

SS-4

SECRETARIAL STANDARD

ON

REPORT OF THE

BOARD OF DIRECTORS



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

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SECRETARIAL STANDARD
ON
REPORT OF THE BOARD OF DIRECTORS

This Standard is issued by the Council of the Institute of Company Secretaries of India and may be called the Secretarial Standard-4 (SS-4) on "Report of the Board of Directors".

Following is the text of SS-4.

(In this Standard, the text set out in bold and normal type has equal authority and shall be read in the context thereof.)

INTRODUCTION

The Companies Act, 2013, requires the Board of Directors of every company to attach its report to the financial statements to be laid before the members at the annual general meeting.

The Board's Report is an important means of communication by the Board of Directors of a company with its stakeholders. The Board's Report provides the stakeholders with both financial and non-financial information, including the performance and prospects of the company, relevant changes in the management and capital structure, recommendations as to the distribution of profits, future and on-going programmes of expansion, modernisation and diversification, capitalisation of reserves, further issue of capital and other relevant information.

The Companies Act, 2013, mandates certain disclosures to be made in the Board's Report.

A listed company is also required to comply with certain additional requirements as stated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Similarly, a company, whose securities are listed on an overseas

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stock exchange, is required to comply with additional requirements as may be specified by such stock exchange.

Further, a company which is regulated under other laws, may also be required to make additional disclosures in its Board's Report as stated in the respective applicable laws.

The Board's Report should be based on the company's standalone financial statement and not on the consolidated financial statement and should relate to the financial year for which such financial statement is prepared.

The Board's Report should avoid repetition of information. If any information is mentioned elsewhere in the financial statement, a reference thereof should be given in Board's Report instead of repeating the same.

SCOPE

This Standard prescribes a set of principles for making disclosures in the Report of the Board of Directors of a company and matters related thereto.

In case, a particular disclosure which is required to be made as per this Standard is not applicable to a particular company, the company need not disclose the same in the Board's Report except where the Standard requires specific disclosure in this respect.

The Board's Report of a One Person Company (OPC) and Small Company shall be prepared in the abridged form as prescribed by the Central Government.

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.

Adherence to this Standard is recommendatory.

DEFINITIONS

The following terms are used in this Standard with the meaning specified:

“*Act*” means the Companies Act, 2013 (Act No. 18 of 2013) or any previous enactment thereof, or any statutory modification thereto or re-enactment thereof and includes any Rules and Regulations framed thereunder.

“*Committee*” means a Committee of Directors mandatorily required to be constituted by the Board under the Act.

“*Listing Regulations*” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment thereto.

“*Report*” means Board’s Report or the Report of the Board of Directors.

“*Specified Securities*” means the specified securities as defined in the Listing Regulations.

“*Year*” means the financial year to which the Board’s Report relates.

Words and expressions used and not defined herein shall have the meaning respectively assigned to them under the Act.

SECRETARIAL STANDARD

PART I: DISCLOSURES

The Report shall, *inter alia*, include the following:

1. COMPANY SPECIFIC INFORMATION

1.1 Financial summary and highlights

1.2 Amount, if any, which the Board proposes to carry to any reserves

The amount proposed to be transferred to any reserves of the company. If no amount is proposed to be transferred to reserves, a statement to that effect shall be included.

1.3 Dividend

- a. The amount of dividend per share and the percentage thereof which the Board recommends for the year and the dividend distribution tax thereon. In case no dividend has been recommended by the Board, a statement to that effect shall be made.

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- b. The amount and the percentage of interim dividend declared, if any, during the year and the dividend distribution tax thereon.
- c. The total amount of dividend for the year.
- d. 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.
- e. Payment of dividend from reserves.

