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Re: Public Comment on the Review of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Glass Lewis appreciates the opportunity to comment on the Securities and Exchange Board of India's ("SEBI"), review of the Listing Obligations and Disclosure Requirements, 2015 ("LODR").

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guidelines, and in the determination of voting recommendations for specific shareholder meetings.

The responses provided below are not meant to be exhaustive but are designed to address what Glass Lewis sees as the main issues and concerns raised in the Consultation Paper. Thank you in advance for your consideration and please do not hesitate to contact us if you would like to discuss any aspect of our submission in more detail.

Respectfully submitted,

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Enclosure

Comments on the “Proposed Amendments to Strengthen Corporate Governance Provisions” (in reference to Annexure A)

Sr. No.	Proposed Change	Comment	Rationale for the comment	Revisions to the recommendations
Regulation 3	<u>Insertion of new sub-regulation (2):</u> (1) The provisions of these regulations which become applicable to listed entities on the basis of market capitalisation criteria shall continue to apply to such entities even if they fall below such thresholds.	Glass Lewis welcomes the proposed expansion of scope to entities that would have otherwise fallen below market capitalisation thresholds.	As noted by SEBI market capitalisation changes are dynamic, and the revocation of corporate governance compliances otherwise required would be arbitrary. The proposed amendment would safeguard against discontinuity in corporate governance practices and provide certainty to all parties.	None.
Second proviso to Regulation 15(2)(a)	<u>Insertion of new proviso:</u> Provided that once the above regulations become applicable to a listed entity, they shall continue to remain applicable irrespective of subsequent changes in equity share capital or net-worth of such entity.	See comment for Regulation 3	--	None.
Regulation 24(5)	<u>Insertion (in red):</u> A listed entity shall not dispose of shares in its material subsidiary resulting in reduction of its shareholding (either on its own or together with other subsidiaries) to less than or equal to fifty percent or	Glass Lewis views the amendment of this regulation as expanding the scope of the requirement of a special resolution to divest in material subsidiaries to include 50%	Currently, there is a discrepancy in the definitions of material subsidiaries in the Companies Act, 2013 and the SEBI LODR. Specifically, a subsidiary in which the listed entity holds exactly 50% ceases to be material in terms of the Act. However, if the listed entity wishes to divest this subsidiary, the	None.

	<p>cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved</p>	<p>subsidiaries, avoiding potential misuse. Further, shareholders would benefit from increased participation in approving divestments.</p>	<p>current SEBI LODR does not require a special resolution to be passed, as it stipulates this is only required if shareholding reduces <i>below</i> 50%. The proposed amendment seeks to align the above discrepancy.</p>	
Regulation 30(6)	<p>Second paragraph: Provided further that disclosure with respect to events specified in sub-para 4 of Para A of Part A of Schedule III shall be made within the timelines specified therein. thirty minutes of the conclusion of the board meeting.</p>	<p>Glass Lewis welcomes the proposed amendment, which seeks to reduce the possibility of leakages of financially sensitive information.</p>	<p>As noted by SEBI, current norms require disclosure of financial results within 30 minutes of the conclusion of the board, however as noted by the Federation of Indian Chambers of Commerce & Industry (“FICCI”), it is in the best interests of investors that material events and information are submitted promptly to exchanges whenever approval is received. To this end it is proposed that such events are disclosed within 30 minutes of approval, rather than from the conclusion of the meeting to reduce the possibility that such information is leaked to the public before the listed entity can submit this information to the exchange as required.</p>	None.

