criteria required	<p>Materiality criteria is to be laid by the Company in the following forms:</p> <ul style="list-style-type: none">• Qualitative threshold• Quantitative threshold• Qualitative and Quantitative, both



Materiality criteria of top 10 listed entities

Criteria	RIL	TCS	HDFC	ICICI	HUL	Infosys	Housing Development Finance	ITC	SBI	Airtel
Quantitative	X	✓	X	X	X	✓	X	✓	X	X
Qualitative	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓





New Materiality Criteria



New Materiality Criteria

- a) the **omission** of an event or information, which is likely to **result in discontinuity or alteration** of event or information already available publicly; or
- b) the **omission** of an event or information is likely to **result in significant market reaction** if the said omission came to light at a later date; or
- c) In case clause (a) and (b) is not applicable,

an event/information may be treated as being material if in the **opinion of the board of directors** of listed entity, the event / information is considered material.



New criteria



New Materiality Criteria

The omission of an event or information, whose value or the expected impact in terms of value

Turnover

- 2% of turnover, as per the last audited consolidated financial statements of the listed entity.

Net Worth

- 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

Profit or loss

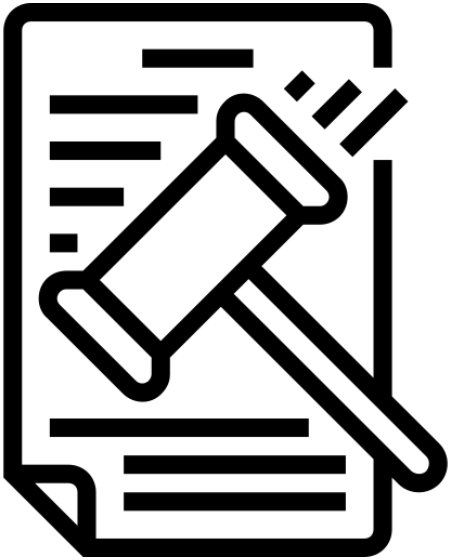
- 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity

Exceeds the lower of the following



Rationale behind New materiality Criteria

An **optimal solution** i.e. combination of turnover, net worth and profit/loss after tax is required for determining the materiality threshold.



Any impact of an event on the turnover will percolate to the profits and ultimately also the net worth. An impact on profits would usually directly correlate with the market price of the scrip of the company. Therefore, a lower annual threshold value of turnover and net worth is being considered.



Issues involved

While SEBI has covered all key financial performance parameter to determine materiality, are these sufficient or there is a need for some additional criteria?



Timelines for disclosure



- **Fund raising,**
- **Dividend or cancellation of dividend thereof,**
- **Buyback,**
- **Voluntary delisting,**
- **Bonus issue,**
- **Re-issue of forfeited shares,**
- **Alterations of Capital,**
- **Financial Results**



Timelines for disclosure



If the event or information is emanating
from within the listed entity.

Example: Board decision, fire,
Suspension of production etc.



If the event or information is **not** emanating
from within the listed entity.

Example: Regulatory actions, Court orders
etc.

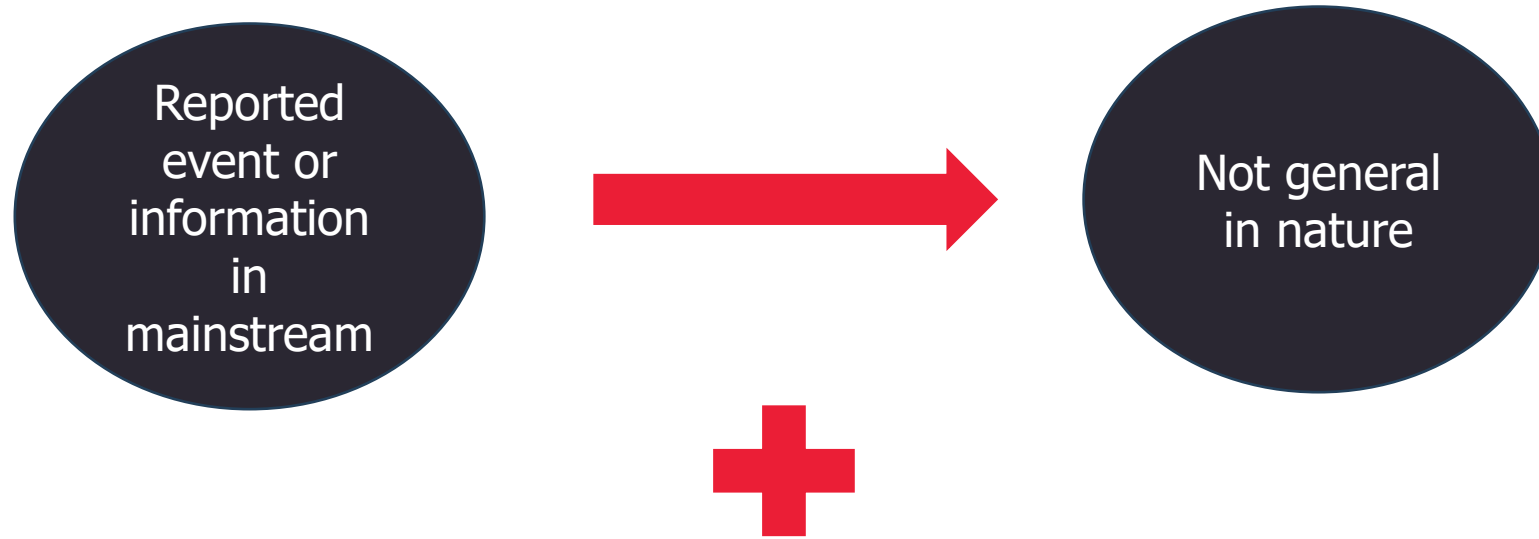


Issues involved

Whether a director or auditor's resignation will be an event emanating within or outside the company?