1.4 Major events occurred during the year

a) State of the company's affairs

The state of affairs of the company shall, inter alia, include the following information –

- i. segment-wise position of business and its operations;
- ii. change in status of the company;
- iii. key business developments;
- iv. change in the financial year;
- v. capital expenditure programmes;
- vi. details and status of acquisition, merger, expansion, modernization and diversification;
- vii. developments, acquisition and assignment of material Intellectual Property Rights;
- viii. any other material event having an impact on the affairs of the company.

b) Change in the nature of business

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.

c) Material changes and commitments, if any, affecting the financial position of the company, having occurred since the end of the Year and till the date of the Report

The effect of such changes and commitments and an estimate of their financial impact shall also be disclosed in the Report. If evaluation of such an estimate cannot be made, a statement to that effect be made.

The causes for such material changes and commitments and the remedial measures taken shall also be disclosed.

The Report shall also disclose the information with respect to changes in external and internal environment including technical, legal and financial, strikes, lockouts and breakdowns affecting the business of the company.

1.5 Details of revision of financial statement or the Report

In case the company has revised its financial statement or the Report in respect of any of the three preceding financial years either voluntarily or pursuant to the order of a judicial authority, the detailed reasons for such revision shall be disclosed in the Report of the year as well as in the Report of the relevant financial year in which such revision is made.

2. GENERAL INFORMATION

- 2.1 Overview of the industry and important changes in the industry during the last year;
- 2.2 External environment and economic outlook;
- 2.3 Induction of strategic and financial partners during the year; and
- 2.4 In case of a company, which has delisted its equity shares, during the year or till the date of the Report, the particulars of delisting activity giving details like price

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offered pursuant to delisting offer, offer period of delisting, number of shares tendered and accepted, total consideration paid and the holding of the Promoters in the company post delisting.

3. CAPITAL AND DEBT STRUCTURE

Any changes in the capital structure of the company during the year, including the following:

- (a) change in the authorised, issued, subscribed and paid-up share capital;
- (b) reclassification or sub-division of the authorised share capital;
- (c) reduction of share capital or buy back of shares;
- (d) change in the capital structure resulting from restructuring; and
- (e) change in voting rights.

3.1 Issue of shares or other convertible securities

During the year, if the company has issued any equity shares or preference shares or any securities which carry a right or option to convert such securities into shares, the disclosure shall include the following:

- (a) date of issue and allotment;
- (b) method of allotment (QIP, FPO, ADRs, GDRs, rights issue, bonus issue, preferential issue, private placement, conversion of securities, etc.);
- (c) issue price;
- (d) conversion price;
- (e) number of shares allotted or to be allotted in case the right or option is exercised by all the holders of such securities;
- (f) number of shares or securities allotted to the

promoter group (including shares represented by depository receipts);

- (g) in case, shares or securities are issued for consideration other than cash, a confirmation that price was determined on the basis of a valuation report of a registered valuer.

3.2 Issue of equity shares with differential rights

The disclosure shall include the following:

- (a) total number of shares allotted with differential rights;
- (b) details of the differential rights relating to voting rights and dividend;
- (c) percentage of the 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 shares with differential rights have been issued;
- (e) particulars of Promoters, Directors or Key Managerial Personnel to whom shares with differential rights have been 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 in the prescribed format.

3.3 Issue of Sweat Equity Shares

The disclosure shall include the following:

- (a) class of Directors or employees to whom sweat equity shares were issued;
- (b) class of shares issued as sweat equity shares;
- (c) 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 names of allottees holding one percent or more of the issued share capital;
- (d) reasons or justification for the issue;
- (e) principal terms and conditions for the issue, including pricing formula;
- (f) total number of shares arising as a result of the issue ;
- (g) percentage of the sweat equity shares to the total post issued and paid up share capital;
- (h) consideration, including consideration other than cash, received or benefit accrued to the company from the issue ;
- (i) diluted earnings per share pursuant to the issue.

3.4 Details of Employee Stock Options

The disclosure shall include the following details of all the Employee Stock Options Scheme(s) implemented from time to time:

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

- (e) options lapsed;
- (f) the exercise price;
- (g) variation in terms of options;
- (h) money realised 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 options amounting to five percent or more of total options granted during that year;
 - (iii) identified employees who were granted options, 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.
- (k) in case of a company whose shares are listed:
 - (i) any material change to the scheme and whether such scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014;
 - (ii) web-link of disclosures made on the website of the company, as required under SEBI (Share Based Employee Benefits) Regulations, 2014.

