CimplyFive's Monthly Newsletter

iComply

November, 2022

Editorial

October 31st is a visible date every year in corporate compliance calendar. Around this time, professional institutes like ICSI and ICAI clamour for extension of timelines for companies to file their annual returns. Almost every year, the regulator responds favourably, thereby diluting the sanctity of compliance timelines. If we want the compliance culture in India to improve, the regulators need to stop providing extensions, which negates the efforts of honest professionals who meet compliance deadline by deprioritizing other critical activities.

In the eighth edition of our series **"CCG -Cusps in Corporate Governance"**, we have traced the advent of Sustainability Reporting which has evolved at a slow but steady pace to reach its current state. While in the rest of the world, it is the institutional investors like pension funds with their longer-term focus who are driving it, in India, in the absence of large private sector pension funds, the regulator has taken the lead role.

In the sixth interview of our new series titled **Discovering Gilt-Edged Corporate Governance Practices** we have featured **CS Srividhya Ramaswamy,** Company Secretary & Compliance Officer, Northern Arc Capital Limited who shares her insights on corporate governance, measuring effectiveness and efficiency of compliance functions and the role of technology in compliance management.

All our other regular features like – **Gist of Changes in the Companies Act, 2013, SEBI's LODR, 2015 and IB Code, 2016** and **Statutory Compliance Calendar** are also included in this Issue.

Please share your feedback on this newsletter with us at contact@cimplyfive.com, we eagerly look forward to it.

Happy reading,
Shankar Jaganathan
Editor of iComply
November 4, 2022

Discovering Gilt Edged Corporate Governance Practices – 06

Interview with CS Srividhya Ramaswamy, Company Secretary & Compliance Officer, Northern Arc Capital Limited.



CimplyFive: What is your definition of Good Corporate Governance? How is it measured?

CS Srividhya: According to me, good governance has five aspects Read more…

What's more in this month's Issue

- What is Hot in Company Law?
- Cusps in Corporate Governance
- BLISS Tips for the Month
- Compliance Calendar
- Regulatory Changes in the Month

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Discovering Gilt-Edged Corporate Governance Practices – 06

Interview with CS Srividhya Ramaswamy, Company Secretary & Compliance Officer, Northern Arc Capital Limited.

1. **CimplyFive: What is your definition of Good Corporate Governance? How is it measured?**

CS Srividhya: According to me, good governance has five aspects: a) effective functioning of the Board and Committees b) providing timely and accurate information to the Board, shareholders, lenders and all stakeholders in a complete and transparent manner c) adhering to all applicable regulatory and statutory requirements d) having suitable and up-to-date policies, processes and procedures that reflects underlying strong governance fundamentals and e) suitable and complete disclosures in the public domain – both statutory and otherwise.

Good governance is measured through strong operational and financial results, fewer number of risk events, periodic review of targets of Key Managerial Personnel by Board and other governing committees, periodic evaluation exercises of the Board as a whole, individual directors, management team, and strong incentive alignment for management with well-defined governance goals.

2. **CimplyFive: How do you measure the effectiveness of Corporate Secretarial function? Do you link it to scheduling secretarial activities like Board meeting and general meetings, or ensuring complete compliance resulting in nil penalties or late payment fees or any other parameters that you use in your company?**

CS Srividhya: The measure for effectiveness of the corporate secretarial function is through strong KPIs defined at the beginning of the financial year and reviewed on a half-yearly basis. The key indicators of effectiveness of the secretarial team are as follows:

- Compliance with all requisite and applicable regulatory requirements, including filing of all statutory forms without any slippages
- Smooth conduct of Board, general and committee meetings, including timely submission of materials, conduct of meetings, finalisation and circulation of clear and concise minutes in a timely manner, recording of action points arising from the meetings and following up until completion of the same, reporting to the Board on action points and their statuses, timely conduct of separate meetings with the Chief Risk Officer, with Statutory Auditors without the presence of the management team, etc.
- Devising and strengthening robust policies and processes for the secretarial function and getting trained with the latest amendments and regulatory changes.
- Providing training and mentorship to younger team members to develop and enhance their professional skills.
- Developing suitable automated tools for the function with minimum thereby reducing the person-dependent nature of the function.
- Soft skills such as composure, professional attitude, discretion in dealing with Board members, shareholders, auditors, internal stakeholders, etc.

3. **CimplyFive: How do you measure the efficiency of the Corporate Secretarial function? Do you link it to use of technology, or number of team members or the ease with which you are able to complete the task on hand?**

CS Srividhya: Use of technology is a key measure in determining the efficiency of the secretarial function. Minimization of manual intervention in day-to-day functioning is an important target for the team. This is part of the quarterly Board and audit submissions and is heavily relied upon by auditors for signing off on compliance matters. We expect this requirement to increase significantly over the coming months.

