

# Board Disclosures and Website Disclosures

## Lesson 8

### KEY CONCEPTS

- Board Disclosures ■ Website Disclosures

### Learning Objectives

#### To understand:

- Significance of transparency
- Coverage of Annual Report
- Management Discussion and Analysis
- Corporate Governance Report and its coverage
- Board's Report and disclosures under Board's Report
- Secretarial Standard on Report of the Board of Directors (SS-4)
- Website disclosures

### Lesson Outline

- Introduction
- Annual Report
- Board's Report
- Disclosure in Board's Report pursuant to Companies Act, 2013
- Website Disclosure
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings

## INTRODUCTION

Transparency is a pivotal feature in the market based monitoring of companies and is central to shareholders' ability to exercise their ownership rights on an informed basis, which can help attract capital and maintain confidence in the capital markets.

Adequate disclosure also helps improve public understanding of the structure and activities of enterprises, corporate policies and performance with respect to environmental and ethical standards, and companies' relationships with the communities in which they operate. Disclosures are made both through the print media and the electronic media. Today corporates have to disclose mandatorily under various legislations such as:

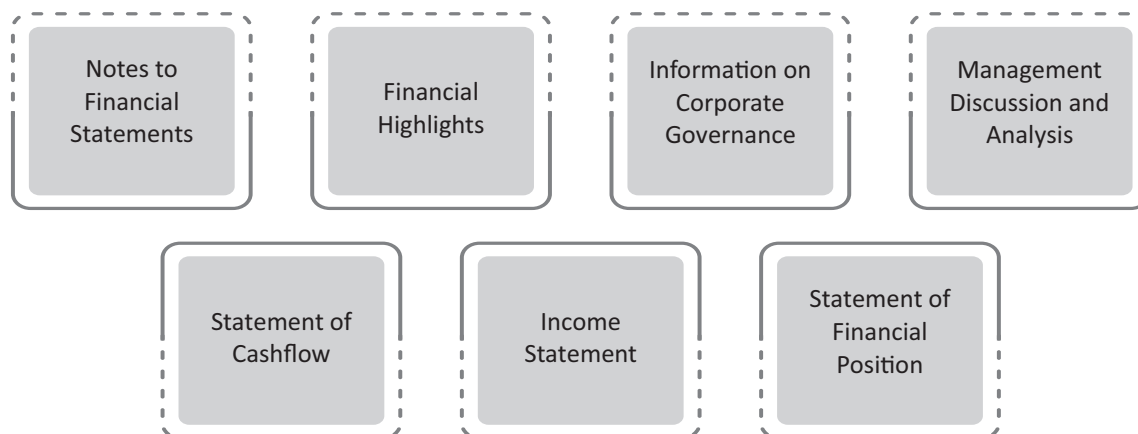
- Disclosures under the Companies Act, 2013 and Rules made thereunder;
- SEBI (LODR) Regulations, 2015 and other regulations applicable for Listed Companies;
- Secretarial Standard on Board's Report-SS4 (Recommendatory);
- Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules made thereunder;
- Disclosures under other applicable Acts.

The various forms of disclosures required on the part of a corporate board is discussed as under:

### 1. ANNUAL REPORT

The annual report is a comprehensive report provided by most public companies to disclose their corporate activities over the past year. The report is typically issued to shareholders and other stakeholders who use it to evaluate the firm's performance including both operating and financial highlights.

#### Components to Annual Report



An annual report is interactive in nature to its shareholders. It generally starts with the board's message to shareholders in form of dedicated report. Their message intends to brief the shareholders about the key performance angles of the current year. It also demonstrates the growth prospects relative to its industry landscape in order to get shareholders' attention to the company's potential for excellence.

Annual reports also give an account of corporate activities, legal highlights and corporate governance arena. In addition, the management discussion and analysis report emphasizes management commentary on risks and concerns of the business.

Financial statements give financial details of the current year and the past year by showcasing year-on-year comparisons easier for a shareholder. In addition, the notes to financial statements describe the technical

anomalies and assumptions taken in preparing the financial statements.

The annual report also present changes in accounting policies, financial disclosure, capital projects, and other information/disclosures relevant to shareholders.

As per Regulation 34 of the SEBI (LODR), Regulations, 2015, the listed entity shall submit to the stock exchange and publish on its website-

- (a) A copy of the annual report sent to the shareholders along with the notice of the annual general meeting on or before the commencement of dispatch to its shareholders;
- (b) In the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting.

Such annual report shall contain the following:

- (a) Audited financial statements i.e. balance sheet, profit and loss account etc, and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable;
- (b) Consolidated financial statements audited by its statutory auditors;
- (c) Cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable;
- (d) Directors Report;
- (e) Management discussion and analysis report - either as a part of directors report or addition thereto;
- (f) For the top one thousand listed entities based on market capitalization, a Business Responsibility and Sustainability Report on the environmental, social and governance disclosures, in the format as may be specified by the Board from time to time.

In this regard, SEBI through its Circular dated July 12, 2023 (Circular No.SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122) came out with BRSR Core and Updated BRSR. The said SEBI circular has been rescinded with the issuance of SEBI Master Circular dated November 11, 2024. The Circular mentioned that listed entities shall mandatorily undertake reasonable assurance of the BRSR Core, as per the glide path specified in the following table :

Financial Year	Applicability of BRSR Core to top listed entities (by market capitalization)
2023 – 24	Top 150 listed entities
2024 – 25	Top 250 listed entities
2025 – 26	Top 500 listed entities
2026 – 27	Top 1000 listed entities

The assurance of the Business Responsibility and Sustainability Report Core shall be obtained with effect from and, in the manner as may be specified by the Board from time to time.

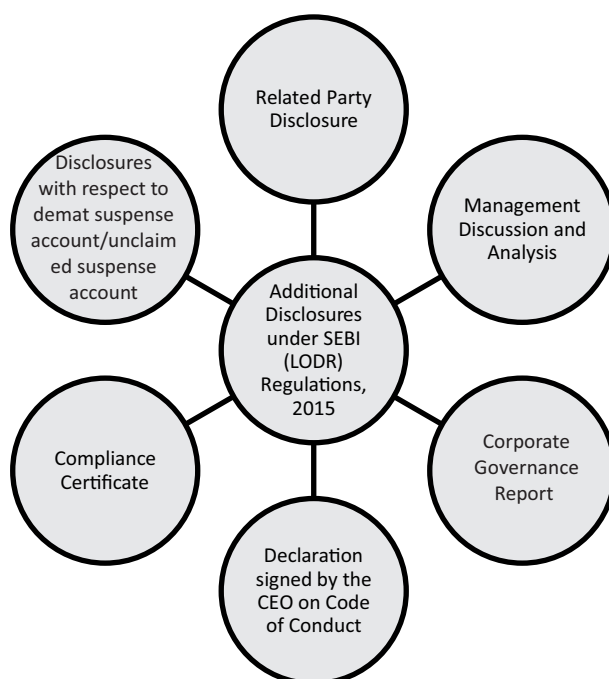
Provided further that the listed entities shall also make disclosures and obtain assurance as per the Business Responsibility and Sustainability Report Core for their value chain with effect from and, in the manner as may be specified by the Board from time to time.

Provided further that the remaining listed entities, including the entities which have listed their specified securities on the SME Exchange, may voluntarily disclose the Business Responsibility and Sustainability Report or may voluntarily obtain the assurance of the Business Responsibility and Sustainability Report Core, for themselves or for their value chain, as the case may be.

Explanation-1: For the purpose of this clause:

- (i) Business Responsibility and Sustainability Report Core shall comprise of such key performance indicators as may be specified by the Board from time to time;
- (ii) “value chain” for the listed entities shall be specified by the Board from time to time.

