

Analysis of SEBI LODR (Third Amendment) Regulation 2021

Regulation 16-Definitions		
Sub-Regulation 1(b)-Independent Director means		
Clause	Earlier	New
iv.	who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;	who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the <i>three</i> immediately preceding financial years or during the current financial year;
v.	none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;	<p>none of whose relatives</p> <p>(A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;</p> <p>(B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;</p> <p>(C) has given a guarantee or provided any security in connection with the indebtedness of any third person to</p>

		<p>the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or</p> <p>(D) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:</p> <p>Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower."</p>
vi.	<p>who, neither himself, nor whose relative(s) —</p> <p>(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;</p>	<p>who, neither himself/<i>herself</i>, nor whose relative(s) —</p> <p>(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company <i>or any company belonging to the promoter group of the listed entity</i> in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;</p> <p><i>"Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment."</i></p>

Regulation 17- Board of Directors		
New Sub-Regulation 1C		
		<i>The listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier."</i>
Regulation 18: Audit Committee		
Sub-Regulation 1(b)		
	Two-thirds of the members of audit committee shall be independent directors and in case of a listed entity having outstanding SR equity shares, the audit committee shall only comprise of independent directors.	<i>At-least</i> two-thirds of the members of audit committee shall be independent directors and in case of a listed entity having outstanding SR equity shares, the audit committee shall only comprise of independent directors.
Regulation 19: Nomination and remuneration committee		
Sub-Regulation 1(c)		
	at least fifty percent of the directors shall be independent directors and in case of a listed entity having outstanding SR equity shares, two thirds of the nomination and remuneration committee shall comprise of independent directors	at least <i>two thirds</i> of the directors shall be independent directors
Regulation 23: Related party transactions		
Sub-Regulation 2		
	All related party transactions shall require priorapproval of the audit committee.	All related party transactions shall require priorapproval of the audit committee. <i>"Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions."</i>
Regulation 25: Obligations with respect to independent directors		
New Sub-Regulation 2A:		

		<i>The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution."</i>
Sub-Regulation 6:		
	<p>An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later:</p> <p>Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.</p>	<p>An independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by listed entity at the earliest but not later than three months from the date of such vacancy</p> <p>Provided that where the listed entity fulfils the requirement of independent directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new independent director shall not apply.</p>
Sub-Regulation 10:		
	<p>With effect from October 1, 2018, the top 500 listed entities by market capitalization calculated as on March 31 of the preceding financial year, shall undertake Directors and Officers insurance ('D and O insurance') for all their independent directors of such quantum and for such risks as may be determined by its board of directors.</p>	<p>With effect from October 1, 2018, <i>January 1, 2022</i> the top 500—1000 listed entities by market capitalization calculated as on March 31 of the preceding financial year, shall undertake Directors and Officers insurance ('D and O insurance') for all their independent directors of such quantum and for such risks as may be determined by its board of directors.</p>
New Sub-Regulation 11		
		<i>No independent director, who resigns from a listed entity, shall be appointed as an executive / whole time director on the board of the listed entity, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director."</i>
Regulation 36: Documents & Information to shareholders		

Sub-Regulation 3(d):		
	names of listed entities in which the person also holds the directorship and the membership of Committees of the board;	names of listed entities in which the person also holds the directorship and the membership of Committees of the board <i>along with listed entities from which the person has resigned in the past three years.</i>
New Sub-Regulation 3(f):		
		<i>In case of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements.</i>
Schedule II		
in Part D, in Para A, New (1A)		
		<i>“(1A). For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may: a. use the services of an external agencies, if required; b. consider candidates from a wide range of backgrounds, having due regard to diversity; and c. consider the time commitments of the candidates.”</i>
Schedule III		
in Part A, in Para A, (7B)		

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i.	<p>Resignation of independent director including reasons for resignation: In case of resignation of an independent director of the listed entity, within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the listed entities:</p> <p>i. Detailed reasons for the resignation of independent directors as given by the said director shall be disclosed by the listed entities to the stock exchanges.</p>	<p>Resignation of independent director including reasons for resignation: In case of resignation of an independent director of the listed entity, within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the listed entities:</p> <p>i. The letter of resignation along with detailed reasons for the resignation as given by the said director.</p>
ia.		<p><i>Names of listed entities in which the resigning director holds directorships, indicating the category of directorship and membership of board committees, if any."</i></p>
iii.	<p>The confirmation as provided by the independent director above shall also be disclosed by the listed entities to the stock exchanges along with the detailed reasons as specified in sub-clause (i) above.</p>	<p>The confirmation as provided by the independent director above shall also be disclosed by the listed entities to the stock exchanges along with the <i>disclosures</i> as specified in sub-clause (i) <i>and (ii)</i> above.</p>