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4. CimplyFive: What is the role you foresee of technology in ensuring compliance and good governance?

CS Srividhya: With the ever-changing regulatory landscape, it has become a practical impossibility to manually track the various requirements especially for companies and groups with multiple regulators which have their own separate and dedicated requirements, in addition to the Companies Act and SEBI requirements. Technology is one of the vital resources for ensuring: a) compliance requirements i.e., meeting compliance requirements by providing the requisite checklists, processes for adhering to regulatory matters, sending timely reminders for meeting the requirements, automatic pre-population of forms, agenda, minutes, etc. Submission to stock exchanges is a strong factor for considering a technology tool, automated emails and scheduling assistance is a helpful add-on, periodic and timely updation of changes to regulatory requirements is a definite positive attribute for any tool to meet its full purpose, minimum disruption and constant engagement with technology partners would ensure smooth functioning of the technology tool for meeting compliance requirements.

b) promoting good governance – error-free, timely submission of documents, reports, agenda, materials, minutes, returns, etc. interactive tools for submission of documents and dealing with multiple iterations would be a symbol of a future-ready governance software, NIL to negligible error rates, quick customisation and turnaround times are vital.

5. CimplyFive: What has been your experience with CimplyFive in seeing technology promote good governance? What is that one 'wow' feature you would like to see in BLISS software that will ease your role as the Chief Compliance Officer?

CS Srividhya: CimplyFive has certainly eased the burden of the secretarial team with timely reminders and also acting as a repository of all information of the company since inception. Board members also appreciated the availability of all Board materials from earlier quarters, that facilitated their search for information pertaining to the company. We expect to work in a fully integrated manner using the software from the upcoming quarter.

Real-time updates of any changes to regulatory requirements would be a game-changing feature that would ease the role of the compliance and secretarial functions and reduce the risk of non-compliance.

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OPINION:

What is Hot in Company Law?

Our free to use website www.ca2013.com has the unique distinction of providing an integrated view of the Companies Act, LODR and IB Code. Our site crossed **23 million page-views** in September 2022 and it attracts over 6000 users accessing over 22,000 pages a day. Listing of the most viewed sections in the Companies Act, LODR and IB Code in the month of October 2022 here is based on visitors to our site.

For the Month of October 2022
Top 5 Chartbusters in the Companies Act, 2013

Rank in September	Change in Rank	Rank in October	Section reference	Section title
2	↑	**1**	**134**	Financial statement, Board's report etc.
1	↓	**2**	**135**	Corporate Social Responsibility
3	↔	**3**	**188**	Related party transactions
5	↔	**4**	**139**	Appointment of Auditors
5	↔	**5**	**179**	Powers of Board

All the top 5 sections have retained their place, only their positions have interchanged.

LODR Top 5 Chartbuster Regulations

Rank in September	Change in Rank	Rank in October	Regulation reference	Regulation Title
2	↑	**1**	17	Board of Directors
1	↓	**2**	30	Disclosure of Events or Information
3	↔	**3**	23	Related Party Transactions
N	↑	**4**	52	Financial Results
N	↑	**5**	9	Preservation of documents

Regulations 52 and 9 have replaced Regulations 44 and 29 in the top 5 Ranking.

IB Code Top 5 Chartbusters

Rank in September	Change in Rank	Rank In October	Section reference	Section Title
N	↑	**1**	4	Application of this Part
N	↑	**2**	59	Voluntary liquidation of corporate persons
N	↑	**3**	30	Submission of resolution plan
1	↓	**1**	5	Definitions
3	↓	**3**	29	Preparation of information memorandum

Section 4, 59 and 30 have replaced sections 7, 33 and 3 in the top 5 Ranking.

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CCG - Cusps in Corporate Governance

CCG-8: Sustainability Reporting as the foundation for Good Governance.

The idea 'necessity is the mother of invention' holds true in most situations, and the field of corporate governance is no exception. Analysis of the corporate history over last 500 years reveals that most good governance practices are mandated by regulators in aftermath of a corporate fraud or a scandal, identifying a voluntary practice of a pioneer, to reduce if not prevent such frauds or scandals.

This series traces key episodes of such changes.

The decade of 1990s saw the investors shift their focus from short to long term, by including sustainability elements to predominantly financial filters used for investment decisions. Sustainability elements covering Environment, Social and Governance (ESG) elements were added to financial filters like profitability and growth. This shift in focus was a result of two different factors at play:

1. **Evolutionary factors** like change in the investors profile. The profile of investors dominating the financial markets gradually shifted from Individual Investors and Mutual Funds to Pension Funds and Insurance Companies. The new investor class has significantly longer investment horizon, with pension funds looking at 10-15 years duration, while insurance companies have a 5-10 year window. They are like marathon runners prioritizing stamina over speed; speed which is visible through the economic lens as profitability and growth.