3.5 Shares held in trust for the benefit of employees where the voting rights are not exercised directly by the employees

The disclosure shall include the following:

- (a) names of the employees who have not exercised the voting rights directly;

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- (b) reasons for not voting directly;
- (c) name of the person who is exercising such voting rights;
- (d) 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) date of the general meeting in which such voting power was exercised;
- (f) resolutions on which votes have been cast by persons holding such voting power;
- (g) 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.

3.6 Issue of debentures, bonds or any non-convertible securities

The disclosure shall include the following:

- (a) date of issue and allotment of the securities;
- (b) number of securities;
- (c) whether the issue of the securities was by way of preferential allotment, private placement or public issue;
- (d) brief details of the debt restructuring pursuant to which the securities are issued;
- (e) issue price;
- (f) coupon rate;
- (g) maturity date;
- (h) amount raised.

3.7 Issue of warrants

The disclosure shall include the following:

- (a) date of issue and allotment of warrants;
- (b) number of warrants;
- (c) whether the issue of warrants was by way of preferential allotment, private placement, public issue;
- (d) issue price;
- (e) maturity date;
- (f) amount raised, specifically stating as to whether twenty five percent of the consideration has been collected upfront from the holders of the warrants;
- (g) terms and conditions of warrants including conversion terms.

4. CREDIT RATING OF SECURITIES

The disclosure shall include the following:

- (a) credit rating obtained in respect of various securities;
- (b) name of the credit rating agency;
- (c) date on which the credit rating was obtained;
- (d) revision in the credit rating;
- (e) reasons provided by the rating agency for a downward revision, if any.

5. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

The disclosure shall include the following:

- (a) details of the transfer/s to the IEPF made during the year as mentioned below:
 - (i) amount of unclaimed/unpaid dividend and the corresponding shares;
 - (ii) redemption amount of preference shares;
 - (iii) amount of matured deposits, for companies other than banking companies, along with interest accrued thereon;

- (iv) amount of matured debentures along with interest accrued thereon;
- (v) application money received for allotment of any securities and due for refund along with interest accrued;
- (vi) sale proceeds of fractional shares arising out of issuance of bonus shares, merger and amalgamation;
- (b) details of the resultant benefits arising out of shares already transferred to the IEPF;
- (c) year wise amount of unpaid/unclaimed dividend lying in the unpaid account upto the Year and the corresponding shares, which are liable to be transferred to the IEPF, and the due dates for such transfer;
- (d) the amount of donation, if any, given by the company to the IEPF;
- (e) such other amounts transferred to the IEPF, if any, during the year.

6. MANAGEMENT

6.1 Directors and Key Managerial Personnel

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.

In case the company operates in a specific sector where

approval of any regulatory authority is required before the appointment of a Director/ Key Managerial Personnel, the Report shall also state whether the company has obtained the approval of such regulatory authority.

6.2 Independent Directors

The disclosure shall include the following:

- (a) in case of appointment of Independent Directors, the justification for choosing the proposed appointees for appointment as Independent Directors; and
- (b) in case of re-appointment after completion of the first term, the rationale for such re-appointment.

6.3 Declaration by Independent Directors and statement on compliance of code of conduct

The Report shall include a statement:

- (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.

If the company has formulated a Code of Conduct for Directors and senior management personnel, the Report shall also include a statement on compliance of such Code.

6.4 Board Meetings

The number and dates of meetings of the Board held during the year shall be disclosed in the Report.

6.5 Committees

The Report shall disclose:

- (a) Composition of Committees constituted by the Board under the Act and the Listing Regulations as

well as changes in their composition, if any, during the year;

- (b) The number and dates of meetings of such committees held during the year.