Clarification on mainstream media



Indicating that rumours are circulating of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public

The listed entity shall deny or clarify within **24 hours** from reporting of such event.



Mainstream media



Newspaper



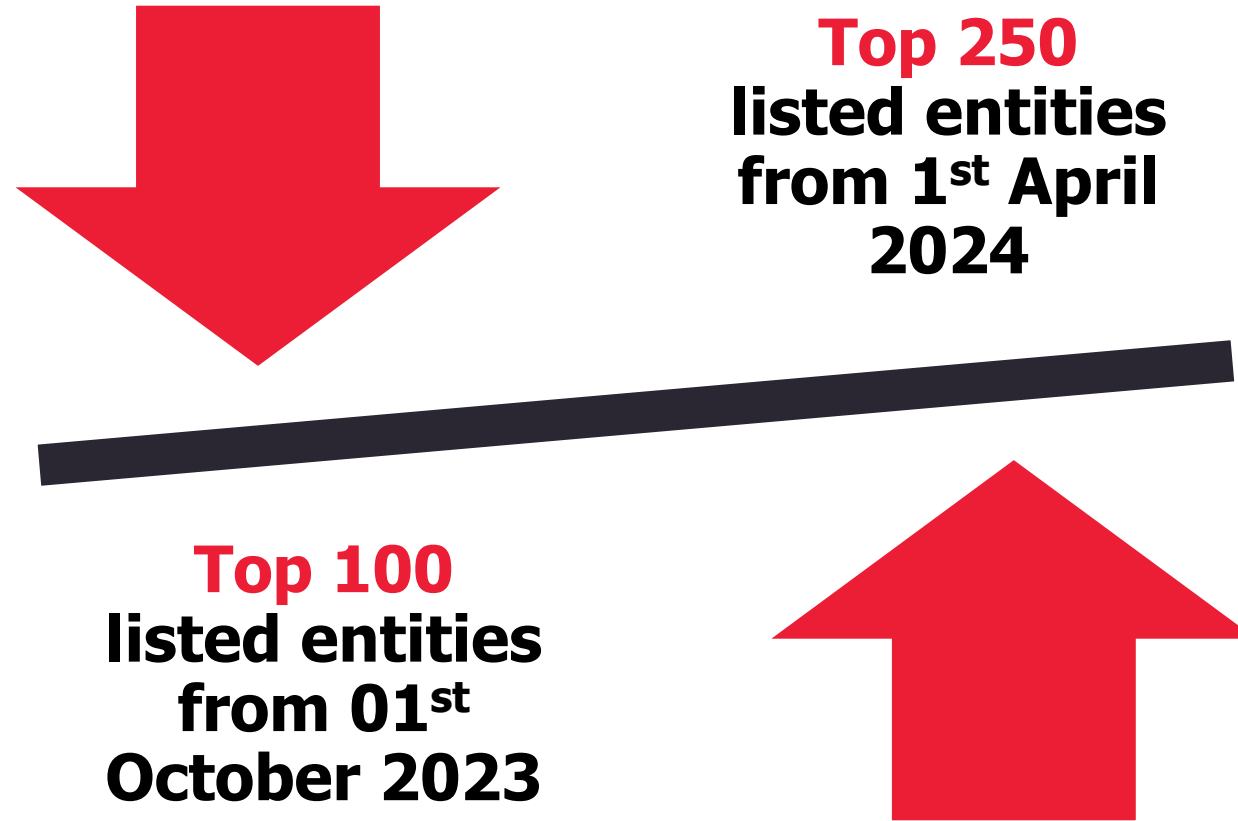
News Channels



Content published by the publisher of news and current affairs

In and outside India

Applicability of reporting of events in mainstream media



CP recommended for applicability of this provision to top 250 companies. Further responsibility to clarify or deny will trigger basis material effect on the listed entity.



Issues involved

How to ascertain where news is published first to determine 24 hours?



Issues involved

What kind of system or framework should a company implement to ensure compliance of this requirement?



Issues involved

**All registered newspapers in India are covered,
so as a company we need to track all of them?**



Issues involved

How to respond to rumours like a company after denying on any acquisition news, can confirm the same later on?



Issues involved

Whether clarification on rumour is required on event listed in Schedule III only?



Issues involved

Whether only publishing of some news warrant disclosure or such news must trigger some market reaction?



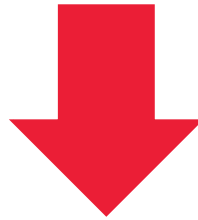
Issues involved



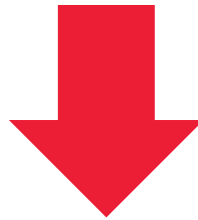
Whether impending specific material event or information, refers to event that has happened or that will happen. Like a rumour that there is a major accident in one of the major plant?