2. **Revolutionary factors** triggered by social, environmental, and governance related accidents/ scandals that destroys shareholder values created over multiple years, if not decades.

The Trigger

Environmental, social and governance mishaps that caught the public imagination and tilted the investors to shift their focus away from short term, lagging indicators like financial profits to more enduring, leading markers like social, environment and governance factors included among others:

- The apartheid protest movement which gained ground in the 1960s with calls in the UN for divestment or economic boycott of South Africa. Latent for over two decades, this factor became potent with the introduction of a new South African constitution in 1983 that provided for segregated parliament. The call for economic divestment was led by US college students who forced US college endowment funds to divest from companies investing in South Africa, before it became widespread to other investment entities which contributed to isolating South Africa, which was one of the factors that was responsible for removal of apartheid. Soon similar calls were made for disinvestment or social boycott of companies using sweatshops for manufacturing garments and companies using environmentally hazardous manufacturing processes or products.

- The worst industrial disaster, Union Carbide Bhopal Gas Tragedy, happened on the night of 2nd December 1984, resulting in the death of 3,787 and 574,366 injured victims. Union Carbide the company from whose plant the gas leak occurred paid $470 million damages, impairing the very viability of this venture. This event provided a stark highlight of the link between economic viability and environmental damage.
- Governance mishaps over the last few centuries have the effect of instantly wiping out corporate valuations in a jiffy. The most recent example was of Satyam Scandal where the share price of Satyam crashed from Rs.188.70 on 7th January to Rs.11.50, three days later, wiping out 94% of the value, highlighting the need for good corporate governance to sustain value creation in corporates.

These three events only highlight the latent risks that have always existed in economic ventures.

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The Pioneer

STEAG, the German utility company was the pioneer in preparing business-social accounts, when in 1971-72, they published their first Business-Social Report as part of their annual report. They felt the need to capture the impact, both positive and negative, on their operations on the society. This triggered a working group of 30 German companies to form the Social Accounting Practice in 1977 leading to companies starting to disclose their social and environmental cost of business and quantifying the investments made to reduce these social and environmental costs.

Over the last 50 years since the first corporate social reporting was made by STEAG in Germany, multiple initiatives have emerged to expand on this initiative, a few prominent among them are:

- 1999: AA1000 Standard on Social and Ethical Accountability based on eleven principles
- 2001: The first version of GRI Guidelines launched by Global Reporting Initiative
- 2005: Principles of Responsible Investing initiative launched by United Nations

Globally, Sustainability Reporting is still in its evolutionary phase driven primarily by long-term investors like Pension Funds who want to be assured that their investments will not explode in the face of social, environmental or governance mishaps destroying all the value created. In the absence of consensus, different reporting models exist, the prominent among which are GRI Initiatives, SASB (Sustainability Accounting Standards Board), TCFD (Task force on Climate-related Financial Disclosures) and Integrated Reporting.

In India

In India, Sustainability Reports are primarily driven by the regulator in the absence of large pension funds who can influence reporting done by the large corporates. Tracking the regulatory path on sustainability reporting, we can see the following key milestones:

- 1988: For the first time, Indian companies were required to detail their efforts to reduce social cost by reporting on their efforts to conserve energy, technology absorption and research & development activities in their Directors' Report.
- 2012: Business Responsibility Report for top 100 corporate listed entities in line with 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)' notified by Ministry of Corporate Affairs, Government of India, in July 2011.
- 2022: Mandatory Business Responsibility and Sustainability Report for the top 1000 listed companies by market capitalisation.

With the top 1000 listed entities mandated to disclose Business Responsibility and Sustainability Reports from the Financial Year 2022-23, sustainability reporting has moved from voluntary disclosures for most companies and become mandatory thereby laying a strong foundation for Good Corporate Governance.

BLISS Tips for the Month

#242: BLISS enables Directors to access records of Sub-committee meeting in which they are Invitees
#243: A Single Click from BLISSPLUS & BLISSLISTED to BLISSDOCs, our Board Portal Access for Directors to Access Board Documents on their Tablets & Smart Phones
#244: With BLISS Automate your Circular Resolution

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Board Leaders Integrated Software Solutions



BLISSPLUS

BLISS
LISTED

BLISSGLOBAL

BLISSDOCS

CIMPLYBEST

BLISSTAT

CAIRR LODR Integrated

BLISS is a Cloud hosted software that automates the routines, provides an e-repository, timely alerts, and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it provides complete peace of mind to the Board of Directors and assurance to professionals by providing them with real-time compliance status with respect to the Companies Act, 2013

BLISSPLUS is an advanced variant of BLISS with multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size-based compliance under the Companies Act, 2013

BLISSLISTED An advanced variant of BLISSPLUS for Listed Companies with Companies Act,2013 and SEBI's LODR 2015 compliances integrated to provide a single point compliance automation, risk manager & e-repository for secretarial records including past secretarial records.