Further it is provided that the annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of SEBI (LODR) Regulations, 2015.



As per SEBI (LODR) Regulations, 2015, the annual report shall contain the following additional disclosures:

**A. Related Party Disclosure:**

1. The listed entity which has listed its non-convertible securities shall make disclosures in compliance with the Accounting Standard on “Related Party Disclosures”.
2. The disclosure requirements shall be as follows:

<b>Sr. No.</b>	<b>In the accounts of</b>	<b>Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.</b>
1	Holding Company	<ul style="list-style-type: none"> <li>● Loans and advances in the nature of loans to subsidiaries by name and amount.</li> <li>● Loans and advances in the nature of loans to associates by name and amount.</li> </ul>

		<ul style="list-style-type: none"> <li>Loans and advances in the nature of loans to firms/ companies in which directors are interested by name and amount.</li> </ul>
2	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company.
3	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

For the purpose of above disclosures directors' interest shall have the same meaning as given in Section 184 of Companies Act, 2013.

- 2A. Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/ promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results.
3. The above disclosures shall not be applicable to listed banks.

**B. Management Discussion and Analysis:**

1. This section shall include discussion on the following matters within the limits set by the listed entity's competitive position:
  - (a) Industry structure and developments;
  - (b) Opportunities and Threats;
  - (c) Segment-wise or product-wise performance;
  - (d) Outlook;
  - (e) Risks and concerns;
  - (f) Internal control systems and their adequacy;
  - (g) Discussion on financial performance with respect to operational performance;
  - (h) Material developments in Human Resources / Industrial Relations front, including number of people employed;
  - (i) Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor, including:
    - (i) Debtors Turnover
    - (ii) Inventory Turnover
    - (iii) Interest Coverage Ratio
    - (iv) Current Ratio
    - (v) Debt Equity Ratio
    - (vi) Operating Profit Margin (%)
    - (vii) Net Profit Margin (%)
 or sector-specific equivalent ratios, as applicable.

- (j) Details of any change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof.

2. Disclosure of Accounting Treatment:

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction.

**C. Corporate Governance Report**

The following disclosures shall be made in the section on the corporate governance of the annual report.

- (1) A brief statement on listed entity's philosophy on code of governance.
- (2) Board of Directors:
  - (a) composition and category of directors (e.g. promoter, executive, non-executive, independent non-executive, nominee director - institution represented and whether as lender or as equity investor);
  - (b) attendance of each director at the meeting of the board of directors and the last annual general meeting;
  - (c) number of other board of directors or committees in which a directors is a member or chairperson, and with effect from the Annual Report for the year ended 31st March 2019, including separately the names of the listed entities where the person is a director and the category of directorship;
  - (d) number of meetings of the board of directors held and dates on which held;
  - (e) disclosure of relationships between directors inter-se;
  - (f) number of shares and convertible instruments held by non-executive directors;
  - (g) web link where details of familiarisation programmes imparted to independent directors is disclosed;
  - (h) A chart or a matrix setting out the skills/expertise/competence of the board of directors specifying the following:
    - (i) With effect from the financial year ending March 31, 2019, the list of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and
    - (ii) With effect from the financial year ended March 31, 2020, the names of directors who have such skills / expertise/ competence.
  - (i) confirmation that in the opinion of the board, the independent directors fulfill the conditions specified in these regulations and are independent of the management;
  - (j) detailed reasons for the resignation of an independent director who resigns before the expiry of his/ her tenure along with a confirmation by such director that there are no other material reasons other than those provided.
- (3) Audit Committee:
  - (a) brief description of terms of reference;

- (b) composition, name of members and chairperson;
  - (c) meetings and attendance during the year.
- (4) Nomination and Remuneration Committee:
- (a) brief description of terms of reference;
  - (b) composition, name of members and chairperson;
  - (c) meeting and attendance during the year;
  - (d) performance evaluation criteria for independent directors.
- (5) Stakeholders' Relationship Committee:
- (a) name of the non-executive director heading the committee;
  - (b) name and designation of the compliance officer;
  - (c) number of shareholders' complaints received during the financial year;
  - (d) number of complaints not solved to the satisfaction of shareholders;
  - (e) number of pending complaints.
- (5A) Risk Management Committee:
- (a) brief description of terms of reference;
  - (b) composition, name of members and chairperson;
  - (c) meetings and attendance during the year;
- (5B) Senior management:
- Particulars of senior management including the changes therein since the close of the previous financial year.
- (6) Remuneration of Directors:
- (a) all pecuniary relationship or transactions of the non-executive directors vis-a-vis the listed entity shall be disclosed in the annual report;
  - (b) criteria of making payments to non-executive directors. Alternatively, this may be disseminated on the listed entity's website and reference drawn thereto in the annual report;
  - (c) disclosures with respect to remuneration: in addition to disclosures required under the Companies Act, 2013, the following disclosures shall be made:
    - (i) all elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;
    - (ii) details of fixed component and performance linked incentives, along with the performance criteria;
    - (iii) service contracts, notice period, severance fees;
    - (iv) stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.
- (7) General body meetings:
- (a) location and time, where last three annual general meetings held;

- (b) whether any special resolutions passed in the previous three annual general meetings;
  - (c) whether any special resolution passed last year through postal ballot – details of voting pattern;
  - (d) person who conducted the postal ballot exercise;
  - (e) whether any special resolution is proposed to be conducted through postal ballot;
  - (f) procedure for postal ballot.
- (8) Means of communication:
- (a) quarterly results;
  - (b) newspapers wherein results normally published;
  - (c) any website, where displayed;
  - (d) whether it also displays official news releases; and
  - (e) presentations made to institutional investors or to the analysts.
- (9) General shareholder information:
- (a) annual general meeting - date, time and venue;
  - (b) financial year;
  - (c) dividend payment date;
  - (d) the name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such stock exchange(s);
  - (h) in case the securities are suspended from trading, the directors report shall explain the reason thereof;
    - (i) registrar to an issue and share transfer agents;
    - (j) share transfer system;
    - (k) distribution of shareholding;
    - (l) dematerialization of shares and liquidity;
  - (m) outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity;
  - (n) commodity price risk or foreign exchange risk and hedging activities;
  - (o) plant locations;
  - (p) address for correspondence.
  - (q) list of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad.
- (10) Other Disclosures:
- (a) disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large;

- (b) details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;
  - (c) details of establishment of vigil mechanism/ whistle blower policy, and affirmation that no personnel has been denied access to the audit committee;
  - (d) details of compliance with mandatory requirements and adoption of the non-mandatory requirements;
  - (e) web link where policy for determining 'material' subsidiaries is disclosed;
  - (f) web link where policy on dealing with related party transactions is disclosed;
  - (g) disclosure of commodity price risks and commodity hedging activities;
  - (h) details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A);
  - (i) a certificate from a Company Secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority;
  - (j) where the board had not accepted any recommendation of any committee of the board which is mandatorily required, in the relevant financial year, the same to be disclosed along with reasons thereof: Provided that the clause shall only apply where recommendation of / submission by the committee is required for the approval of the Board of Directors and shall not apply where prior approval of the relevant committee is required for undertaking any transaction under these Regulations;
  - (k) total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part;
  - (l) disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:
    - (a) number of complaints filed during the financial year
    - (b) number of complaints disposed of during the financial year
    - (c) number of complaints pending as on end of the financial year
  - (m) disclosure by listed entity and its subsidiaries of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount'. Provided that this requirement shall be applicable to all listed entities except for listed banks.
  - (n) Details of material subsidiaries of the listed entity; including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries.
- (11) Non-compliance of any requirement of corporate governance report of sub-para (2) to (10) above, with reasons thereof shall be disclosed.
- (12) The corporate governance report shall also disclose the extent to which the discretionary requirements as specified in Part E of Schedule II have been adopted.