6.6 Recommendations of Audit Committee

Where the Board has not accepted any recommendation of the Audit Committee, a statement to that effect shall be disclosed in the Report along with the reasons for such non-acceptance.

6.7 Company's Policy on Directors' appointment and remuneration

The Report of every listed public company and other prescribed class of companies shall disclose company's policy on directors' appointment and remuneration and the criteria for determining qualifications, positive attributes and independence of a Director. Where the said policy is available on the website of the company, it would be sufficient to disclose salient features of such policy, any change therein and the web-link at which the complete policy is available.

6.8 Board Evaluation

The Report of every listed company and other prescribed class of public companies shall include 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.

6.9 Remuneration of Directors and Employees of Listed Companies

The following disclosures, shall be made, either in the Report or by way of an annexure thereto:

- (a) the number of permanent employees on the rolls of the company;
- (b) the ratio of remuneration of each Director to the

median remuneration of the employees of the company for the year;

[The expression “median” means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers may be found by arranging all the observations from lowest value to highest value and picking the middle one; (ii) if there is an even number of observations, the median shall be the average of the two middle values.]

(c) the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the year;

(d) the percentage increase in the median remuneration of employees in the year;

[The expression “Remuneration” means any money or its equivalent given or passed to an employee for services rendered by him and includes perquisites under the Income tax Act.]

(e) average percentile increase already made in the salaries of employees other than managerial personnel in the last year and its comparison with the percentile increase in the managerial remuneration and justification thereof and whether there are any exceptional circumstances for increase in the managerial remuneration;

(f) affirmation that the remuneration is as per the remuneration policy of the company.

In addition to the above, the Report shall include a statement indicating:

(a) names of top ten employees of the company in terms of remuneration drawn.

Employees who have resigned / retired during the

year shall also be considered for this purpose. In case of companies having less than ten employees, such statement shall include details of all employees.

- (b) name of every employee who:
- (i) if employed throughout the year, was in receipt of remuneration not less than one crore and two lakh rupees in the aggregate;
 - (ii) if employed for a part of the year, was in receipt of remuneration not less than eight lakh and fifty thousand rupees per month in the aggregate;
 - (iii) if employed throughout the year or part thereof, was in receipt of remuneration which is in excess of that drawn by the Managing Director or Whole-time Director or Manager and who holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

The aforesaid statement shall also indicate the following:

- (a) designation of the employee;
- (b) remuneration received;
- (c) nature of employment, whether contractual or otherwise;
- (d) qualifications and experience of the employee;
- (e) date of commencement of employment;
- (f) the age of such employee;
- (g) the last employment held by such employee before joining the company;

- (h) the percentage of equity shares held by the employee along with his spouse and dependent children, if such shareholding is not less than two percent of the total equity shares;
- (i) whether any such employee is a relative of any Director or Manager of the company and if so, the name of such Director or Manager.

Particulars of employees posted and working in a country outside India, not being Directors or their relatives, drawing more than sixty lakh rupees per year or five lakh rupees per month, as the case may be, as may be decided by the Board, need not be circulated to the members in the Report, but such particulars shall be filed with the Registrar of Companies while filing the financial statement and the Report.

6.10 Remuneration received by Managing/Whole time Director from holding or subsidiary company

In case the Managing/Whole time Director of the company is in receipt of any commission from the company, and also receives any remuneration or commission from its holding company or subsidiary company, details of such remuneration or commission shall be disclosed in the Report.

6.11 Directors' Responsibility Statement

The Report shall include a Directors' Responsibility Statement stating the following:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) 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 year and of the profit and loss of the company for that period;

- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively;
- (f) the Directors, in 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 operating effectively.

6.12 Internal Financial Controls

Details in respect of adequacy of internal financial controls with reference to the financial statement.

6.13 Frauds reported by the Auditor

The following details of frauds reported by the Auditor (Statutory Auditor, Secretarial Auditor or Cost Auditor) to the Audit Committee/ Board, as the case may be, and the frauds reported to the Central Government shall be disclosed in the Report:

- (a) nature of fraud with description;
- (b) approximate amount involved;
- (c) parties involved, if remedial action not taken;
- (d) remedial action taken to prevent occurrence of such frauds in future.