BLISSGLOBAL is a cloud hosted key document management solution with Action Tracker that provides master data capture of the entity, e- repository for document management, Automated Tracker for managing event based and calendar-based activities.

BLISSDOCS is an Android/IOS based Board app for Directors which provides secure access to Board documents on Tablets/mobile phones, enhancing Directors productivity and making the Board meetings efficient & effective

CimplyBest is a tailormade software for Indian Corporates in conducting Corporate Board Evaluation which will optimize Board's Time & Effort with confidentiality assured.

BLISSTAT is a cloud hosted custom built software to automate Direct Tax assessment processes and provide a comprehensive action tracker enabling workflow automation with a e-repository for storing all tax assessment records.

CAIRR is a free to use website from CimplyFive that provides at your fingertips, an integrated view of the Companies Act, 2013, IB Code, 2016 and LODR, 2015. The site and app is updated every business day by 11 AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com

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Compliance Calendar

November 7th	TDS payment for October
November 15th	Pay PF contribution for October
	ESIC payment for October
November 20th	Professional Tax payment
November 20th , 22nd ,24th	GSTR 3B (based on turnover and principal place of business)
November 25th	PF Return for October

Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of October, 2022

- **03.10.2022**

Extension of timeline for entering the details of the existing outstanding non-convertible securities in the 'Security and Covenant Monitoring' system hosted by Depositories

SEBI has extended the timeline for the issuers to update their existing outstanding non-convertible securities in the DLT (Distributed Ledger Technology) to 31/10/2022 (as opposed to the original deadline of 30/09/2022) and DTs shall verify the same by 31/12/2022.

Revised XBRL utility for Shareholding Pattern w.e.f 01/10/2022

Consequent to the changes made to the disclosure requirements w.r.t shareholding pattern by SEBI vide its circular dated 30/06/2022, BSE and NSE have notified that the revised XBRL utility for the same will be made available from 01/10/2022 on its respective portals. Listed companies are, therefore, required to submit the quarterly disclosure on Shareholding Pattern for the quarter ended 30/09/2022 by downloading the latest XBRL utility of the Exchange. **(Click Here)**

IBBI amends Model Bye-Laws of an Insolvency Professional Agencies (IPAs) to regulate Insolvency Professional Entities (IPEs) which are registered as IPs.

Key highlights of the amendment are:

1. No IPE shall be enrolled as a professional member if it is not eligible to be registered as an insolvency professional with the Board.

2. The IPA shall maintain a register of its professional members, containing their details of the partners or directors where the professional member is an IPE.

- **28.10.2022**

NSE issues Standard Operating Process under SEBI (PIT) Regulations, 2015 for ensuring compliance with Structured Digital Database (SDD)

Companies are required to submit a quarterly compliance certificate, by emailing it to the designated email ID, which must be certified either by the compliance officer or a Practicing Company Secretary (PCS) in the prescribed format as per the timelines indicated below.
For quarter ended September 2022: On or before November 18, 2022.
For quarter ended December 2022: On or before January 21, 2023.

Where a Company has already submitted the above certificate in old format, it shall file the same once again in the revised format as mentioned in this circular.

Further, the Listed companies are requested to note that Exchanges shall inspect the SDD system maintained by the company after providing 1 working day notice. Non-compliance, if any observed, with respect to maintenance of SDD, will lead to initiation of appropriate action by the Exchange.

It is to be noted that the Companies which are in the process of listing shall also maintain the SDD.

- **31-10-2022**

IBBI amends Model Bye-Laws and Governing Board of Insolvency Professional Agencies (IPAs) regulations

Key highlights of the amendment are as follows:

1. **Dissemination of disclosure of interest received from IPs:** Duty of the IPA has been amended to include facilitation of receipt of relationship disclosures from its professional members and disseminate the

same on its website in the prescribed format, within three working days of the receipt of such disclosures from its members.

2. IPA or Board shall suspend the authorisation for assignment upon initiation of disciplinary proceeding, as prescribed under the model bye-laws. It has now been clarified that a disciplinary proceeding shall be considered as pending against the professional member from the date he has been issued a show cause notice by the Agency or the Board, till its disposal by the Disciplinary Committee of the Agency or the Board, as the case may be.

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About CimplyFive

Vision

Leverage research and technology to eliminate procedural non-compliance risk for entities regulated by the Indian Companies Act, 2013

Mission

Provide a cost-effective, secure web-based, menu driven, subscription services that provides curated resolutions, timely alerts and informative dashboards to free the management bandwidth for pursuing business goals



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