Disclosure of existing events or information

Any continuing event or information which becomes material pursuant to the notification



To be disclosed within 30 days of the notification coming into effect



Upto July 13, 2023

Issues involved

What type of continuing events will be covered?



Issues involved

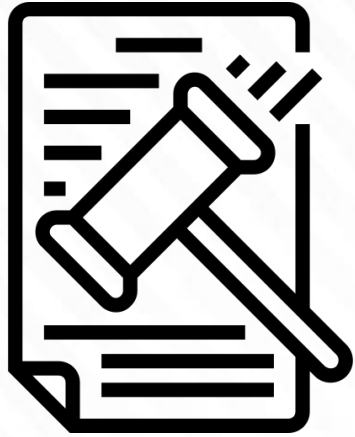
If capacity addition was made in May 2023, which will be material as per the new criteria , does it need to be informed?



Issues involved

**Whether demand notice received in April 2023,
needs to be informed?**



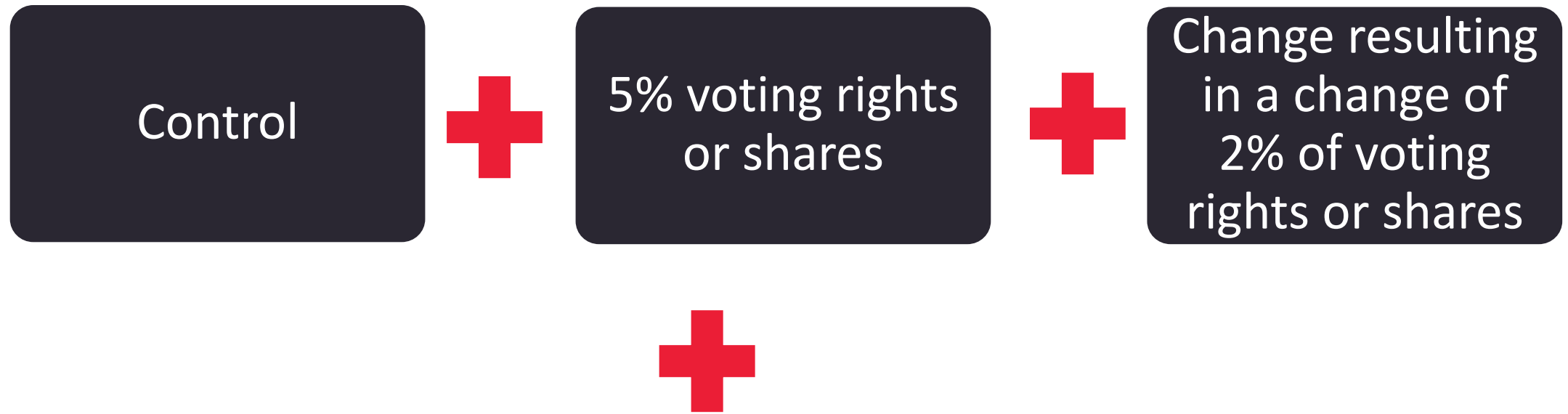


Amendment in events specified in Schedule III

(Effective date: 30 days from the date of publication i.e
13th July 2023)



