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Editorial

Independent Directors serve as the main pillar of corporate governance by providing an unbiased view, ensuring transparency and accountability. SEBI (LODR) Regulations, 2015, emphasize their independence, requiring them to be free from financial or personal conflicts. Their appointment follows strict eligibility criteria, focusing on expertise, integrity and objectivity. The Board plays a crucial role in supporting them. The article in this newsletter focuses on the role, responsibilities and increasing significance of Independent Directors in corporate governance. It highlights the regulatory framework set by SEBI (LODR) Regulations, 2015. Additionally, it discusses the growing demand for qualified Independent Directors, as reflected in the expanding database of professionals in this field.

We have also included exciting sections in the newsletter like brain teasers.

Our other regular features comprise of Gist of Changes in the Companies Act, 2013, SEBI's LODR, 2015 and IB Code, 2016, and Statutory Compliance Calendar for the month of February 2025.

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

Happy reading,
Team CimplyFive
February 05, 2025

What's more in this month's issue…

- ***What is Hot in Company Law?***
- ***Article of the Month***
- ***BLISS Tips for the Month***
- ***Test your Gray Matter!***
- ***Compliance Calendar***
- ***Regulatory Changes in the Month***

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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, SEBI (LODR) and IB code. Our site has crossed **47 million page-views** as on date and attracts over 6,000 users accessing around 25,000 pages a day. List of the most viewed sections in the Companies Act, LODR and IB Code in the month of January 2025 here is based on visitors to our site.

For the Month of January 2025
Companies Act, 2013 Top 5 Chartbusters

Rank in Dec	Change in Rank	Rank in Jan	Section	Section title
N	↑	1	88	Register of Members
N	↑	4	177	Audit Committee
3	↑	2	179	Powers of Board
N	↑	5	185	Loans To Directors
5	↑	3	186	Loans and Investment by Company

Sections 135, 62 and 188 have been replaced with Sections 88, 177 and 185 in the top 5 Rankings.

LODR Top 5 Chartbuster Regulations

Rank in Dec	Change in Rank	Rank in Jan	Regulation	Regulation title
1	↔	1	30	Disclosure of Events or information
2	↓	3	17	Board of Directors
3	↑	2	23	Related Party Transactions
N	↑	5	43	Definitions (Chapter IV)
5	↑	4	16	Definitions (Chapter IV)

Regulation 2 has been replaced with Regulation 43 in the top 5 ranking.

IB Code Top 5 Chartbusters

Rank in Dec	Change in Rank	Rank in Jan	Section	Section title
N	↑	2	7	Initiation of corporate insolvency resolution process by financial creditor.
N	↑	4	12	Time-limit for completion of insolvency resolution process.
3	↔	3	30	Submission of Resolution plan
N	↑	5	31	Approval of resolution plan.
5	↑	1	6	Persons who may initiate corporate insolvency resolution process

Sections 59, 5 and 3 have been replaced with Sections 7, 12 and 31 in the top 5 Rankings.

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Article of the Month:

Independent Directors - A perspective from the angle of SEBI (LODR) Regulations, 2015

Introduction

An **Independent Director** is a non-executive director of an entity who is free from any material relationships with the entity that could impair their ability to make unbiased decisions. Their primary role is to uphold corporate governance by providing independent judgment on business affairs. The definition of an independent director, as per regulatory provisions, emphasizes integrity, relevant expertise, and freedom from financial or personal conflicts of interest with the entity, its promoters, or affiliates.

In this article, we go beyond the definition of an Independent Director to explore key aspects such as the role of the Board of Directors in supporting them, the requirements for their appointment, their duties and obligations, and other critical considerations. Additionally, the article highlights the statistics and growing prominence of the Independent Directors' database.

