

**SEBI LODR (Second Amendment) Regulations, 2023****Introduction**

On 14 June 2023, the Securities and Exchange Board of India ('SEBI') issued various amendments to its Listing Obligations and Disclosure Requirements ('LODR') Regulations. Most of them will come into effect from 14 July 2023 except a few becoming effective immediately. Here is a brief summary of the amendments.

**1. Filings and reporting**

- a. Along with the quarterly compliance report, in the specified format to the recognised stock exchanges within 21 days from the end of each quarter, the listed entity ('LE') is now required to disclose the details of cyber security incidents or breaches or loss of data or documents, if any.
- b. The LE shall, subsequent to the listing, submit its financial results for the quarter or the financial year immediately succeeding the period for which the financial statements have been disclosed in the offer document for the initial public offer, in accordance with the timeline specified in regulation 33(3)(a)/33(3)(d), as the case may be or within 21 days from the date of its listing, whichever is later.
- c. ESG reporting: The top 100 listed entities based on market capitalization, will include in the annual report, a Business Responsibility and Sustainability Report ('BRSR') on the environmental, social and governance ('ESG') disclosures. Assurance on the BRSR core shall be obtained according to the timelines and manner prescribed by SEBI.

**2. Corporate governance and disclosures**

- a. LEs shall be required to fill up the vacancy of compliance officer, director, or key managerial personnel (i.e., Chief Executive Officer, Managing Director, Whole Time Director or Manager and Chief Financial Officer) within 3 months from the date of such vacancy.
- b. The new regulations have defined an additional quantitative threshold to determine the materiality i.e. omission of an event/information whose value or the expected impact exceeds lower of:
  - i. 2% of the of turnover, as per the last audited consolidated financial statements ('CFS') of the LE
  - ii. 2% of the net worth as per the last audited CFS (except in case of a negative arithmetic value of the net worth)
  - iii. 5% of the average of absolute value of profit or loss after tax as per the last 3 audited consolidated financial statements of the LE.

The materiality policy framed by the LE shall not dilute any of the criteria specified under the regulations.

- c. Material events or information must be disclosed to the stock exchange ('SE') within the timelines as under:
  - i. 30 minutes from the closure of the meeting of the board of directors in which the decision pertaining to the event or information has been taken.
  - ii. 12 hours from the occurrence of the event or information in case the event or information is emanating from within the listed entity.
  - iii. 24 hours from the occurrence of the event or information in case the event or information is not emanating from within the listed entity.

Apart from the above, the timelines specifically spelt out in schedule III need to be adhered to.

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- d. W.e.f. 1 October 2023, the top 100 LEs (by market capitalisation as at the end of the immediately preceding financial year) shall confirm, deny, or clarify any reported event or information in the mainstream media which is not general in nature, and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public. The timeline for such confirmation / denial / clarification is maximum 24 hours from the reporting of the event or information. W.e.f. 1 April 2024, this requirement will apply to top 250 LEs.
- e. It is obligatory for the LE to disclose the binding agreements mentioned in Schedule III-Part A-Para A-clause 5A of the LODR, i.e. agreements entered into by the shareholders, promoters, promoter group entities, key managerial personnel (not necessarily with the LE), but directly / indirectly / potentially / whose purpose is to impact the management or control of the LE or impose any restriction or create any liability upon the LE.
- f. Particulars of senior management including the changes therein since the close of the previous financial year.

**3. Shareholders' empowerment**

- a. For strengthening the extant mechanism of sale, lease, or disposal of an undertaking of a listed entity outside the 'Scheme of Arrangement' framework, it will be mandatory to obtain the shareholders' approval through a special resolution and also a disclosure of commercial rationale behind such sale/lease/disposal.
- b. Special rights to shareholders: Any special rights granted to the shareholders shall be subject to the approval by the shareholders in a general meeting by way of a special resolution once in every 5 years starting from the date of grant of such special right.
- c. W.e.f. 1 April 2024, the continuation of a director serving on the BOD shall be subject to the approval by the shareholders in a general meeting at least once in every 5 years from the date of their appointment or reappointment.

**4. Mandatory disclosures:** Certain disclosures are widened, and new disclosures are mandated concerning

- a. Fraud by directors, senior management, subsidiaries of the LE;
- b. Resignation of key managerial personnel, directors, senior management;
- c. Actions initiated against the above persons by regulatory/enforcement authorities;
- d. Voluntary revision if the financial statements or BOD report u/s 131 of the Companies Act 2013; and
- e. Delay/default in payment of fines, penalties to any statutory, regulatory, enforcement or a judicial authority.

**Weblink**

[https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023\\_72609.html](https://www.sebi.gov.in/legal/regulations/jun-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-second-amendment-regulations-2023_72609.html)

**Therefore**

SEBI has amended various clauses of the LODR to address the current issues concerning transparency, accountability, and corporate governance. Specific disclosures relating to clarifications on market rumours and other material information are relevant on the background of adoption information technology by corporates.