(13) The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 shall be made in the section on corporate governance of the annual report.

**D. Declaration signed by the chief executive officer stating that the members of Board of Directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.**

**E. Compliance certificate from either the auditors or practicing Company Secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.**

**F. Disclosures with respect to demat suspense account/ unclaimed suspense account**

The listed entity shall disclose the following details in its annual report, as long as there are shares in the demat suspense account or unclaimed suspense account, as applicable :

- (a) aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year;
- (b) number of shareholders who approached listed entity for transfer of shares from suspense account during the year;
- (c) number of shareholders to whom shares were transferred from suspense account during the year;
- (d) aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year;
- (e) that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

**G. Disclosure of certain types of agreements binding listed entities**

- (1) Information disclosed under clause 5A of paragraph A of Part A of Schedule III of these regulations.

### Statement of deviation(s) or variation(s)

As per Regulation 32 of SEBI (LODR) Regulations, 2015, The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc:

- (a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;
- (b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.

The statement(s) shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved and shall be placed before the audit committee for review and after such review, shall be submitted to the stock exchange(s).

The listed entity shall furnish an explanation for such variation in the directors' report in the Annual Report.

The listed entity shall prepare an annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, certified by the statutory auditors of the listed entity, and place it before the audit committee till such time the full money raised through the issue has been fully utilized.

Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement, the listed entity shall submit to the stock exchange(s) any comments or report received from the monitoring agency within forty-five days from the end of each quarter.

Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of public issue or rights issue or preferential issue or qualified institutions placement, the monitoring report of such agency shall be placed before the audit committee on a quarterly basis, promptly upon its receipt.

*Explanation* — For the purpose of sub-regulations (6) and (7), “monitoring agency” shall mean the monitoring agency as specified in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Where an entity has raised funds through preferential allotment or qualified institutions placement, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.

For the purpose of this regulation, any reference to “quarterly/quarter” in case of listed entity which have listed their specified securities on SME Exchange shall respectively be read as “half yearly/half year”.

### Documents & Information to shareholders

According to Regulation 36 of SEBI (LODR) the listed entity shall send the annual report in the following manner to the shareholders:

- (a) Soft copies of full annual report to all those shareholder(s) who have registered their email address(es) either with the listed entity or with any depository.
- (b) A letter providing the web-link, including the exact path, where complete details of the Annual Report is available to those shareholder(s) who have not so registered.
- (c) Hard copy of full annual report to those shareholders, who request for the same.

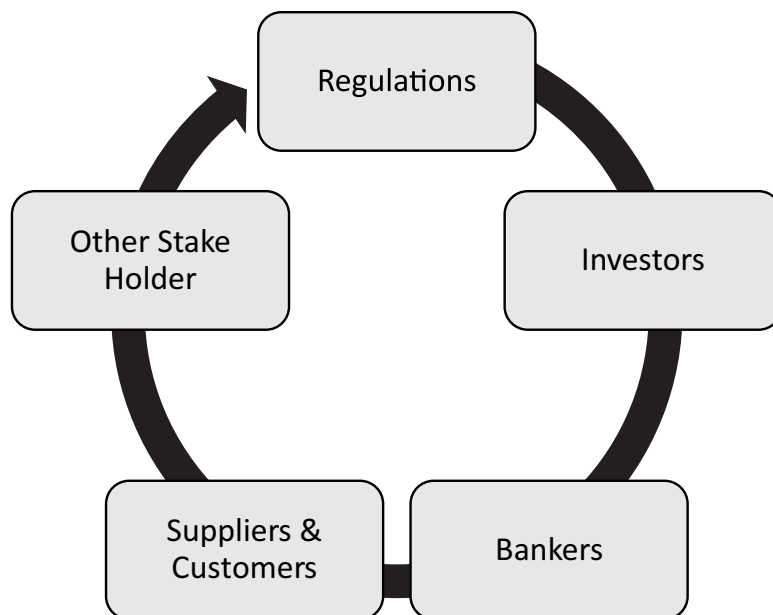
## 2. BOARD'S REPORT

The Board's Report is the most important means of communication by the Board of Directors of a company with its shareholders. It is a comprehensive document which serves to inform the shareholders about the performance and various other aspects of the company, its major policies, relevant changes in management, future programmes of expansion, modernization and diversification, capitalization or reserves, etc. The Board's Report enables not only the shareholders but also the lenders, bankers, government and the public to make an appraisal of the company's performance and provides an insight into the future growth and profitability of the company.

The Companies Act, 2013 is based on enhanced disclosures and transparency. The Board's Report is a document, preparation of which requires thorough understanding of the subject. The Act requires the Board of Directors to disclose on various parameters including the risk management, board evaluation, implementation of Corporate Social Responsibility, a statement of declaration given by independent directors. The Secretarial Audit Report is also required to be annexed to the Board's Report.

It is mandatory for the Board of Directors of every company to present financial statement to the shareholders along with its report, known as the “Board's Report” at every annual general meeting. Apart from giving a complete review of the performance of the company for the year under report, material changes till the date

of the report, the report highlights the significance of various national and international developments which can have an impact on the business and indicates the future strategy of the company. The Board's Report enables shareholders, lenders, bankers, government, prospective investors, all the stakeholders and the public to make an appraisal of the company's performance and reflects the level of corporate governance in the company.



#### Practical Issues

The Board's Report is prepared by Secretarial Department under the supervision and guidance of Company Secretary. It is of utmost importance for Company Secretary of a company that when new financial year begins, he sends to all branches of business, finance, accounts etc.

A detailed **"To Do List"** that these branches of business must follow during the financial year. It should also consist of instruction that as and when any significant event or happening takes place that potentially has bearing on company's business, operations, future viability, profits etc, it must be reported forthwith. This will enable to make timely disclosure within 24 hours, if the event is covered u/r 30 of SEBI (LODR), 2015. Else, a noting will go to the AGM folder for reference when the Annual Report is being finalized.

Getting regular inputs and collecting them in AGM folder is important for ensuring preparation of an exhaustive and complete Board's Report without missing any reportable event. Every CS should inculcate the habit and remember that preparation of Annual Report / Board's Report is an ongoing project throughout the year. When the year is about to close or soon thereafter, a reminder should also go.

The matters to be included in the Board's Report have been specified in Section 134 of the Companies Act, 2013 and Rule 8 of the Companies (Accounts) Rules, 2014. Apart from this, under Sections 67, 92, 129, 131, 135, 149, 160, 168, 177, 178, 188, 197, 204 of the Companies Act, 2013, relevant information has to be disclosed in the Board's Report. The Board's Report of companies whose shares are listed on a stock exchange must include additional information as specified in the SEBI (LODR) Regulations, 2015.