Empowering Independent Directors: The Board's Role and Responsibilities

The Board of Directors and senior management must enable Independent Directors to perform their roles effectively, both on the Board and its Committees. The company's code of conduct should incorporate their duties as outlined in the Companies Act, 2013. Additionally, the Board should provide familiarization programs for Independent Directors, and specify the details as required under the Regulations, such as the number of sessions attended and hours spent, both annually and cumulatively.

What does it indicate?

This signifies the Board's responsibility to empower Independent Directors by providing the necessary support, guidance, and training to help them fulfil their duties effectively. It underscores the importance of incorporating their legal obligations into the company's governance framework and ensuring they are well-acquainted with the company's operations through structured familiarization programs. This not only enhances their decision-making capabilities but also strengthens corporate governance and accountability.

Obligations of Independent Directors

- **Independent Directors' Meeting**: Independent Directors must hold at least one meeting annually without non-independent directors or management, with all independent directors striving for attendance.
- **Liability of Independent Directors**: Independent Directors are liable only for acts of omission or commission with their knowledge, consent, or failure to act diligently as per regulations.
- **Declaration of Independence**: Every Independent Director must submit a declaration at the first Board meeting and annually, confirming they meet the criteria of independence and are free from any factors affecting their judgment.
- **Confirmation on Resignation**: If an Independent Director resigns, they must provide a detailed explanation and confirm that there are no other material reasons for their resignation beyond those already stated.

In addition to the obligations of Independent Directors, there are certain restrictions to ensure their independence and objectivity. No person can be appointed as an alternate director for an Independent Director of a listed entity. Furthermore, an Independent Director who resigns from a listed entity cannot be appointed as an executive or whole-time director within one year on the Board of the listed entity, its affiliates, or its promoter group companies. These restrictions uphold ethical standards and safeguard the independence and credibility of the Independent Director's role.

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Requirements

Requirements	Details
Independent Woman Director	The Board of Directors of the top 1000 listed entities shall have at least one independent woman director.
Independent Directors Composition (Non-Executive Chairperson)	Where the chairperson is a non-executive director, at least one-third of the Board must be independent directors.
Independent Directors Composition (Non-Regular Non-Executive Chairperson)	If the chairperson is not regular or is a promoter or related to any promoter or person in management, at least half of the Board must consist of independent directors.
Independent Directors Composition (SR Equity Shares)	If the listed company has outstanding SR equity shares, at least half of the Board must consist of independent directors.
Quorum for Board Meetings (Top 2000 Entities)	Quorum shall be one-third of the total strength or three directors, whichever is higher, including at least one independent director.
Limit on Independent Directorships	A person cannot serve as an independent director in more than seven listed entities.
Independent Director Limit (Whole-Time Directors)	A whole-time director/ managing director in any listed entity can serve as an independent director in no more than three listed entities.
Woman Independent Director (Ranked 1001 to 2000)*	Listed entities ranked 1001 to 2000 should endeavour to have at least one woman independent director.
Independent Directors' Meetings (Top 2000 Entities)*	Independent directors should hold at least two meetings annually without non-independent directors or management, with all striving for attendance.
Independent Director on Subsidiary Board	At least one independent director on the Board of the listed entity must be a director on the Board of an unlisted material subsidiary, whether incorporated in India or not.

**Recent amendments that reinforce the commitment to gender diversity and stronger corporate governance and increased role of independent directors.*

Appointment, Re appointment and Removal

The appointment, re-appointment, or removal of an independent director in a listed entity must be approved by shareholders through a special resolution. If a special resolution for the appointment fails to obtain the required majority but receives more votes in favor than against, and if the public shareholders vote in favor by a majority, the appointment will still be considered valid. Similarly, an independent director appointed under these circumstances can only be removed if the resolution for removal is approved by a majority of votes in favor, with public shareholders again voting in favor by a majority.

What does it imply?

This ensures that the decision to appoint or remove an independent director reflects the will of the shareholders, particularly public shareholders, providing an additional layer of accountability and transparency in governance.