If no fraud is reported by the Auditor, a statement to this effect shall be given in the Report.

7. DISCLOSURES RELATING TO SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

7.1 Report on performance and financial position of the subsidiaries, associates and joint ventures

In case of companies having subsidiaries, associates and joint ventures, the Report shall include a separate section highlighting the performance of each of the subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company.

7.2 Companies which have become or ceased to be subsidiaries, associates and joint ventures

During the year or at any time after the closure of the year and till the date of the Report, if the company has acquired or formed any new subsidiary, associate or joint venture, details of such companies shall be disclosed. Where any of the subsidiaries, associates or joint ventures of the company has ceased to be a subsidiary, associate or joint venture on account of sale of shares, amalgamation, or by any other manner, then, the names of such companies along with the manner of such cessation shall also be disclosed in the Report.

Companies which have listed their specified securities shall also state in the Report the name of its material subsidiary as per the Listing Regulations. If such material subsidiary has sold, disposed of and leased assets of more than twenty percent of the assets of the material subsidiary on an aggregate basis during a year then details of such sale shall be disclosed.

8. DETAILS OF DEPOSITS

The disclosure shall include the following:

- (a) details of deposits accepted during the year;

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- (b) deposits remaining 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, the number of such cases and the total amount involved:
 - (i) at the beginning of the year;
 - (ii) maximum during the year (i.e. highest number of cases pending repayment of deposits or interest during the year and maximum amount that was due);
 - (iii) at the end of the year;
- (d) details of deposits which are not in compliance with the requirements of the Act;
- (e) details of National Company Law Tribunal (NCLT)/National Company Law Appellate Tribunal (NCLAT) orders with respect to depositors for extension of time for repayment, penalty imposed, if any;
- (f) in case of a private company, details of amount received from a person who at the time of the receipt of the amount was a Director of the company or relative of the Director of the company.

9. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

Particulars of the loans given, investments made, guarantees given or securities provided during the year and the purpose for which the loans / guarantees / securities are proposed to be utilised by the recipient of such loan / guarantee / security.

A company shall disclose the aforesaid particulars in the notes to the financial statement and give reference thereof in the Report.

10. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The disclosure shall include the following:

- (a) contracts / arrangements / transactions with related parties which are not at arm's length basis;
- (b) material contracts / arrangements / transactions with related parties which are at arm's length basis;
- (c) contracts / arrangements with related parties which are not in the ordinary course of business and justification for entering into such contract.

Such disclosure in the prescribed form shall be annexed to the Report.

II. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Report shall disclose about the CSR policy of the company and the CSR initiatives taken during the year. Where the said policy is available on the website of the company, it would be sufficient to disclose salient features of such policy, any change therein and the web-link at which the complete policy is available.

The Report shall include an Annual Report on the CSR activities and shall comprise the following:

- (a) a brief outline of the CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web link to the CSR Policy and projects or programs;
- (b) composition of the CSR Committee, number of meetings held during the year;
- (c) average net profits for the three immediately preceding years;
- (d) prescribed CSR expenditure i.e. two percent of clause (c) above;
- (e) details of amount spent on CSR during the year including total amount to be spent, amount unspent and manner in which the amount has been spent;
- (f) in case the prescribed CSR amount has not been spent, reasons for not spending the same;

- (g) a responsibility statement from the CSR Committee that the implementation and monitoring of the CSR Policy is in compliance with the CSR objectives and policy of the company.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The disclosure shall include the following:

(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 equipments.

(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 year under reference) –
 - a) details of the technology imported;
 - b) the year of import;
 - c) whether the technology has been fully absorbed and if not, areas where absorption has not taken place, and the reasons thereof;
- (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.

In cases where such disclosures are not applicable, the Report shall include a statement to that effect.