Disclosures with respect to acquisitions

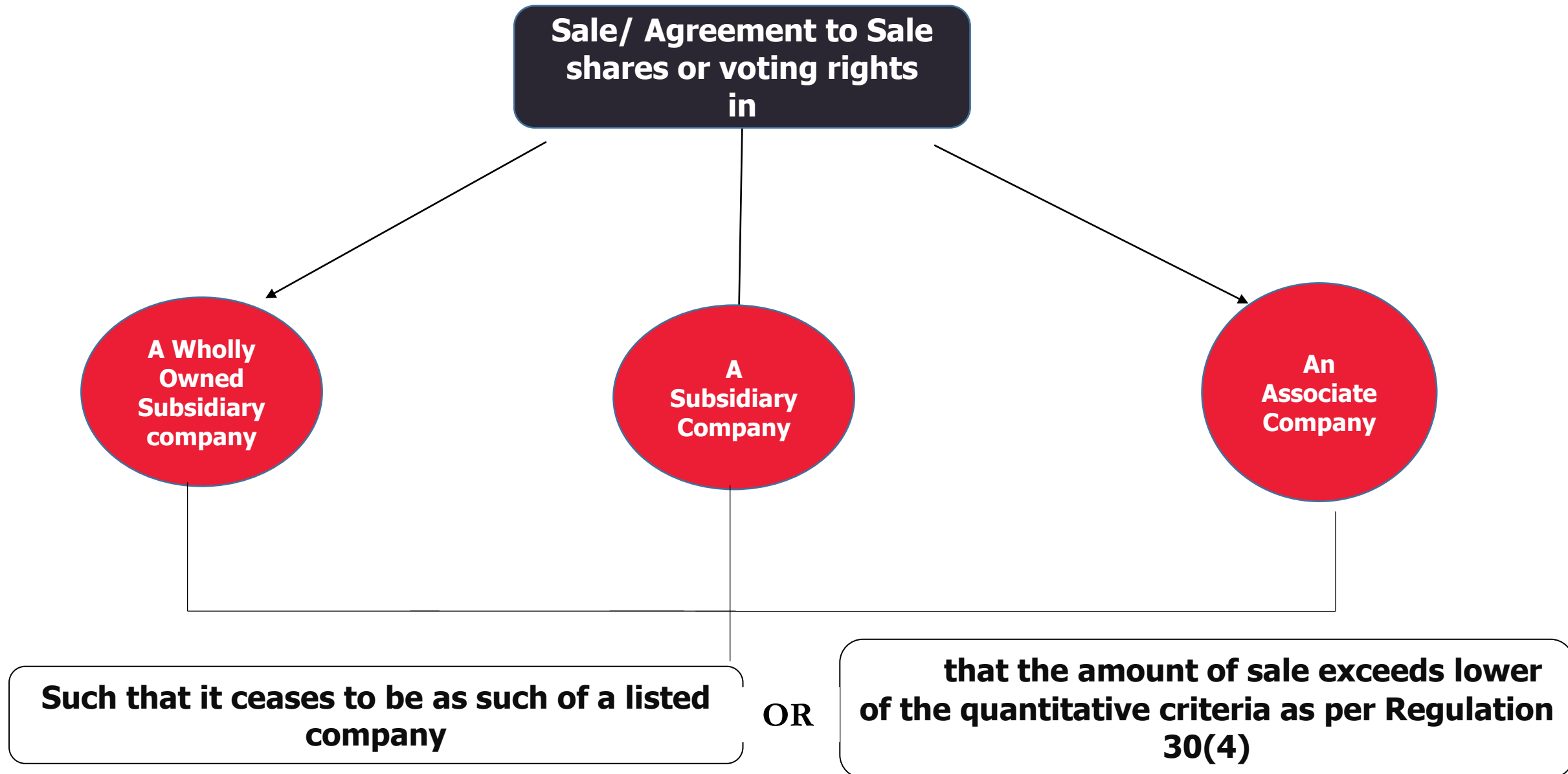


**Additional
Criteria**

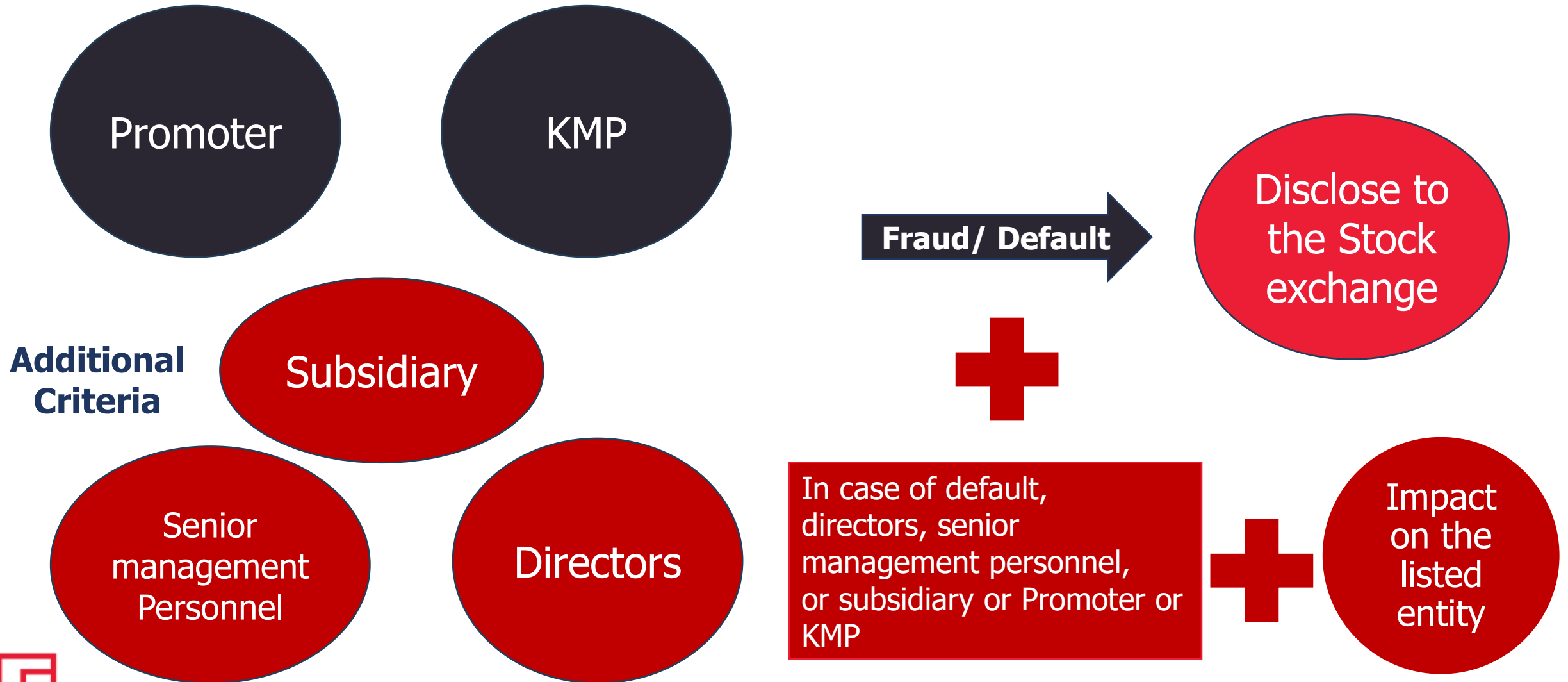


Cost of Acquisition meeting the quantitative criteria as per Regulation 30(4)

Disclosures with respect to acquisitions or disposal etc.