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Approval and Ratification of Related Party Transactions

All related party transactions and material modifications must receive prior approval from the Audit Committee of the listed entity. Only independent directors on the Audit Committee have the authority to approve these transactions. Independent directors can ratify related party transactions within three months or at the next Audit Committee meeting, whichever is earlier, under specific conditions:

- The total value of ratified transactions during a financial year must not exceed one crore.
- The transaction must not be material according to the provisions of the regulation.
- A rationale for not seeking prior approval must be provided to the Audit Committee at the time of ratification.
- Details of the ratified transaction must be disclosed along with other related party transactions.
- Details of the ratified transaction must be disclosed along with other related party transactions.
- Any additional conditions specified by the Audit Committee must be met.

If the Audit Committee fails to ratify the transaction, it will be considered voidable at their discretion. If the transaction involves a director or is authorized by a director, the concerned director(s) will indemnify the entity for any losses incurred.

What does it imply?

This highlights greater responsibility of independent directors in overseeing related party transactions. Independent directors are further entrusted with the critical role of approving or ratifying these transactions to ensure transparency, fairness, and adherence to regulations. The requirement for independent directors to ratify transactions within set time frames further emphasizes their role in upholding corporate integrity and ensuring compliance with regulatory standards.

Committees and Independent Directors

Committee	Minimum Members	Quorum
Audit Committee	- The chairperson must be an independent director. - The chairperson should attend the Annual General Meeting to answer shareholder queries. - For entities with SR equity shares, the Committee must consist entirely of independent directors.	- Two members or one-third of the Committee members, whichever is greater, with at least two independent directors.
Nomination and Remuneration Committee	- At least 3 members, with two-thirds being independent directors. - The chairperson must be an independent director. - The chairperson of the listed entity may be a member but cannot chair the Committee.	- Two members or one-third of the Committee members, whichever is greater, including at least one independent director.
Stakeholders Relationship Committee	- At least 3 members, with at least one independent director. - For listed entities with outstanding SR equity shares, at least two-thirds of the Committee members must be independent directors.	- Two members or one-third of the Committee members, whichever is greater, including at least one independent director.
Risk Management Committee	- Minimum 3 members, with the majority being Board members, including at least one independent director.	- At least two-thirds of the Committee members must be independent directors for listed entities with SR equity shares.

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The Databank of Independent Directors

Aiming to build a robust and capable pool of Independent Directors, fostering good governance practices across corporate Boards, the Ministry of Corporate Affairs (MCA) has initiated measures to strengthen the institution of Independent Directors by creating a pool of skilled professionals. This includes the development of a databank, in collaboration with the Indian Institute of Corporate Affairs (IICA), which aligns with the provisions of Section 150 of the Companies Act, 2013.

In addition, the Ministry has set up an integrated Learning Management System (LMS) to build the capacity of Independent Directors through eLearning courses, aimed at enhancing their role and effectiveness on Boards.

What does it provide?

The Independent Directors Databank offers several key features to support the empanelment and development of skilled professionals. It facilitates the empanelment of individuals, with or without a Director Identification Number (DIN), who wish to serve as Independent Directors. The databank also provides access to an integrated Learning Management System (LMS) offering online courses, including Board Essentials and Board Practice, aimed at enhancing the competencies of Independent Directors. Additionally, the platform shares newsletters and knowledge resources to support ongoing professional development. It also enables the sharing of Independent Directors' profiles with corporate entities, assisting them in appointing well-trained and informed professionals to their Boards

As of 05th February 2025, the Independent Directors Databank has registered 34,998 Independent Directors, including 9,950 women, and 3,693 companies.

Conclusion

In conclusion, the role of Independent Directors has become increasingly critical in ensuring strong corporate governance and protecting the interests of all stakeholders. By ensuring that Independent Directors receive adequate training, monitoring, and support, these initiatives help them fulfill their duties effectively, particularly in areas such as related party transactions, risk management, and stakeholder relationships. The commitment to empowering Independent Directors ultimately contributes to fostering transparency, accountability, and ethical practices in corporate India, driving long-term sustainability and growth.