13. RISK MANAGEMENT

A statement indicating the development and implementation of a risk management policy for the company. Such statement shall, *inter alia*, disclose:

- (a) various elements of risk which, in the opinion of the Board, may threaten the existence of the company and
- (b) strategy to mitigate such risks.

14. DETAILS OF ESTABLISHMENT OF VIGIL MECHANISM

Every listed company and other prescribed class of companies shall disclose in its Board's Report, details of establishment of a vigil mechanism.

The disclosure shall, *inter alia*, include the mechanism for:

- a) the Directors and employees to report their genuine concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct;
- b) providing adequate safeguards against victimisation;
- c) providing direct access to the higher levels of supervisors and/or to the Chairman of the Audit Committee, in appropriate or exceptional cases.

Web-link of the aforesaid mechanism shall also be disclosed in the Report.

15. MATERIAL ORDERS OF JUDICIAL BODIES /REGULATORS

Details of significant and material orders passed by any Regulator, Court, Tribunal, Statutory and quasi-judicial body, impacting the going concern status of the company and its future operations shall be disclosed.

16. AUDITORS

Names of the Statutory Auditor, Cost Auditor and Secretarial Auditor and details of any change in such Auditors, during the year and up to the date of the Report due to resignation / casual vacancy / removal / completion of term shall be disclosed in the Report.

17. SECRETARIAL AUDIT REPORT

The Secretarial Audit Report shall be annexed to the Report.

18. EXPLANATIONS IN RESPONSE TO AUDITORS' QUALIFICATIONS

The Report shall include explanations or comments on every qualification, reservation or adverse remark or disclaimer made in the Auditor's Report and the Secretarial Auditor's Report.

If there are no qualifications, reservations or adverse remarks made by the Statutory Auditors / Secretarial Auditors in their respective Report, a statement to this effect shall be given in the Report.

Further, if such qualification, reservation, adverse remark or disclaimer has a material adverse effect on the financial statement or on the functioning of the company, its likely impact and the corrective measures that are proposed to be taken shall also be disclosed in the Report.

19. COMPLIANCE WITH SECRETARIAL STANDARDS

The Report shall include a statement on compliance of applicable Secretarial Standards and other Secretarial Standards voluntarily adopted by the company.

20. CORPORATE INSOLVENCY RESOLUTION PROCESS INITIATED UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 (IBC)

The disclosure shall include the following:

- (a) details of any application filed for corporate insolvency resolution process, by a financial or operational creditor or by the company itself under the IBC before the NCLT;
- (b) status of such application; and

- (c) status of corporate insolvency resolution process, if any, initiated under the IBC.

21. FAILURE TO IMPLEMENT ANY CORPORATE ACTION

In case the company has failed to complete or implement any corporate action within the specified time limit, the Report shall disclose the same and the reasons for such failure.

For the purpose of this clause, the term “corporate action” includes buy back of securities, payment of dividend declared, mergers and de-mergers, delisting, split and issue of any securities.

22. ANNUAL RETURN

A copy of the annual return shall be placed on the website of the company, if any, and the web-link of such annual return shall be disclosed in the Report.

23. OTHER DISCLOSURES

Other disclosures shall include the following:

- (a) a statement, wherever applicable, that the consolidated financial statement is also being presented in addition to the standalone financial statement of the company.
- (b) key initiatives with respect to Stakeholder relationship, Customer relationship, Environment, Sustainability, Health and Safety.
- (c) reasons for delay, if any, in holding the annual general meeting;
- (d) a statement as to whether cost records is required to be maintained by the company pursuant to an order of the Central Government and accordingly such records and accounts are maintained.

24. ADDITIONAL DISCLOSURES UNDER LISTING REGULATIONS

24.1 Statement of deviation or variation

Companies which have listed their specified securities shall furnish in the Report an explanation for any deviation

or variation in connection with certain terms of a public issue, rights issue, preferential issue etc. as under:

- (a) Statement 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) Statement indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between the projected utilisation of funds made by the company in its offer document or explanatory statement to the notice for the general meeting, as applicable, and the actual utilisation of funds.

