

Board's Report – Enhanced Role Under The New Companies Act 2013.

Introduction:

Section 134 of the Companies Act, 2013 casts a wider responsibility on the Board of Directors of all companies to report to the Shareholders detailed as below . The Board of Directors Report shall be annexed to the Financial Statements , which are laid before the shareholders in the Annual General Meeting of the Company.

Disclosure to be made in Board Report pursuant to Section 134 of CA 2013 read with Companies (Accounts) Rules, 2014 and pursuant to provisions under CA 2013:

1. Annual Return :

The extract of the Annual Return in Form No. MGT.9; (as per section 92)

2. Details of Board Meetings

Number of meetings of the Board of Directors (Section 173)

3.(i) Directors' Responsibility Statement for unlisted and listed company both:

- a. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. The directors had prepared the annual accounts on a going concern basis; and
- e. **The directors, in the case of a listed company,** had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—For the purposes of this clause, the term “*internal financial controls*” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- f. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

(ii). Directors' Responsibility Statement for Listed Companies under clause 55 of Listing Agreement.

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Listed entities shall submit, as part of their Annual Reports, Business Responsibility Reports, describing the initiatives taken by them from an environmental, social and governance perspective, in the format suggested under Clause 55 of Listing Agreement .

Link : http://www.sebi.gov.in/cms/sebi_data/attachdocs/1344915990072.pdf

4. **Independent Director** : A statement by the Board that each Independent Directors has given a declaration as required under sub-section (6) of section 149, which confirms his independency;
5. **Nomination & Remuneration Committee** :Every Listed Company and every Public Company, having paid-up capital of Rs.10 Crore or more OR having turnover of Rs.100 Crore or more OR having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs.50 Crores or more (Refer Section 178 of CA 13), need to give disclosure relating to ***Nomination & Remuneration Committee***, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178 (relating to Key Managerial Personnel (KMP) & senior management);
6. **Qualifications of Auditors** :
The Board need to give explanations or comments in the Board Report on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report; and by the company secretary in practice in his secretarial audit report;
7. **Particulars of loans, guarantees or investments** under section 186 which are exceeding the limit of 60% of the Paid Up Capital , free reserves and securities premium account or 100% of free reserves and securities premium account, whichever is higher.
8. **Related Party Transaction:** Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2
9. **State of Company's affairs:** Details of standalone operations and consolidated operations of the Company (revenues, expenses etc)
10. **Reserves** : The amounts, if any, which it proposed to carry to any reserves
11. **Dividend** :The amounts, if any, which it recommends should be paid by way of dividend

12. **Material changes and commitments**, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report;
13. **The conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo**
- (A) Conservation of energy-**
- (i) the steps taken or impact on conservation of energy;
 - (ii) the steps taken by the company for utilising alternate sources of energy;
 - (iii) the capital investment on energy conservation equipments;
- (B) Technology absorption-**
- (i) the efforts made towards technology absorption;
 - (ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
 - (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-
 - (a) The details of technology imported;
 - (b) The year of import;
 - (c) Whether the technology been fully absorbed;
 - (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
 - (iv) The expenditure incurred on Research and Development.
- (C) Foreign Exchange earnings and Outgo-**
- The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.
14. **Risk Management Policy** :A statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company:
15. **CSR**: Composition of CSR Committee and the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year or reasons for not spending the money. **(Reporting as per Format given below)**

Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

1. A brief outline of the Company’s CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

2. The Composition of the CSR Committee.

3. Average net profit of the company for last three financial years

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)

5. Details of CSR spent during the financial year.

(a) Total amount to be spent for the financial year;

(b) Amount unspent, if any;

(c) Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto to the reporting period	Amount spent : Direct or through implementing agency*
1							
2							
3							
	TOTAL						

*Give details of implementing agency.

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

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7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

Sd/- (Chief Executive Officer or Managing Director or Director)	Sd/- (Chairman CSR Committee)	Sd/- [Person specified under clause (d) of sub-section (1) of section 380 of the Act] (wherever applicable)
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16. **Additional Disclosure for every listed company and every other public company having a paid up share capital of Rs.25 Crore or more calculated at the end of the preceding financial year shall include, in the Board Report -**