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BLISS Tips for the Month

BLISS Tips #310: Use CimplyBest's "Add Group" feature to Effortlessly Share Surveys and Reports.

CimplyBest is a tailor-made software designed to conduct Board Evaluation as per Section 134 of Companies Act, 2013.

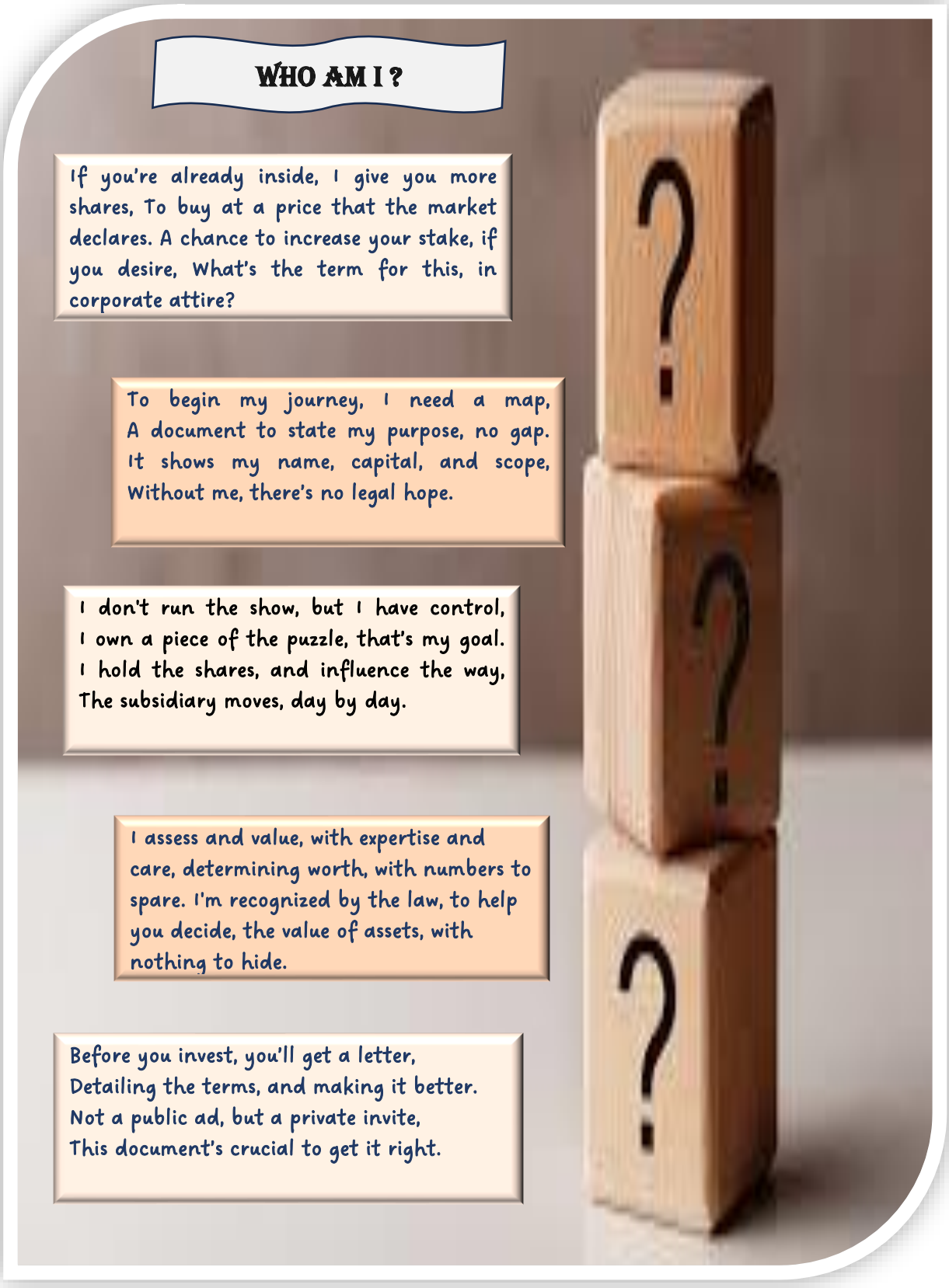
The users can create and subsequently modify different groups for Board, Sub-Committees and various types of evaluations using the **"Add group"** feature and select the relevant group for sharing the surveys to the respective members. This feature eliminates the possibility of clerical errors and reduces the manual effort of adding specific email addresses each time a survey is conducted, or a report is shared.