Disclosures with respect to fraud/ default



Fraud/ default defined

Fraud

- SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

Default

- Non-payment of the interest or principal amount in full on the date when the debt has become due and payable

Disclosures in case of arrest

KMP

Senior
management

Promoter

Director

Disclose to
Stock
exchange

In India or abroad

Arrest need not be
on account of any
act related to the
listed entity



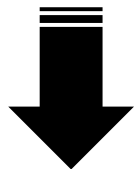
Change in Directors, KMP etc.

Additional Criteria

**Senior
Management
personnel**

KMP

Directors



Disclose to the stock exchange



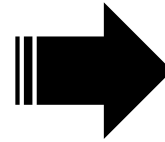
Disclosures with respect to resignation

Old Provision

- ✓ **Independent Director**



Letter of resignation along with reasons is to be disclosed to SE within 7 days



New Provision

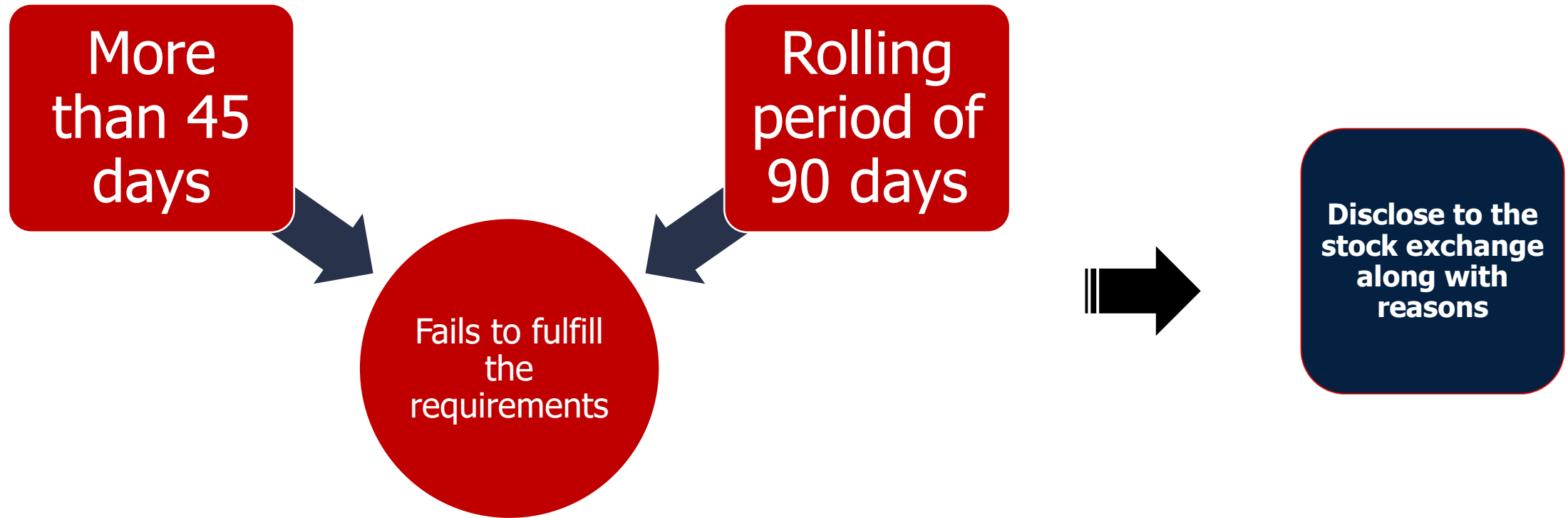
- ✓ **Directors**
- ✓ **Senior management**
- ✓ **KMP**
- ✓ **Compliance officer**



Letter of resignation along with reasons is to be disclosed to SE within 7 days



Unavailability or Indisposition of MD/CEO



CP recommended timelines of being available or indisposed for more than one month



Issues involved

Will going on multiple leaves aggregating to 45 days during a rolling period of 90 days require disclosure to Stock exchanges?

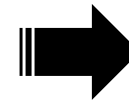


Analyst/ Investors meet



**Disclosure of the schedule
of analyst/ investor meets**

**At least 2 working
days in advance**



**excluding the day of
intimation and the date of
meeting.**

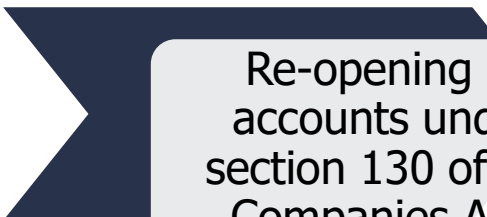


Disclosure of Regulatory actions

Any action initiated or statutory orders passed by any regulatory or statutory body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity, w.r.t following matters needs to be disclosed:



Search or seizure



Re-opening of accounts under section 130 of the Companies Act, 2013;



Investigation under Chapter XIV of the Companies Act, 2013.