- (i) the financial summary or highlights;
- (ii) the change in the nature of business, if any;
- (iii) the details of directors or key managerial personnel who were appointed or have resigned during the year;
- (iv) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;
- (v) the details relating to deposits, covered under Chapter V of the Act,-
 - (a) accepted during the year;
 - (b) remained unpaid or unclaimed as at the end of the year;
 - (c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-
 - (i) At the beginning of the year;
 - (ii) Maximum during the year;
 - (iii) At the end of the year;
- (vi) the details of deposits which are not in compliance with the requirements of Chapter V of the Act;
- (vii) the details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;
- (viii) the details in respect of adequacy of internal financial controls with reference to the Financial Statements.
- (ix) **Annual Evaluation of Performance of Board** :As per Rule 8 of Chapter IX, every listed company and every other public company having a paid up share capital of Rs.25 Crore or more calculated at the end of the preceding financial year shall include, in the Board Report, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

17. **ESOP:**

As per Sub Rule 9 of Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 , disclosure to be made in Board Report (pursuant to section 62) For Employees Stock Option Plan (ESOP):

The Board of Directors, shall, inter alia, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- (a) options granted;
- (b) options vested;
- (c) options exercised;
- (d) the total number of shares arising as a result of exercise of option;
- (e) options lapsed;
- (f) the exercise price;
- (g) variation of terms of options;

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- (h) money realized by exercise of options;
- (i) total number of options in force;
- (j) employee wise details of options granted to:-
 - (i) key managerial personnel;
 - (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.
 - (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;

18. Sweat Equity Shares

As per Sub Rule 13 of Rule 8 of Companies (Share Capital and Debentures) Rules, 2014 , disclosure to be made in Board Report about Issue of sweat equity share:

The Board of Directors shall, inter alia, disclose in the Directors' Report for the year in which such shares are issued, the following details of issue of sweat equity shares namely:-

- (a) the class of director or employee to whom sweat equity shares were issued;
- (b) the class of shares issued as Sweat Equity Shares;
- (c) the number of sweat equity shares issued to the directors, key managerial personnel or other employees showing separately the number of such shares issued to them , if any, for consideration other than cash and the individual names of allottees holding one percent or more of the issued share capital;
- (d) the reasons or justification for the issue;
- (e) the principal terms and conditions for issue of sweat equity shares, including pricing formula;
- (f) the total number of shares arising as a result of issue of sweat equity shares;
- (g) the percentage of the sweat equity shares of the total post issued and paid up share capital;
- (h) the consideration (including consideration other than cash) received or benefit accrued to the company from the issue of sweat equity shares;
- (i) the diluted Earnings Per Share (EPS) pursuant to issuance of sweat equity shares.

19. Equity Shares with differential rights :

As per Sub Rule 4 of Rule 4 of Companies (Share Capital and Debentures) Rules, 2014 , disclosure to be made in Board Report with respect to Equity Shares with differential rights :

The Board of Directors shall, inter alia, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed, the following details, namely:-

- (a) the total number of shares allotted with differential rights;
- (b) the details of the differential rights relating to voting rights and dividends;

- (c) the percentage of the shares with differential rights to the total post issue equity share capital with differential rights issued at any point of time and percentage of voting rights which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital;
- (d) the price at which such shares have been issued;
- (e) the particulars of promoters, directors or key managerial personnel to whom such shares are issued;
- (f) the change in control, if any, in the company consequent to the issue of equity shares with differential voting rights;
- (g) the diluted Earning Per Share pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards;
- (h) the pre and post issue shareholding pattern along with voting rights in the format specified under Clause 35 of listing agreement

20. ESOP and voting rights of employees

Sub Rule 4 of Rule 16 of Companies (Share Capital & Debentures) Rules, 2014 , disclosure to be given in the Board Report with respect to voting rights not exercised directly by the employees in respect of shares to which the scheme relates,

The Board's Report should mention the following details, namely:-

- (a) the names of the employees who have not exercised the voting rights directly;
- (b) the reasons for not voting directly;
- (c) the name of the person who is exercising such voting rights;
- (d) the number of shares held by or in favour of, such employees and the percentage of such shares to the total paid up share capital of the company;
- (e) the date of the general meeting in which such voting power was exercised;
- (f) the resolutions on which votes have been cast by persons holding such voting power;
- (g) the percentage of such voting power to the total voting power on each resolution;
- (h) Whether the votes were cast in favour of or against the resolution.

21. Auditors

As per Sub Rule 3 6 and 14 of the Companies (Audit & Auditors) Rules, 2014 disclosure to be given by the Board in its Report with regards to the appointment of Auditors and Cost Auditors :

Directors need to give its recommendation for the appointment of the statutory auditors and cost auditor (if any) of the Company, any change made during the year, whether existing auditor(s) is/are eligible for reappointment etc.