<p>Schedule III, Part A, Para A (4)</p>	<p><u>Amendments in red</u></p> <p>Part A, Para A</p> <p>...</p> <p>4. Outcome of Meetings of the board of directors:</p> <p><u>Insertion of new sub-clause (i)</u></p> <p>(i) The listed entity shall disclose the financial results to the Exchange(s) within 30 minutes of approval by the board.</p> <p>(ii) The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider the following:</p> <p>a) b) . . h) financial results i) decision on voluntary delisting by the listed entity from stock exchange(s).</p>	<p>See comment for Regulation 30(6).</p>	<p>--</p>	<p>None.</p>
<p>Regulation 43A(1)</p>	<p><u>Amendments in red</u></p> <p>The top five hundred one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year)</p>	<p>Glass Lewis is supportive of the proposed expansion of scope to entities required to form a dividend distribution</p>	<p>We believe that a dividend distribution policy forms part of the structure of a best practice investor relations strategy. Further, shareholders should have the ability to assess the appropriateness of a dividend</p>	<p>None.</p>

	shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.	policy to the top one thousand companies based on market capitalisation.	distributions. As such, we believe it is in the best interests of shareholders that this is required of a broader scope of companies.	
Schedule III, Part A, Para A (9)	<p><u>Amendments in red</u></p> <p>Part A Para A</p> <p>9. Corporate debt restructuring. The following events in relation to resolution plan / restructuring of loans / borrowings from banks/financial institutions, as applicable: (i) Decision to initiate resolution of loans / borrowings; (ii) Signing of Inter-Creditors Agreement (ICA) by lenders; (iii) Finalization of Resolution Plan; (iv) Implementation of Resolution Plan; (v) Salient features, not involving commercial secrets, of the resolution / restructuring plan as decided by lenders</p>	Glass Lewis is supportive of the proposed amendment, which seeks to replace the current provisions for the obsolete Corporate Debt Restructuring Scheme, with the current Stressed Assets Directions issued by the Reserve Bank of India ("RBI").	In 2019, the RBI released a notification entitled the <u>Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019</u> (the "Directions"). The Directions set out the framework for financial intermediaries regulated by the RBI who proceed to undertake a resolution process for stressed assets. As the Directions are in supercession of the erstwhile Corporate Debt Restructuring Scheme, we see the amendment as technical in nature.	None.

Comments on the “Proposed Amendments to Ease Compliance Burden on Listed Entities” (in reference to Annexure B)

Sr. No.	Proposed Change	Comment	Rationale for the comment	Revisions to the recommendations
Regulation 7(3)	<p><u>Amendments in red</u></p> <p>The listed entity shall submit a compliance certificate to the exchange, duly signed by both the compliance officer of the listed entity and the authorised representative of the share transfer agent, wherever applicable, within one month thirty days of from the end of each half the financial year, certifying compliance with the requirements of sub-regulation (2).</p>	<p>Glass Lewis sees the reduction in the requirement of the submission of a compliance certificate authorised by a share transfer agent from twice annually to annually as not detrimental to shareholder interests.</p>	<p>We view that SEBI’s reduction in the requirement to submit a compliance certificate authorised by a share transfer agent to an annual basis would not be detrimental to shareholder interests</p>	<p>None.</p>
Proviso to Regulation 12	<p><u>Second Proviso Deleted</u></p> <p>Provided that where it is not possible to use electronic mode of payment, ‘payable-at-par’ warrants or cheques may shall be issued.:</p> <p>Provided further that where the amount payable as dividend exceeds one thousand and five hundred rupees, the ‘payable-at-par’ warrants or cheques shall be by speed post.</p>	<p>Glass Lewis believes the proposed revocation of the proviso around monetary thresholds around non-electronic modes of payments to be relatively non-consequential to companies.</p>	<p>We believe that the definitions of specific monetary thresholds and methods of post around non-electronic modes of payment as unnecessarily burdensome and see this amendment as increasing listed entities’ flexibility in this manner.</p>	<p>None.</p>