**DISCLOSURE IN BOARD'S REPORT PURSUANT TO COMPANIES ACT, 2013**

Disclosures under Section 134(3)	Issue of Equity Shares with differential rights under Section 43 r/w Rule 4 of the Companies (Share Capital & Debentures) Rules, 2014	Issue of Sweat Equity Shares under Section 54 r/w Rule 8 of the Companies (Share Capital & Debentures) Rules, 2014
Details of Employees Stock Option Scheme- Section 62(l)(b) r/w Rule 12(9) of the Companies (Share Capital & Debentures) Rules, 2014	Restrictions on purchase by company or giving of loans by it for under Section 67 r/w Rule 16 of the Companies (Share Capital & Debentures) Rules, 2014	Disclosures pertaining to Consolidated Financial Statements under Section 129
Voluntary revision of Financial Statements or Board's Report - Section 131(1)	Corporate Social Responsibility — Section 135	Appointment/ Re-Appointments of an Independent Director - Section 149(10)
Resignation of Director- Section 168(1)	Composition of Audit Committee - Section 177(8)	Details of Vigil Mechanism - Section 177(10)
Policy relating to the remuneration for the directors, key managerial personnel and other employees - Section 178(4)	Related party transactions- Section 188(2)	Disclosures pertaining to remuneration of directors and employees - Section 197(12)
Remuneration received by MD Remuneration received by MD and WTD from holding or subsidiary companies - Section 197(14)	Secretarial Audit Report — Section 204(1)	

**Secretarial Standard on Report of the Board of Directors” (SS-4)**

The “Secretarial Standard on Report of the Board of Directors” (SS-4), formulated by the Secretarial Standards Board (SSB) of the Institute of Company Secretaries of India (ICSI) and issued by the Council of the ICSI, has been effective from 1st October, 2018. Adherence to SS-4 is recommendatory. SS-4 prescribes a set of principles for making disclosures in the Report of the Board of Directors of a company and matters related thereto. SS-4 is in conformity with the provisions of the Companies Act, 2013. This Standard is in conformity with the provisions of the Act. However, if due to subsequent changes in the Act, any part of this Standard becomes inconsistent with the Act, the provisions of the Act shall prevail.

For example, SS-4 provides that even if no amount is proposed to be transferred to reserves, or if no dividend has been recommended by the Board, a statement to that effect should be included in the Board's Report. The purpose of this requirement is to ensure the inclusion of certain important information that should be presented to the stakeholders in a single document.

The lesson sets out the explanations, procedures and practical aspects in respect of the provisions contained in SS-4 to facilitate compliance thereof by the stakeholders.

In addition to the disclosure requirements prescribed in this Standard, some sector specific Regulations/Guidelines may require additional disclosures to be made in the Board's Report/Annual Report of companies operating in specific sectors such as Public Sector Undertakings (PSUs), Insurance Companies, Non-Banking Financial Companies, Housing Finance Companies etc. Hence, such companies should make requisite disclosures in accordance with applicable sector specific Regulations/Guidelines in its Board's Report/Annual Report.

### Disclosures under Section 134(3)

Section 134 of the Act enjoins upon the Board a responsibility to make out its report to the shareholders and attach the said report to financial statements laid before the shareholders at the annual general meeting, in pursuance of Section 129 of the Act.

The Board's Report shall be prepared based on the stand alone financial statements of the company and shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report.

In terms of Sub-section (3) of Section 134, the Board's Report shall include:

- (a) **The web address**, if any, where annual return referred to in sub-section (3) of section 92 has been placed;
- (b) **Number of meetings of the Board:** Board's Report should contain total number of Board Meetings held during the year;

*According to SS-4, the number and dates of meetings of the Board held during the year shall be disclosed in the Report.*

- (c) **Directors' Responsibility Statement:** Section 134(5) of the Act specifically provides that the Directors' Responsibility Statement shall set out the following affirmations:
  - (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
  - (ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
  - (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
  - (iv) the directors had prepared the annual accounts on a going concern basis; and
  - (v) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
  - (vi) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

*Explanation* – The term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

In the matter of Cambridge Technology Enterprises Ltd., CA NO. 59/621A/HDB/2016, NCLT-Hyderabad, it was held that where company did not follow accounting standards in preparation of annual account as stated in Director’s Responsibility statement, hence, violated provision of section 217, on company’s application, compounding was allowed subject to payment of compounding fees.

**(ca) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government:**

- Nature of Fraud with description;
- Approximate Amount involved;
- Parties involved, if remedial action not taken; and
- Remedial action taken.

The auditor shall report the matter related to details of frauds under sub-section (12) of section 143 to the Central Government involving an amount of Rupees One Crore or above.

**(d) A statement on declaration given by independent directors under sub-section (6) of section 149:**

Every Independent Director shall give a declaration that he meets the criteria of independence laid down in sub-section (6) of section 149, which is to be given by him at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director. The Board’s Report should contain a statement to the effect that the independent directors have given such a declaration.

**SS-4 provides that Board’s Report should include a statement to the effect:**

- (a) that necessary declaration with respect to independence has been received from all the Independent Directors of the company;
- (b) that the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

**(e) Company’s policy on directors’ appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178:** The Board’ Report of companies which are required to constitute Nomination and Remuneration Committee shall include:

- criteria for determining qualifications,
- positive attributes and independence of a director, and
- recommend to the Board a policy relating to the remuneration of directors, Key Managerial Personnel and other employees.

Section 178(4) provides that the Nomination and Remuneration Committee shall formulate and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. Such policy shall ensure that –

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

Such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's Report.

**Exceptions:**

Government companies are given certain exemptions from the contents of the Board's report vide notification G.S.R. 463 (E) dated 05.06.2015. Clause (e) of sub-section (3) of section 134 which deals with policy of appointment and remuneration of directors does not apply to such companies. Further, clause (p) dealing with formal evaluation of performance of board or its committees does not apply if the directors are evaluated by the evaluation methodology used by the Department or Ministry of State or Central Government, as the case may be, which is administratively in charge of the company.

In case of an unlisted public/private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (3) of this section will be applicable with modification such that if any information listed in this sub-section is provided in the financial statement, the company may not include such information in the report of the Board of Directors (Notification No. GSR 8(E), dated 4-1-2017).

**(f) Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –**

- **Auditor's report under section 143:** Clause (h) of Section 143(3) provides that the auditor's report shall state any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith.
- **Cost Audit Report under section 148:** Section 148(5) of the Act and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 provides that the rights, duties and obligations applicable to the Auditor under Chapter X of the Act shall mutatis mutandis apply to a cost auditor appointed under Section 148 of the Act. It also provides that the cost auditor shall submit his report to the Board of Directors of the company. The cost auditor's report shall also state any qualification, reservation or adverse remark relating to the maintenance of cost accounts and other matters connected therewith.
- **Secretarial Audit Report under Section 204(3):** Section 204(3) of the Act provides that the Board of Directors, in their report made in terms of sub-section (3) of section 134, shall explain in full any qualification or observation or other remarks made by the Company Secretary in practice in his secretarial audit report. Thus, the Board should state detailed explanation in its Board's Report for all the observations and qualifications given by the Secretarial auditor in his secretarial audit report including the reasons for such material deviations and reasons that led to such deviations.

- (g) **Particulars of loans, guarantees or investments under section 186:** The particulars of loans given, guarantees provided or investments in securities and acquisition made during the year under section 186 of the Act should be attached to the Board's Report.
- (h) **Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form;** The Report of the Board shall contain the details of contracts or arrangements entered with Related Parties as referred to in Section 188 (1) in Form AOC-2 pursuant to Rule 8(2) of Companies (Accounts) Rules, 2014.
- (i) **The state of the company's affairs:** Information and data which are usually considered pertinent and necessary for the purpose of a proper appreciation of the state of affairs of a company relating to the period for which the financial statements have been prepared must be disclosed in the report. Relevant changes which have occurred, as compared to the position as stated in the previous year's Board's Report which have a material bearing on the performance of the company should be indicated in the Board's Report.

The figures of the previous year relating to achievement of targets of production and sales should also be given in the Board's Report to facilitate comparison and the reasons for any substantial deviation there from should be explained in brief.

- (j) **The amounts, if any, which it proposes to carry to any reserves:** A company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company. If no amount is proposed to be transferred to reserves, a statement to that effect shall be included.

**Illustration:**

If no amount is transferred to the Reserves, the following statement be included in the Report:

"The Board of Directors of your company, has decided not to transfer any amount to the Reserves for the year under review."

- (k) **The amount, if any, which it recommends should be paid by way of dividend:** The Board's Report shall disclose the amount per share and the percentage which the Board recommends to be paid as dividend under section 123 of the Act.