22. Audit Committee (Section 177 sub section 8)

The Companies having Paid up Capital of **Rs. 10 Cr or more** or Turnover of **Rs. 100 Cr or more** or aggregate, outstanding loans or borrowings or debentures or deposit exceeding **50 Cr or more**, shall form the Audit Committee and the

composition of Audit Committee shall be disclosed in the Board Report and in case of the Board has not accepted any recommendation of audit committee; the same shall also be disclosed in the Board Report with reason therefore .

23. Vigil Mechanism (Section 177 sub section 9)

The Companies which **accept deposits from the public** or which have borrowed money from banks and public financial institutions in excess of Rs. 50 Crores , shall establish Vigil mechanism for their Directors and Employee to report their genuine concern or grievances . Such mechanism shall be disclosed by the company on its website, if any and in the Board of Directors Report.

24. Directors and changes in KMP

Any changes and retirement of rotation of Directors

25. Remuneration of Directors (Section 197)

Every listed Company need to disclose in the Board's Report, the ratio of the remuneration of each director to the median employee's remuneration and such other details mentioned here under:

Rule 5 of Companies (Appointment and remuneration of managerial personnel) rules, 2014 requires following details to be mentioned under Directors Report.

- (1) Every Listed Company shall disclose :
- (i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;
 - (ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;
 - (iii) the percentage increase in the median remuneration of employees in the financial year
 - (iv) the number of permanent employees on the rolls of company;
 - (v) the explanation on the relationship between average increase in remuneration and company performance;
 - (vi) comparison of the remuneration of the Key Managerial Personnel against the performance of the company;
 - (vii) variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;
 - (viii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration

- and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;
- (ix) comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;
 - (x) the key parameters for any variable component of remuneration availed by the directors;
 - (xi) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year; and
 - (xii) Affirmation that the remuneration is as per the remuneration policy of the company.

Explanation.- For the purposes of this rule.-

- (i) the expression “median” means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers may be found by arranging all the observations from lowest value to highest value and picking the middle one;
 - (ii) if there is an even number of observations, the median shall be the average of the two middle values.
- (2) The Board’s Report shall include a statement showing the name of every employee of the company, who-
- (i) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than sixty lakh rupees;
 - (ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than five lakh rupees per month;
 - (iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.
- (3) The statement referred above shall also indicate -
- (i) designation of the employee;
 - (ii) remuneration received;
 - (iii) nature of employment, whether contractual or otherwise;
 - (iv) qualifications and experience of the employee;
 - (v) date of commencement of employment;
 - (vi) the age of such employee;
 - (vii) the last employment held by such employee before joining the company;

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- (viii) the percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above; and
- (ix) whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager:

Provided that the particulars of employees posted and working in a country outside India, not being directors or their relatives, drawing more than Rs.60 Lac per financial year or Rs.5 Lac per month, as the case may be, as may be decided by the Board, shall not be circulated to the members in the Board's Report, but such particulars shall be filed with the Registrar of Companies while filing the financial statement and Board Reports:

Provided further that such particulars shall be made available to any shareholder on a specific request made by him in writing before the date of such Annual General Meeting wherein financial statements for the relevant financial year are proposed to be adopted by shareholders and such particulars shall be made available by the company within three days from the date of receipt of such request from shareholders:

Provided also that in case of request received even after the date of completion of Annual General Meeting, such particulars shall be made available to the shareholders within seven days from the date of receipt of such request.

Apart from above, the Board Report should also disclose , details of remuneration or commission , if any director who is managing director or whole time director of the company receive from any holding company or subsidiary company of such company

26. Secretarial Audit Report (Section 204 of CA 2013)

Board's Report must contain as annexure a Secretarial Audit Report for the Company whose paid up Share Capital of Rs.50 Crore or more or turnover of Rs.250 Crore or more.

27. Listed Company need to comply with Clause 5 and 49 of Listing Agreement

Clause 5.A.(I).g/ (II). Details of shares lying in the suspense account
Clause 49 Corporate Governance Report

28. **Subsidiaries:** Details of subsidiaries, joint venture and associate companies and consolidation of statement of all such companies. Performance of and financial position of each of the subsidiaries, joint venture or associate companies during the year.

29. **Committees of the Board:** Details of all the committees along with their charters, composition and meetings held during the year.

30. **Highlights of prevention of harrasment at woke place policy:** Details of the compliants received, handled etc