BLISS Tips #311: Get notified on the renewal dates of Digital Signatures (DSCs) using BLISS.

BLISS enables the users to monitor the expiration dates of Directors' and KMPs' digital signatures. The tool facilitates a simple mechanism of entering the date of expiry in the "DSC Validity" section of the "Settings" module thereby ensuring timely renewal of DSCs and affixation of a valid DSC while signing a critical document. The email alerts are sent out 30 days prior to the expiration date, thus the users have adequate time to initiate the renewal process.

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Test your Gray Matter!! Take our Riddles to find out!



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Test your Gray Matter!! Take our Quiz to find out!

1. **Which of the following is NOT a part of the hierarchy of creditors during the liquidation process under the IBC?**

a. Secured Creditors
b. Unsecured Creditors
c. Operational Creditors
d. Shareholders

2. **Which entity can initiate insolvency proceedings under the Insolvency and Bankruptcy Code?**

a. Only the Debtor
b. Only the Creditors
c. Both Debtor & Creditors
d. Only the MCA

3. **Which form is used by the company to file a return of allotment of securities with the Registrar of Companies (ROC) after the private placement?**

a. Form MGT-14
b. Form PAS-3
c. Form DIR-12
d. Form GNL-2

4. **What is the minimum tenure for an Independent Director in a company under the Companies Act, 2013?**

a. 2 Years
b. 3 Years
c. 5 Years
d. 7 Years

5. **What is the minimum number of meetings the Audit Committee must hold in a year according to the Companies Act, 2013?**

a. 2
b. 3
c. 4
d. 1

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Board Leaders Integrated Software Solution

BLISSPLUS 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. It also has multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size- based compliance under the Companies Act, 2013.

BLISSPLUS

BLISSLISTED is 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.

BLISSLISTED

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

BLISSDOCS

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

CIMPLYBEST

Clear Compass is an All-law Compliance Software to ascertain, track and manage all the applicable state, central and industry-specific laws.

Clear Compass

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 are updated every business day by 11 AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com

CAIRR LODR Integrated

Compliance Calendar for the month of February 2025

SEBI (LODR) Regulations, 2015			
Sl. No.	**Compliance Requirement**	**Section/ Rules**	**Due Date**
1.	**Integrated Filing (Governance)** Statement of redressal of investor grievances and Compliance Report on Corporate Governance	13(3) & 27(2)(a)	Within 45 days from the end of the quarter for the quarter ended December 31, 2024 i.e., within 14th February, 2025
2.	**Integrated Filing (Financial)** Disclosure of Related Party Transactions (RPTs), Quarterly disclosure of outstanding default on loans/debt securities, Statement of Deviation and Variation and Financial Results along with Limited review report/Auditor's report	23(9), 30, 32(1) & 33(3)(a)	Within 45 days from the end of the quarter for the quarter ended December 31, 2024 i.e., within 14th February, 2025

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Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015, SEBI (PIT) Regulations, 2015 and Insolvency & Bankruptcy Code, 2016 in the month of January 2025.

- **02-01-2025**

Extension of the timeline for filing CSR-2.

MCA vide its notification has extended the timeline for filing form CSR-2 for the FY 2023-2024 to 31st March 2025 as against 31st December 2024 as stated earlier.