24.2 Management Discussion and Analysis Report (MDAR)

In case of companies which have listed their specified securities, the Report shall include an MDAR, either as a part of the Report or as an annexure to the Report. The MDAR shall include the following details in relation to the company:

- (a) industry structure and developments;
- (b) opportunities and threats;
- (c) segment wise and 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, 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.

24.3 Certificate on Compliance of conditions of Corporate Governance

Companies which have listed their specified securities, shall annex with the Report a certificate obtained from either the Statutory Auditor or a practicing Company Secretary regarding compliance of the conditions of corporate governance.

24.4 Suspension of Trading

In case the securities of the company are suspended from trading, the Report shall explain the reasons thereof.

25. DISCLOSURES PERTAINING TO THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The disclosure shall include the following:

- (a) a statement that the company has complied with the provision relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013.

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- (b) the details of number of cases filed and disposed as required under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013.

PART II: OTHER REQUIREMENTS

26. APPROVAL OF THE REPORT

The Report shall be considered and approved by means of a resolution passed at a duly convened meeting of the Board.

27. SIGNING OF THE REPORT

The Report shall be signed by the Chairman of the company, if authorised in that behalf by the Board or by two Directors one of whom shall be the Managing Director or in the case of a One Person Company, by one Director.

The financial statement, including consolidated financial statement, if any, shall be approved by the Board before they are signed on behalf of the Board. The statements so approved are required to be signed on behalf of the Board by the Chairman of the company if authorised in that behalf by the Board or by two Directors one of whom shall be the Managing Director and the Chief Executive Officer, the Chief Financial Officer and the Company Secretary of the company, wherever they are appointed or in the case of a One Person Company, by one Director.

The financial statement so approved and signed on behalf of the Board are required to be submitted to the auditor(s) for their report thereon. The financial statement is thus signed by the auditor(s) and the audit report thereon is submitted to the Board after such approval.

The annexures to the Report shall be signed in the similar manner as the Report, except the Report on CSR activities of the company, which is required to be signed by the Chief Executive Officer or the Managing Director or any other Director of the company and by the Chairman of the CSR Committee of the company.

28. DISSEMINATION

28.1 Right of Members to have Copies of the Report

A copy of the Report along with the financial statement and the Auditor's Report shall be sent, either physically or in electronic form, to every member at least twenty-one clear days in advance of the annual general meeting.

The copies of the above documents can be sent less than twenty-one clear days in advance of the annual general meeting, if it is so agreed by members:

- (a) holding, if the company has a share capital, majority in number of members entitled to vote and who represent not less than ninety-five per cent of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or
- (b) having, if the company has no share capital, not less than ninety-five per cent of the total voting power exercisable at the meeting.

In case of section 8 companies, the said documents shall be sent to the members not less than fourteen clear days before the date of the annual general meeting.

28.2 Placing of the Report on the Website

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

29. FILING AND SUBMISSION OF THE REPORT

29.1 The Report along with the audited financial statement of the company shall be filed with the Registrar of Companies.

The resolution passed by the Board approving such Report shall also be filed with the Registrar of Companies. However private companies are not required to file such resolution with the Registrar of Companies.

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29.2 Every listed company shall submit to the stock exchanges on which its securities are listed, its financial statement together with a copy of the Report within twenty one working days of it being approved and adopted in the annual general meeting.

EFFECTIVE DATE

This Standard shall come into effect from 1st October, 2018.

ANNEXURES TO THE REPORT

The following matters, wherever applicable, will be annexed to the Report:

- Particulars of prescribed contracts / arrangements with related parties in Form AOC-2
- Prescribed particulars of remuneration of Directors and employees.
- Secretarial Audit Report for the relevant year in Form MR-3.
- Annual Report on CSR activities.
- Prescribed details of conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo.
- Auditors' certificate on Corporate Governance in case of companies which have listed their specified securities.
- Dividend Distribution Policy in case of companies which have listed their specified securities.
- Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters.