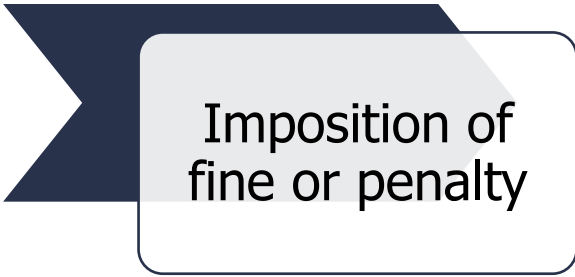
No such proposal was made by the CP

Disclosure of Regulatory actions


Any action taken on orders passed by the Statutory/Regulatory authorities in respect of the following against the listed entity or its directors, key managerial personnel, senior management, promoter, or subsidiary, in relation to the listed entity needs to be disclosed:



Suspension/
debarment/
disqualification




Imposition of
fine or penalty



Settlement of
proceedings



Warning or
caution



Sanctions
imposed



Closure of
operations

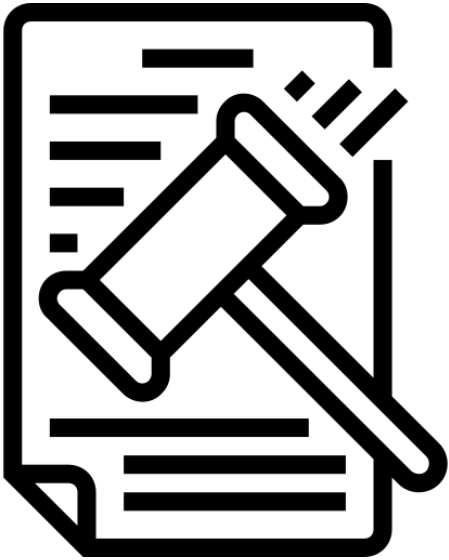


Issues involved

This is an onerous compliance requirement, what kind of system should a company implement to capture these?



Disclosure of Voluntary revision



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 needs to be disclosed to the stock exchanges.



Social Media Intermediaries



CP recommended disclosure of announcements or communication to any form of mass communication media



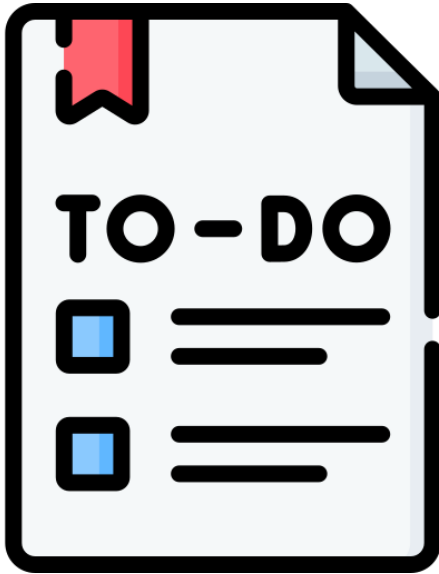
Disclosure of delay in payment of fines



Any **delay or default** in the payment of fines, penalties, etc., to any statutory or regulatory authority shall be required to be disclosed to the Stock Exchange.



To Do's with respect to Reg 30



1

- Update the materiality of events policy at the upcoming meeting of the Board of Directors

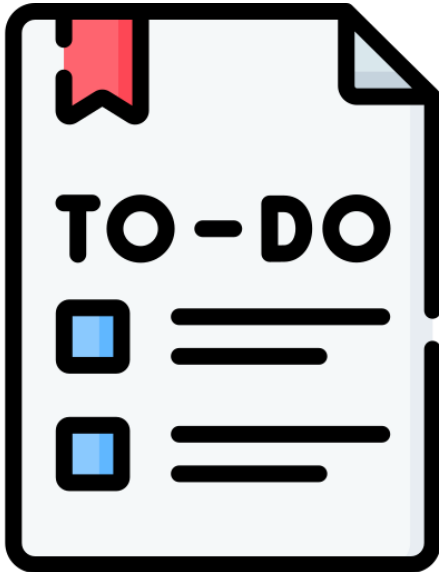
2

- Communicate the new quantitative threshold for determining materiality to the respective functions in the organization

3

- Communicate the new disclosure timelines to the respective functions in the organization

To Do's with respect to Reg 30



4

- Identify the list of events in Para B of Part A of the Schedule, which will be treated as material per the new quantitative criteria as of June 14, 2023, and disclose the same to stock exchanges not later than 30 days of July 13, 2023

5

- Top 100 listed entities by market capitalization to establish a mechanism to keep a watch on relevant events or information in the mainstream media