Implementation of recommendations of the Expert Committee for facilitating ease of doing business for listed entities.

Following changes have been introduced to the SEBI (LODR) Regulations, 2015 to facilitate the listed entities an ease of doing business:

1. The timelines along with the formats (as mentioned in Annexure 1) for the Governance and Financial related periodic filings have been introduced

Governance filings are to be done within 30 days of the end of the quarter:

a. Statement on redressal of investor grievances
b. Compliance Report on Corporate Governance

Financial related filings within 45 days of the end of the quarter & 60 days from end of the last quarter & financial year:

a. Disclosure of Related Party Transactions (Frequency – Half yearly)
b. Quarterly disclosure of outstanding default on loans / debt securities
c. Statement of Deviation and Variation
d. Financial results

2. The listed entities will now be required to disclose the details pertaining to – a. acquisition of shares or voting rights (aggregating to 5% or subsequent change in holding exceeding 2%) in an unlisted company, b. imposition of any fine or penalty lower than the prescribed monetary limits and c. updates on ongoing tax litigations or disputes on a quarterly basis.

3. Details of ratification of RPTs are also required to be disclosed along with the half-yearly disclosures of RPTs.

4. The circular has set out the list of disqualifications for appointment or continuation of the Secretarial Auditor of the listed entity in Annexure 2 and the services that the Secretarial Auditor cannot render to the listed entity in Annexure 3 of the circular.

5. The listed entity shall upload the Employee Benefit Scheme Documents on its website for disclosing the Scheme after obtaining shareholder approval. This scheme document shall mandatorily have minimum information as per SEBI (SBEB) Regulations, 2021 along with the rationale for redacting information and justification as to how such redacted information would affect competitive position or reveal commercial secrets of the listed entity and shall be placed before the board of directors for consideration and approval.

The compliance with this needs to be confirmed by the Secretarial Compliance Report issued by a Peer Reviewed CS.

6. System driven disclosures would be introduced to filings pertaining to Shareholding Pattern and New rating(s) or revision in ratings.

7. Few changes have been made to the Master Circular dated November 11, 2024 with the major ones pertaining to the following:

a. Old formats for Corporate Governance report, financial results, statement of deviation, Related Party Transactions etc. have been deleted.

b. Introduction of fines for non-compliance with the timelines for reclassification of promoter / promoter group entity as public.

c. Changes to the provisions relating to Group Governance Unit.

d. Revision of timelines for disclosing the material events / information (vide Annexure 5 of this circular) thereby substituting the earlier timelines set out in Annexure 18A of the Master Circular dated November 11, 2024.

SEBI has published a comprehensive set of FAQs thereby rescinding the earlier FAQs/clarifications/guidance-notes on SEBI (PIT) Regulations, 2015.

- **10-01-2025**

Extension of time for filing Forms to monitor liquidation and voluntary liquidation processes under the Insolvency and Bankruptcy Code, 2016 ("IBC").

The timeline to file forms for monitoring the liquidation and voluntary liquidation process under the IBC and its regulations has been further extended to March 31, 2025 as against the earlier extended timeline of December 31, 2024, owing to the technicalities and issues involved in submission of the forms. Further, the Insolvency Professionals have been advised to ensure the information submitted in the forms is accurate, truthful, and consistent with the supporting documents attached.

- **13-01-2025**

Mandatory Use of eBKray Auction Platform for Liquidation Processes.

IBBI, through its circular dated 29th October 2024, had introduced the eBKray auction platform to list and sell all the unsold assets in respect of the ongoing liquidation processes. Since the platform has received an encouraging response, the IBBI has directed all IPs handling liquidation processes to **exclusively** use the eBKray auction platform for conducting auctions for sale of assets during the liquidation process with effect from **1st April 2025**. Further, the listing of unsold assets in all ongoing liquidation cases shall be completed by **31st March 2025**.