According to SS-4, following should be disclosed in the Board's Report:

- a. The amount and the percentage of interim dividend declared, if any, during the year.
- b. The total amount of dividend for the year.
- c. A statement on compliance with the Dividend Distribution Policy, if applicable, and the reasons for deviation and the rationale for additional parameters considered, if any.
- d. Payment of dividend from reserves.

In case no dividend has been recommended by the Board, a statement to that effect shall be made in Board's Report as good governance practice.

- (l) **Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report:** The Board's Report should include material changes and commitments, if any, affecting the financial position of the company and occurring between end of the financial year and the date of the report. The Directors' Report should, therefore, contain material changes pertaining to post-financial statement events impacting the operations and performance of the

Company.

- (m) The conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as prescribed:

Rule 8(3) of the Companies (Accounts) Rules, 2014, prescribes the following details:

**A. Conservation of energy**

- (i) the steps taken or impact on conservation of energy;
- (ii) the steps taken by the company for utilising alternate sources of energy;
- (iii) the capital investment on energy conservation equipment.

**B. Technology absorption**

- (i) the efforts made towards technology absorption;
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year):
  - (a) the details of technology imported;
  - (b) the year of import;
  - (c) whether the technology been fully absorbed;
  - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
- (iv) the expenditure incurred on Research and Development.

**C. Foreign exchange earnings and Outgo: The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.**

***Exemptions:***

The requirement of furnishing information and details under Rule 8(3) of the Companies (Accounts) Rules, 2014 shall not apply to a Government company engaged in producing defence equipment.

***Illustration:***

If there are no such disclosures applicable to a company, a statement should be disclosed in the Report as under:

“Disclosures pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo, are not applicable to your company during the year under review.”

- (n) **A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company:** The company should provide about the overall risk management framework of the company, whether it has constituted risk management committee, the risk management policy of the company, the possible risks and steps taken to mitigate those risks in this section.

- (o) **Details about the policy developed and implemented by the company on Corporate Social Responsibility initiatives taken during the year:** Section 135(4) of the Act provides that the Board of every company having net worth of Rs. 500 Crores or more or turnover of Rs. 1,000 Crores or more or net profit of Rs. 5 Crores or more during the immediately preceding financial year shall disclose contents of Corporate Social Policy in its report and also place it on the company's website.

Further, Section 135(2) requires that the composition of the CSR Committee shall be disclosed in the Board's Report.

The Board of every company referred to in Section 135 (1) of the Companies Act, 2013, shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

However, if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

#### Preparation of CSR Report

It is mandatory to include an Annual Report on CSR in the prescribed format, in the Board's report of the Company. The report containing the details of CSR Activities undertaken by the company and contents of CSR policy shall be made available on Company's website.

- **Directors Report:**

The Company shall annex with its Board Report an annual report on CSR containing particulars specified in Annexure I (for F.Y. Commenced Prior To 1st day of April, 2020) or Annexure II (w.e.f. F.Y. Commencing on or after 1st day of April, 2020), as applicable.

- **In case of a Foreign Company:**

The Balance sheet filed u/s 381(1) (b) of the Companies Act, 2013 shall contain an annual report on CSR containing particulars specified in Annexure I (for F.Y. Commenced prior to 1st day of April, 2020) or Annexure II (w.e.f. F.Y. Commencing on or after 1st day of April, 2020), as applicable.

#### Impact Assessment for big CSR projects

- Companies with average CSR obligation of 10 Crore or more in the three immediately preceding financial years shall undertake impact assessment through an independent agency for CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study..
- The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or ₹ 50 Lakh, whichever is higher.

- (p) **Board evaluation:** Section 134 of the Act read with Rule 8(4) of the Companies (Accounts) Rules, 2014 provides that every listed company and every other public company having a paid up share capital of twenty five crore rupees or more calculated at the end of the preceding financial year shall include, in the report by its Board of directors, a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made.

**Exceptions:**

1. In case Government company - clause [e] of Sub-section [3] of Section 134 shall not apply.- Notification dated 5th June, 2015.
2. In case of Government company- clause [p] of Sub-section [3] of Section 134 shall not apply, in case the directors are evaluated by the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government, as per its own evaluation methodology- Notification dated 5th June, 2015.

In case of Specified IFSC Public Company/Specified IFSC Private Company- In Sub-section [3] of section 134, following proviso shall be inserted as per Notification Dated 4th January, 2017.

“if any information listed in this sub-section is provided in the financial statement the company may not include such information in the report of the Board of Directors’.

- (o) Such other matters as prescribed: -

Rule 8(5) of the Companies (Accounts) Rules, 2014, prescribes that the Board’s Report shall also include following matters -

- (i) The financial summary or highlights;

The financial summary and highlights thereof should be accompanied by the macro-economic, geo-political, financial, industry specific as well as any company specific information affecting the business of the company and the market in which it operates, along with the industry performance vis-à-vis the company’s performance.

In case the company has commenced any new business or discontinued/sold or disposed off any of its existing businesses or hived off any segment or division during the year, the Report shall disclose the details of the same highlighting the key focus areas.

- (ii) The change in the nature of business, if any;
- (iii) The details of directors or key managerial personnel who were appointed or have resigned during the year;

A statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year;

**As per SS-4, the disclosure shall include the following:**

- (a) names of the persons who have been appointed / ceased to be Directors and/or Key Managerial Personnel of the company:
  - (i) during the year;
  - (ii) after the end of the year and up to the date of the Report;
- (b) mode of such appointment/cessation;
- (c) names of the Directors retiring by rotation at the ensuing annual general meeting and whether or not they offer themselves for re-appointment.

*Explanation.*-For the purposes of this clause, the expression “proficiency” means the proficiency

- of the independent director as ascertained from the online proficiency self-assessment test conducted by the institute notified under sub-section (1) of section 150.
- (iv) The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;
  - (v) The details relating to deposits, covered under Chapter V of the Act,-
    - (a) accepted during the year;
    - (b) remained unpaid or unclaimed as at the end of the year;
    - (c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved—
      - at the beginning of the year;
      - maximum during the year;
      - at the end of the year.
  - (vi) The details of deposits which are not in compliance with the requirements of Chapter V of the Act;
  - (vii) The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;
  - (viii) The details in respect of adequacy of internal financial controls with reference to the financial statements;
  - (ix) A disclosure, as to whether maintenance of cost records as specified by the Central Government under sub- section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained;
  - (x) a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013;
  - (xi) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year along with their status as at the end of the financial year;
  - (xii) the details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.

Where disclosures referred to in sub-section (3) of Section 134 of the Companies Act,2013 have been included in the financial statements, such disclosures shall be referred to instead of being repeated in the Board's Report.

Further, where the policy referred to in clause (e) or clause (o) of sub-section (3) of Section 134 of the Companies Act,2013 is made available on company's website, if any, it shall be sufficient compliance of the requirements under such clauses if the salient features of the policy and any change therein are specified in brief in the Board's Report and the web-address is indicated therein at which the complete policy is available.

**Rule 8 of the Companies (Accounts) Rules, 2014 shall not apply to One Person Company or Small Company.**

The Central Government has been empowered to prescribe an abridged Board's report, for the purpose of compliance with section 134 of the Companies Act, 2013 by One Person Company or Small Company.

**Abridged Board Report for OPC and Small Company**

Rule 8A of the Companies (Accounts) Rules, 2014, prescribes the Matters to be included in Board's Report for One Person Company and Small Company.