Other key amendments



Regulation 30A- Agreements binding listed entities



Permanent Directorship

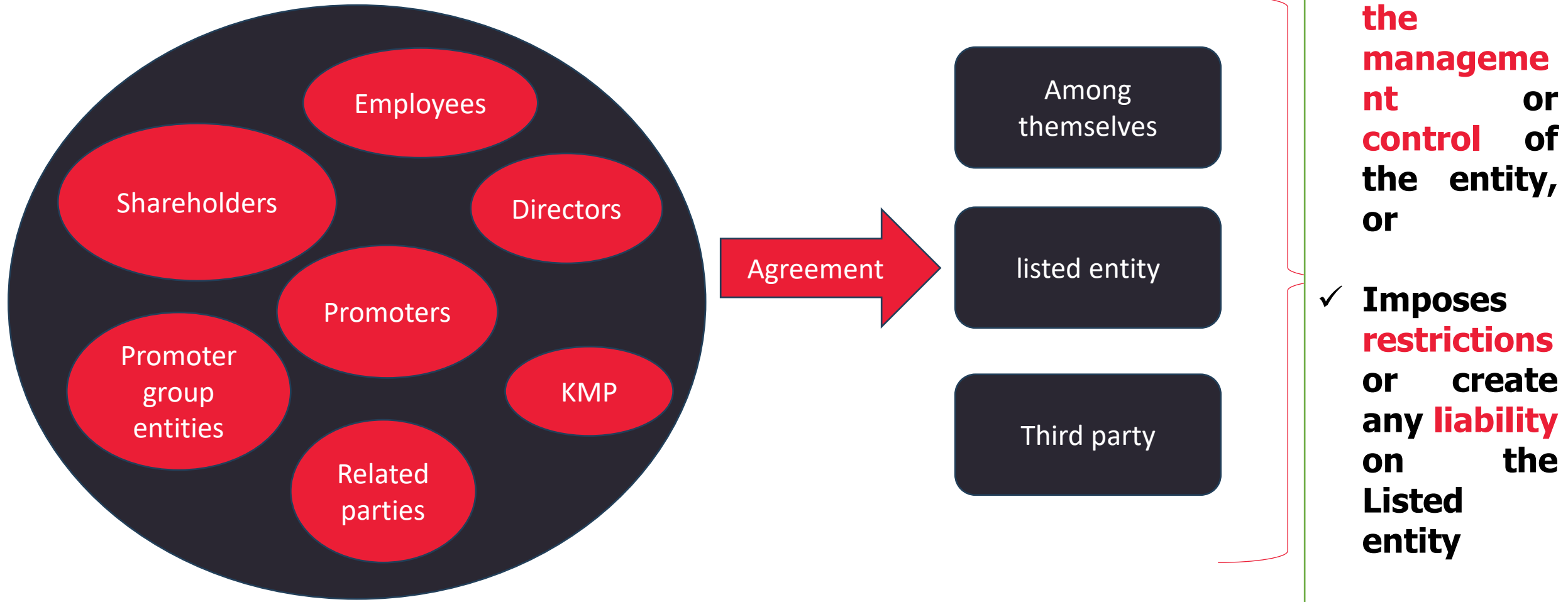


Special Rights



Regulation 37A- Sale/ disposal of an undertaking

Reg. 30A- Agreements binding Listed entities



Issues involved

Can an agreement to which a listed entity is not a party create any liability on it?



Issues involved

How are agreements referred to in clause (5A) different from clause (5) of Para A?