Regulation 39(3)	<p><u>Amendments in red</u></p> <p>The listed entity shall submit information regarding a quarterly report to the stock exchange(s) on loss of share certificates and issue of duplicate certificates, to the stock exchange within two days of its getting information if applicable, along with the statement of investor grievances furnished under regulation 13(3) of these regulations.</p>	Glass Lewis sees the amendment in the provision to report on the loss of physical shares as technical in nature.	Given the change in the nature of trading which has seen a lack of physical trading of physical shares on stock exchange floors there has been a material reduction in the trade of physical shares. As such, we view the change to quarterly reporting from a time-to-time basis of the loss of such shares as not having a notable impact on companies or shareholders.	None.
Regulation 40(9)	<p><u>Amendments in red</u></p> <p>The listed entity shall ensure that the share transfer agent and/or the in-house share transfer facility, as the case may be, produces a certificate from a practicing company secretary within one month of from the end of each half of the financial year, certifying that all certificates have been issued within thirty days of the date of lodgement for transfer, subdivision, consolidation, renewal, exchange or endorsement of calls/allotment monies.</p>	Glass Lewis views the amendment in the provision of a certificate from a practicing company secretary as technical in nature.	We agree with SEBI that reducing the requirement of the submission of a certificate from a practicing company secretary to an annual basis as not detrimental to shareholders interests, and an ease of burden to listed entities.	None.

Comments on the “Proposed Amendments for Maintaining Consistency within LODR Regulations and Harmonization with the Companies Act, 2013” (in reference to Annexure C)

Sr. No.	Proposed Change	Comment	Rationale for the comment	Revisions to the recommendations
16(1)(b)(v)	<p><u>Amended as follows:</u></p> <p>(v) none of whose relatives— (A) is holding any security of or interest in the listed entity, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year: Provided that the relative may hold security or interest in the listed entity of face value not exceeding fifty lakh rupees or two per cent. of the paid- up capital of the listed entity, its holding, subsidiary or associate company or such higher sum as may be prescribed; (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 prescribed during the two immediately preceding financial years or during the current financial year;</p>	<p>Glass Lewis welcomes to the proposed amendment to the definition of an independent director to align with the Act, while retaining its comparatively lower threshold.</p>	<p>The current LODR provides for a restriction of the classification of independent directors on the basis of their relation to persons with interests in the listed entity in broader terms than compared with the Act, as per the amendment of the latter on May 7, 2018. This proposed amendment seeks to define this relationship in more specific terms as per the Act, including holding security or interest, being indebted, giving guarantees or providing security, or any other pecuniary relationship with the listed entity. The departure from the Act is the inclusion of the threshold amounts when taken in aggregate among all types of relationships.</p> <p>However, Glass Lewis has a more refined view in how we assess a director’s independence, and therefore, we believe the threshold should be set at a lower level.</p>	<p>Glass Lewis believes that the threshold for pecuniary relationships between relatives of independent directors and listed entities be lowered from two or more per cent of gross turnover or income to exceeding one percent of consolidated gross revenue. In this case, the use of revenue better reflects a company’s income from business activities. Further, a one percent threshold would further reduce potential business conflicts of interests. In addition, we believe that a provision should be included that sets threshold of a professional pecuniary</p>

	<p>(C) has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two 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, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income;</p> <p>Provided that the pecuniary relationship in relation to (A) to (D) shall not exceed 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.</p>		<p>As such, we believe that a director's independence should also be viewed to include a provision that sets a limit on pecuniary relationships (in particular for professional services) among relatives of independent directors in proportion to the amount of compensation that a director may receive in fees and commission would be appropriate.</p>	<p>relationship between entities owned by relatives of independent directors and the income receivable by those directors at not exceeding 100%.</p>
Regulation 27(2)(a)	(2) (a) The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognised stock	Glass Lewis believes that this amendment would not have a material effect on shareholder rights.	While we believe that all documentation relating to corporate governance should be filed in a timely manner, we do not believe that pushing back the quarterly deadline by	While quarterly corporate governance report filing times may be extended, we nevertheless believe

	exchange(s) within fifteen twenty one days from close of the quarter.		5 days will have a sufficiently concerning impact for the availability of information for shareholders.	that companies should disclose to stock exchanges whenever there is a change to board and/or board committee composition.
Regulation 46 (2)	<p><u>Insertion of new clauses</u></p> <p>(t) annual return as prescribed under section 92 of the Companies Act, 2013 and the rules made thereunder;</p> <p>(u) disclosures under regulation 30(8) of these regulations</p>	Glass Lewis views favourably the proposed requirement to disseminate its annual return and material events and information on its website, which we believe will improve accessibility of information for shareholders.	--	None.