1. The Board's Report of One Person Company and Small Company shall be prepared based on the stand alone financial statement of the company, which shall be in abridged form and contain the following:-
  - (a) the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed;
  - (b) number of meetings of the Board;
  - (c) Directors' Responsibility Statement as referred to in sub-section (5) of section 134;
  - (d) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government;
  - (e) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report;
  - (f) the state of the company's affairs;
  - (g) the financial summary or highlights;
  - (h) material changes from the date of closure of the financial year in the nature of business and their effect on the financial position of the company;
  - (i) the details of directors who were appointed or have resigned during the year;
  - (j) the details or significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.
2. The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2.

**Disclosures pertaining to Issue of Equity Shares with differential rights**

Section 43 of the Act provides that a company limited by shares can issue equity shares with differential rights as to dividend, voting or otherwise in accordance with rules prescribed under Rule 4 of the Companies (Share Capital and Debentures) Rules, 2014.

Rule 4(4) of the Companies (Share Capital and Debentures) Rules, 2014, provides that the Board of Directors shall, *inter alia*, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights as to dividend, voting or otherwise was completed, the following details, namely:-

- (a) total number of shares allotted with differential rights;
- (b) details of the differential rights relating to voting rights and dividends;
- (c) percentage of shares with differential rights to the total post-issue equity share capital with differential rights issued at any point of time and percentage of voting rights which the equity share capital with differential voting rights shall carry to the total voting rights of the aggregate equity share capital;
- (d) price at which such shares have been issued;
- (e) particulars of promoters, directors or key managerial personnel to whom such shares are issued;

- (f) change in control, if any, in the company consequent to the issue of equity shares with differential voting rights;
- (g) diluted Earnings Per Share pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards;
- (h) pre and post issue shareholding pattern along with voting rights shall be in the format specified as per rule 4.

### Disclosures pertaining to Issue of Sweat Equity Shares

Section 54(1)(d) of the Act provides that where the equity shares of the company are listed on a recognized stock exchange, the sweat equity shares are issued in accordance with the regulations made by the SEBI and if they are not so listed, the sweat equity shares are issued in accordance with Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014.

In terms of Rule 8 of Companies (Share Capital and Debentures) Rules, 2014, the Board of Directors shall, inter alia, disclose in the Directors' Report for the year in which such shares are issued, the following details of issue of sweat equity shares namely:-

- (a) the class of director or employee to whom sweat equity shares were issued;
- (b) the class of shares issued as Sweat Equity Shares;
- (c) the number of sweat equity shares issued to the directors, key managerial personnel or other employees showing separately the number of such shares issued to them, if any, for consideration other than cash and the individual names of allottees holding one percent or more of the issued share capital;
- (d) the reasons or justification for the issue;
- (e) the principal terms and conditions for issue of sweat equity shares, including pricing formula;
- (f) the total number of shares arising as a result of issue of sweat equity shares;
- (g) the percentage of the sweat equity shares of the total post issued and paid up share capital;
- (h) the consideration (including consideration other than cash) received or benefit accrued to the company from the issue of sweat equity shares;
- (i) the diluted Earnings Per Share (EPS) pursuant to issuance of sweat equity shares.

### Disclosures of Details of Employees Stock Option Scheme - Section 62(1)(b)

Section 62(1)(b) of the Act read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 provides that the Board of directors, shall, inter alia, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- (a) options granted;
- (b) options vested;
- (c) options exercised;
- (d) the total number of shares arising as a result of exercise of option;
- (e) options lapsed;
- (f) the exercise price;

- (g) variation of terms of options;
- (h) money realized by exercise of options;
- (i) total number of options in force;
- (j) employee wise details of options granted to:
  - (i) key managerial personnel;
  - (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year;
  - (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

#### **Disclosures pertaining to Restrictions on purchase by company or giving of loans by it for purchase of its shares – Section 67**

Proviso to Section 67(3) read with Rule 16(4) of Companies (Share Capital and Debentures) Rules, 2014 provides that where the voting rights are not exercised directly by the employees in respect of shares to which the scheme for provision of money for purchase of or subscription for shares by employees or by trustees for the benefit of employees relates, the Board of Directors shall, inter alia, disclose in the Board's Report for the relevant financial year the following details, namely:-

- (a) the names of the employees who have not exercised the voting rights directly;
- (b) the reasons for not voting directly;
- (c) the name of the person who is exercising such voting rights;
- (d) the number of shares held by or in favour of, such employees and the percentage of such shares to the total paid up share capital of the company;
- (e) the date of the general meeting in which such voting power was exercised;
- (f) the resolutions on which votes have been cast by persons holding such voting power;
- (g) the percentage of such voting power to the total voting power on each resolution;
- (h) whether the votes were cast in favour of or against the resolution.

#### **Disclosures pertaining to Consolidated Financial Statements**

Rule 8(1) of the Companies (Accounts) Rules, 2014 specifies that the Board's Report:

- shall be prepared on the basis of standalone financial statements of the company; and
- shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report.

Proviso to Section 129(3) read with Rule 5 of the Companies (Accounts) Rules, 2014 states that the company shall also attach along with its financial statement a separate statement containing the salient features of the financial statements of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures in Form AOC-1.

Now having discussed about the Board Disclosures, the ensuing paragraphs focus on Website Disclosure.

**WEBSITE DISCLOSURE**

Companies Act, 2013 does not mandate companies to have an active website, but SEBI (LODR) Regulations, 2015 requires the listed entity shall maintain a functional website containing the basic information about the listed entity.

As per Regulation 46 of the SEBI (LODR) Regulation, 2015, the listed entity shall disseminate the following information under a separate section on its website :

- (a) details of its business;
- (aa) Memorandum of Association and Articles of Association;
- (ab) Brief profile of board of directors including directorship and full-time positions in body corporates;
- (b) terms and conditions of appointment of independent directors;
- (c) composition of various committees of board of directors;
- (d) code of conduct of board of directors and senior management personnel;
- (e) details of establishment of vigil mechanism/ Whistle Blower policy;
- (f) criteria of making payments to non-executive directors, if the same has not been disclosed in annual report;
- (g) policy on dealing with related party transactions;
- (h) policy for determining 'material' subsidiaries;
- (i) details of familiarization programmes imparted to independent directors including the following details:-
  - (i) number of programmes attended by independent directors (during the year and on a cumulative basis till date);
  - (ii) number of hours spent by independent directors in such programmes (during the year and on cumulative basis till date); and
  - (iii) other relevant details.
- (j) the email address for grievance redressal and other relevant details;
- (k) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
- (l) financial information including:
  - (i) notice of meeting of the board of directors where financial results shall be discussed;
  - (ii) financial results, on conclusion of the meeting of the board of directors where the financial results were approved;
  - (iii) complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc.
- (m) shareholding pattern;
- (n) details of agreements entered into with the media companies and/or their associates, etc;
- (o) schedule of analyst or institutional investor meet at least two working days in advance (excluding the date of the intimation and the date of the meet);

- (i) group meetings or group conference calls conducted physically or through digital means;
  - (ii) Presentations prepared by the listed entity for analysts or institutional investors meet, post earnings or quarterly calls prior to beginning of such events.
- (oa) Audio recordings, video recordings, if any, and transcripts of post earnings or quarterly calls, by whatever name called, conducted physically or through digital means, in the following manner:
- i. The audio 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;
  - ii. the video recordings, if any, shall be made available on the website within forty-eight hours from the conclusion of such calls;
  - iii. the transcripts of such calls shall be made available on the website along with simultaneous submission to recognized stock exchanges within five working days of the conclusion of such calls:
- it may be noted that—
- (a) The information under sub-clause (i) and (ii) of this clause shall be hosted on the website of the listed entity for a minimum period of two years and thereafter as per the preservation policy of the listed entity in terms of clause(b) of regulation 9.
  - (b) The information under sub-clause (iii) of this clause shall be hosted on the website of the listed entity for a minimum period of five years and preserved in accordance with clause (b) of regulation 9.
- (p) new name and the old name of the listed entity for a continuous period of one year, from the date of the last name change;
- (q) items in sub-regulation (1) of regulation 47;
- (r) With effect from October 1, 2018, all credit ratings obtained by the entity for all its outstanding instruments, updated immediately as and when there is any revision in any of the ratings;
- (s) separate audited financial statements of each subsidiary of the listed entity in respect of a relevant financial year, uploaded at least 21 days prior to the date of the annual general meeting which has been called to inter-alia consider accounts of that financial year;