- **15-01-2025**

Introduction of XBRL Facility for Integrated Filing - Governance

XBRL utility for Integrated Filing- Governance has been made available with effect from **January 14, 2025**, in XBRL section of Listing Centre and in NEAPS on the below path:

Compliance >> Common XBRL Upload >> Integrated Filing >> Integrated Filing- Governance.

The listed entities shall submit the Integrated Filing- Governance only in XBRL form within the prescribed timelines and the PDF disclosure for the same will not be required. In case the listed entities have already submitted the PDF file, they may submit the same in XBRL form.

Further, the entities shall continue to submit the existing Corporate Governance and Investor Grievance Report in XBRL form along with the new Integrated Filing- Governance utility, within the new timelines.

- **30-01-2025**

IBBI notifies the IBBI (Grievance and Complaint Handling Procedure) (Amendment) Regulations, 2025

A stakeholder who wishes to file a grievance or complaint with the IBBI, can do so within 45 days of the occurrence of the cause of action. IBBI vide this notification clarifies that the compliant may be filed after 45 days provided there are sufficient reasons for the delay and such period shall not exceed 30 days from the date of closure of all proceedings related to the process under the Code before the Adjudicating Authority, the Appellate Authority, the High Court, or the Supreme Court, as the case may be.

IBBI notifies the IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) (Amendment) Regulations, 2025

IBBI vide this notification has extended the timeline for applying for renewal of an authorization for assignment from 45 to 90 days before the date of expiry of authorization.

Further the Agency has also been provided with sufficient duration of 90 days as against the earlier 15 days from the date of receipt of application to issue, renew or reject the authorization post which the authorization shall be deemed to have been issued or renewed by the Agency, as the case may be.

IBBI notifies the IBBI (Inspection and Investigation) (Amendment) Regulations, 2025

IBBI vide this notification has provided an explanation to the term 'associated' mentioned in the definition of 'Disciplinary Committee'.

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Amendment to the Guidelines for Technical Standards for the performance of Core Services and other services under the IBBI (Information Utilities) Regulations, 2017

Following are the amendments made to the principle guidelines:

1. For identity verification during the registration process an IU shall make use of the PAN Card issued by the Income Tax Department or any other Officially Valid Documents ("OVD") for which the facility for verification is enabled to IU, by the respective ID issuing authority. Further, Form C means the one in Schedule to IBBI (Information Utilities) Regulations, 2017.

2. For establishing user's identity during user registration process, IU shall make use of the facility of demographic authentication of user from UIDAI database. For this purpose, IU shall obtain a Sub - Authentication User Agency (AUA) license from UIDAI.

3. The supporting documents of information submitted in addition to being electronically signed and having a unique identifier reference shall support multiple document formats, may have security identifier reference which may or may not be CERSAI ID as opposed to the earlier mandate. IU may facilitate digital stamping of documents and receipt of the same.

4. For reporting of default, before filing an application to initiate CIRP under Section 7 or 9 of the IBC, the submitter shall file the information of default, with the IU and they shall process the information to issue a Record of Default in accordance with Regulation 21.

5. The manner in which IU shall mark the 'status' of authentication of the submitted debt information where no default has been reported, for each record and each party has been amended.

6. A color-coding scheme has been introduced for different 'status' (Not presented, Pending, Expired, Authenticated and Disputed where no default has been reported, and additionally, Deemed to be Authenticated where default has been reported) for authentication of information of default and will be displayed on a screen or in the form of a printed output, by the IU for each record.

7. The IU shall store in the database the details of recipient e-mail address, body of the mail, delivery status, time stamp and any other details, of all the authentication invitation e-mails, generated by the system as per Regulation 21.

8. The Annexure indicating the description of fields in Form C has been omitted.

Solution for Riddles	**Solution for Quiz**
1. Right Issue	1. D
2. Memorandum of Association	2. C
3. Holding Company	3. B
4. Registered Valuer	4. B
5. Private Placement Offer Letter	5. A

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About CimplyFive

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

Vision

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



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