Permanent Board Seat



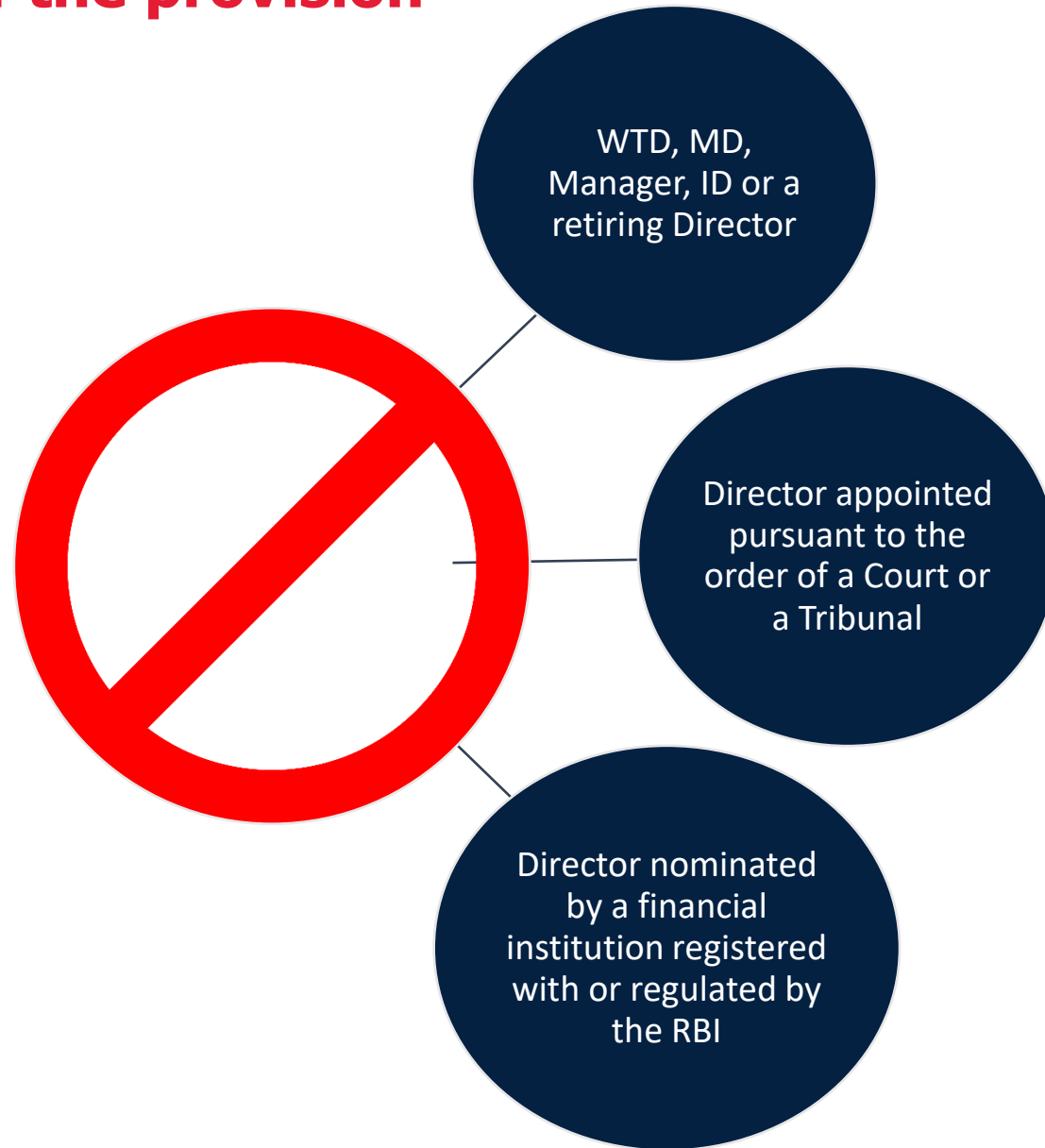
Applicable w.e.f April 01, 2024

Non-retiring directors will need shareholder's approval every 5 year.

Director as on 31st March 2024 shall be approved in the first General meeting



Non-applicability of the provision



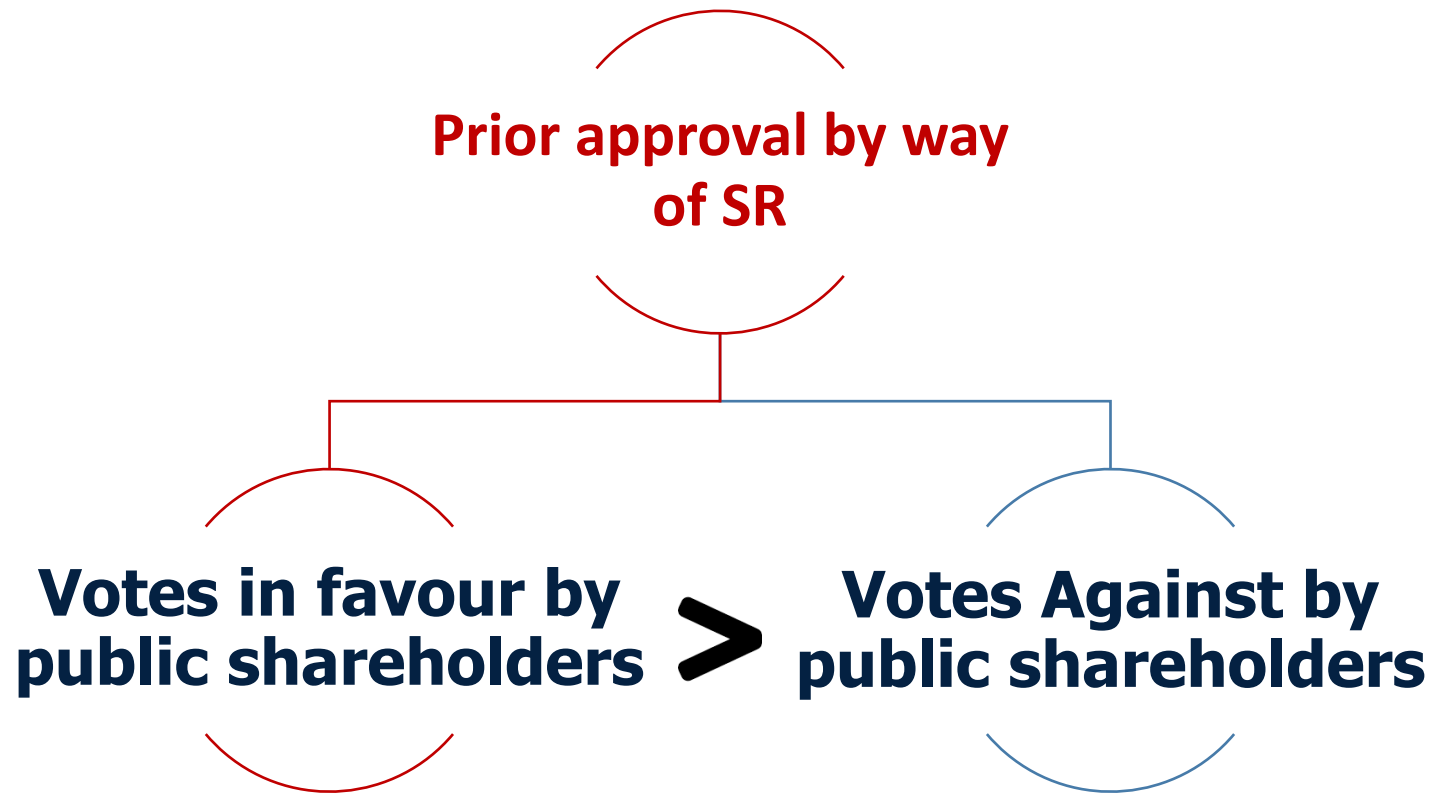
Special Rights



- Any **director** holding special rights shall mandatorily be **approved by shareholders** by way of special resolution **every 5 years**.
- Any shareholder **already possessing** such special rights-**comply within 5 years** of the notification.



Reg. 37A- Sale or disposal of an undertaking



Explanatory Statement

The object and rationale for undertaking such action

The use of proceeds



THANK YOU