Provided that, a listed entity, which has a subsidiary incorporated outside India—

- (i) where such subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, the requirement of this proviso shall be met if consolidated financial statement of such subsidiary is placed on the website of the listed entity;
  - (ii) where such subsidiary is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the holding Indian listed entity may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website;
- (t) secretarial compliance report as per sub-regulation (2) of regulation 24A of these regulations;
- (u) disclosure of the policy for determination of materiality of events or information required under clause (ii), sub-regulation (4) of regulation 30 of these regulations;

- (v) disclosure of contact details of key managerial personnel who are authorized for the purpose of determining materiality of an event or information and for the purpose of making disclosures to stock exchange(s) as required under sub-regulation (5) of regulation 30 of these regulations;
- (w) disclosures under sub-regulation (8) of regulation 30 of these regulations;
- (x) statements of deviation(s) or variation(s) as specified in regulation 32 of these regulations;
- (y) dividend distribution policy by listed entities based on market capitalization as specified in sub-regulation (1) of regulation 43A;
- (z) annual return as provided under section 92 of the Companies Act, 2013 and the rules made thereunder.
- (za) Employee Benefit Scheme Documents, excluding commercial secrets and such other information that would affect competitive position of the listed entity, framed in terms of the provisions of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021:

Provided that redaction of information under clause (za) above from the Employee Benefit Scheme document shall be approved by the board of directors of the listed entity and shall be in compliance with guidelines as may be specified by the Board:

Provided that for the purpose of compliance with this sub-regulation, the listed entity may provide the exact link to the webpage of each of the recognized stock exchanges where such information has already been made available by the listed entity.

The listed entity shall ensure that the contents of the website are correct and shall update any change in the content of its website within two working days from the date of such change in content.

**Items required to be hosted on website as per Regulation 62 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

- (a) details of its business;
- (aa) composition of the Board;
- (b) financial information including:
  - (i) notice of meeting of the board of directors where financial results shall be discussed;
  - (ii) financial results, on the conclusion of the meeting of the board of directors where the financial results were approved;
  - (iii) complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc;
- (c) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;
- (d) email address for grievance redressal and other relevant details;
- (e) name of the debenture trustees with full contact details;
- (f) the information, report, notices, call letters, circulars, proceedings, etc. concerning non-convertible redeemable preference shares or non-convertible debt securities;
- (g) all information and reports including compliance reports filed by the listed entity;
- (h) information with respect to the following:
  - (i) default by issuer to pay interest or redemption amount;

- (ii) failure to create a charge on the assets;
- (i) all credit ratings obtained by the entity for all its listed non-convertible securities, updated immediately upon any revision in the ratings;
- (j) statements of deviation(s) or variation(s) as specified in sub-regulation (7) and sub-regulation (7A) of regulation 52 of these regulations;
- (k) annual return as provided under section 92 of the Companies Act, 2013 and the rules made thereunder.

The listed entities to whom regulations 15 to regulation 27 are applicable shall also make the following additional disclosures on their website:

- (a) composition of the various committees of the board of directors;
- (b) terms and conditions of appointment of independent directors;
- (c) code of conduct of the board of directors and senior management personnel;
- (d) details of establishment of vigil mechanism/ whistle blower policy;
- (e) criteria of making payments to non-executive directors, if the same has not been disclosed in the annual report;
- (f) secretarial compliance report as per sub-regulation (2) of regulation 24A of these regulations;
- (g) policy on dealing with related party transactions;
- (h) policy for determining 'material' subsidiaries;
- (i) details of familiarization programmes imparted to independent directors including the following details:-
  - (i) number of programmes attended by the independent directors (during the year and on a cumulative basis till date),
  - (ii) number of hours spent by the independent directors in such programmes (during the year and on cumulative basis till date), and
  - (iii) other relevant details.

The listed entity shall update any change in the content of its website within two working days from the date of such change in content.

It is important that the listed entity ensures the contents of the website are correct and updated at any given point of time.

### Disclosures under Companies Act, 2013 & Rules made thereunder

#### 1. Information Pertaining to Registered Office [Section 12(3)(c)]

Every Company must get its name, address of its registered office and the Corporate Identity Number along with telephone number, fax number, if any, e-mail id and website address, if any, printed on its letterheads, business letters, billheads, letter papers and in all its notices and other official publications.

#### 2. Change of Object for raising money through Prospectus [Section 13(8)(i)]

A company which has raised money by issuing prospectus and has still some unutilized amount of the money so raised shall not change its objects for which it raised money through the prospectus unless a special resolution is passed by the company through postal ballot. The details in respect of such a resolution as prescribed shall be published on the Website of the company, if any, indicating therein the justification for such change.

**3. Unpaid Dividends [Section 124(2)]**

A company after transferring the amount of unpaid dividends to a separate bank account of “Unpaid Dividend Account” will have to prepare a statement containing the shareholder’s names, their last known addresses, and the unpaid dividend to be paid to them and place it on the company’s Website, if any.

Capital Reconciliation Audit Report to be submitted to stock exchanges on quarterly basis, in Any Other Information Section, should contain the amount of Unpaid Dividend transferred to Investor Education and Protection Fund during the quarter under report.

**4. Corporate Social Responsibility [Section 135(4)(a)]**

The Board of every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year, shall after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company’s website, if any, in such manner as may be prescribed under Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014.

**5. Placing of financial statements and other documents of a listed company on the website [Section 136(1)]**

A listed company shall also place its financial statements including consolidated financial statements, if any, auditor’s report and all other documents required by law to be attached thereto, on its website, which is maintained by or on behalf of the company. Every listed company having a subsidiary or subsidiaries shall place separate audited accounts in respect of each of its subsidiary on its website, if any.

Provided also that a listed company which has a subsidiary incorporated outside India (herein referred to as “foreign subsidiary”) –

- (a) where such foreign subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, the requirement of this proviso shall be met if consolidated financial statement of such foreign subsidiary is placed on the website of the listed company;
- (b) where such foreign subsidiary is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the holding Indian listed company may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website.

**6. Vigil Mechanism in Audit Committee for Listed Companies and other Prescribed Companies [Proviso to Section 177(10)]**

Section 177(9) of the Act, pertaining to setting up of vigil mechanism which shall provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases. Provided that the details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board’s Report.

**7. Nomination and Remuneration Policy**

The Nomination and Remuneration Committee shall formulate the criteria and policy for determining qualifications, positive attributes and independence of a director.

Provided that such policy shall be placed on the website of the company, if any, and the salient features

of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's Report. [Proviso to Section 178(4)].

**8. Compromises, Arrangements and Amalgamation [Proviso to Section 230(3)]**

A notice of meeting ordered by the Tribunal for the purpose of Compromise and Arrangements must be served upon the Creditors or class of Creditors, Shareholders or Debenture holders and other members. Such notice should also be published on the Website of the Company, if any.

**9. Code for Independent Directors [Schedule IV]**

The terms and conditions of appointment of independent directors shall also be posted on company's website.

**10. Notice of candidature of a person for directorship [Rule 13(2) of the companies (Appointment and Qualification of Directors) Rules, 2014]**

The company shall, at least seven days before the general meeting, inform its members of the candidature of a person for the office of a director or the intention of a member to propose such person as a candidate for that office by placing notice of such candidature or intention on the website of the company, if any.

**11. Notice of resignation of director [Rule 15 of the Companies (Appointment and Qualification of Directors) Rules, 2014]**

The Company shall within thirty days from the date of receipt of notice of resignation from a director, intimate the Registrar in Form DIR-12 and post the information on its website, if any.

**12. Form and particulars of advertisement or circulars [Rule 4(3) of the Companies (Acceptance of Deposits) Rules, 2014]**

Every company inviting deposits from the public shall upload a copy of the circular on its website, if any.

**13. Variation of terms of contracts referred to in the prospectus or objects for which prospectus was issued [Rule 7(3) of the Companies (Prospectus and Allotment of Securities) Rules, 2014]**

The notice shall also be placed on the website of the company, if any.

**14. Other compliances for conversion of section 8 companies to any other kind [Rule 22(1)(b) of the Companies (Incorporation) Rules, 2014]**

The Company shall, within a week from the date of submitting the application to the Regional Director, publish a notice at its own expense, and a copy of the notice in Form No. INC. 19, shall be sent forthwith to the Regional Director and the said notice shall be published on the website of the company, if any, and as may be notified or directed by the Central Government.

**15. Change of objects for which money is raised through prospectus [Rule 32(3) of the Companies (Incorporation) Rules, 2014]**

Where there is change of objects for which money is raised through prospectus, a notice shall also be placed on the website of the company, if any pertaining to the same.

**16. Closure of register of members or debenture holders or other security holders [Rule 10(1) of the Companies (Management and Administration) Rules, 2014]**

A company closing the register of members or the register of debenture holders or the register of other security holders shall give at least seven days previous notice and in such manner, as may be specified by Securities and Exchange Board of India, if such company is a listed company or intends to get its securities listed, by advertisement at least once in a vernacular newspaper in the principal vernacular language of the district and having a wide circulation in the place where the registered office of the

company is situated, and at least once in English language in an English newspaper circulating in that district and having wide circulation in the place where the registered office of the company is situated and publish the notice on the website as may be notified by the Central Government and on the website, if any, of the Company.

**17. Notice of meeting [Rule 18(3)(ix) of the Companies (Management and Administration) Rules, 2014]**

The notice of the general meeting of the company shall be placed on the website of the Company, if any and on the website as may be notified by the Central Government.

**18. Voting through electronic means [Rule 20(4)(ii) of the Companies (Management and Administration) Rules, 2014]**

The notice of voting through electronic means shall also be placed on the website of the company, if any and of the agency forthwith after it is sent to the members.

**19. Voting through Electronic Means [Rule 20(4)(xvi) of the Companies (Management and Administration) Rules, 2014]**

The results declared along with the report of the scrutiniser shall be placed on the website of the company, if any, and on the website of the agency immediately after the result is declared by the Chairman :

Provided that in case of companies whose equity shares are listed on a recognised stock exchange, the company shall, simultaneously, forward the results to the concerned stock exchange or exchanges where its equity shares are listed and such stock exchange or exchanges shall place the results on its or their website.

**20. Procedure to be followed for conducting business through postal ballot [Rule 22(4) of the Companies (Management and Administration) Rules, 2014]**

The notice of the postal ballot shall also be placed on the website of the company forthwith after the notice is sent to the members and such notice shall remain on such website till the last date for receipt of the postal ballots from the members.

**21. Postal Ballot [Rule 22(13) of the Companies (Management and Administration) Rules, 2014]**

The results of the poll shall be declared by placing it, along with the scrutinizer's report, on the website of the company.

**22. Special notice [Rule 23(4) of the Companies (Management and Administration) Rules, 2014]**

Where it is not practicable to give the notice in the same manner as the company gives it notice of any general meetings, the notice shall be published in English language in English newspaper and in vernacular language in a vernacular newspaper, both having wide circulation in the State where the registered office of the Company is situated and such notice shall also be posted on the website, if any, of the Company.

#### LESSON ROUND-UP

- **Website Disclosures for Companies that Conduct Online Business**

For companies that conduct online business, the following must be disclosed on the website:

- Name of the Company
- Registered Office Address
- Company Identification Number (CIN)

- Telephone Number
- Fax Number, if any
- Email address
- Contact person in case of any grievances or queries on the landing page of the website.

- **Website Disclosures for Private Companies**

- The Notice of the General Meeting must be placed on the website.
- Details of unpaid dividends, including names and last known addresses of the shareholders, must be disclosed.
- Details of the Corporate Social Responsibility (CSR) must be published on the website.
- Separated Audited accounts with respect to each subsidiary must be published on the website.
- If a director resigns, the same information must be published within 30 days of the director's resignation.

- **Website Disclosures for Public Companies**

In addition to the mandatory disclosures for the private company, a public company must also publish the following:

- The notice of "Change of objects for which money is raised through prospectus" under Rule 32 of Chapter II – Companies (Incorporation) Rules 2014 must be published on the website.
- A copy of the circular inviting deposits from the public must be on the website of the company.
- Information about the closure of the register of members or debenture holders or other security holders.
- Notice of the postal ballot.
- Results of the postal ballot along with the scrutiniser's report must be published.
- Details of the establishment of the Vigil Mechanism must also be disclosed on the website.
- Terms of Appointment of Independent Directors must also be published on the website.

- **Website Disclosures for Listed Companies**

A listed company is compulsorily required to have a functional website. The following details must also be mentioned on the website:

- Particulars of the business activities.
- Terms of Appointment of Independent Directors must also be published on the website.
- Particulars of the structure of the various committees of the Board of Directors.
- Code of Conduct of Senior Management and Board of Directors.
- A policy with regards to related party transactions.
- Details of the establishment of the Vigil Mechanism and Whistle Blower Policy.
- Email of Grievance Redressal Mechanism and other relevant information.
- Shareholding Pattern.

- Designated Officials who can handle investor grievances.
- All other information about notices, taxes, agreements, and financial information.

### GLOSSARY

**Related-Party Transaction:** The term related-party transaction refers to a deal or arrangement made between two parties who are joined by a pre-existing business relationship or common interest. Companies often seek business deals with parties with whom they are familiar or have a common interest.

**Clause 54:** The issuer Company agrees to maintain a functional website containing basic information about the Company e.g. details of its business, financial information, shareholding pattern, compliance with corporate governance, contact information of the designated officials of the Company who are responsible for assisting and handling investor grievances, details of agreements entered into with the media Companies and/or their associates, etc.

**Code of Conduct - Clause 49(II)(E)/ Code of Fair Disclosure:** The Board shall lay down a code of conduct for all Board members and Senior Management of the Company. The code of conduct shall be posted on the website of the Company.

**Whistle Blower Policy - Clause 49(II)(F):** The Company shall establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The details of establishment of such mechanism shall be disclosed by the Company on its website and in the Board's report.

**Material Subsidiaries - Clause 49(V)(D):** The Company shall formulate a policy for determining 'material' subsidiaries and such policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report.

**Related Party Transactions - Clause 49(VIII)(A)(2)** The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

**Remuneration of Directors – Clause 49(VIII)(C)(3):** The Company shall publish its criteria of making payments to Non-Executive Directors in its annual report. Alternatively, this may be put up on the Company's website and reference drawn thereto in the annual report.

### TEST YOURSELF

*(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)*

1. What is the purpose of disclosure in corporate governance?
2. How board and website disclosures creates confidence among the stakeholders?
3. What are the components of board disclosures?
4. What are the components of website disclosures?

### LIST OF FURTHER READINGS

- <https://cleartax.in/s/website-disclosures-companies-act-2013>
- <https://taxguru.in/company-law/disclosures-board-report-companies-act-2013.html>

