

N D A Update – SEBI amendment to LODR

By a notification No. SEBI/LAD-NRO/GN/2023/117 dt 17-01-2023, certain amendments have been made to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations.

Most important amendment is in respect of definition of “Senior Management”. The earlier definition vis-à-vis the amended definition is provided in the table below, with major portion of amendment being highlighted.

Definition prior to 17-01-2023	Definition with effect from 17-01-2023
“senior management” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the [“chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.”]	<i>“senior management” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.”</i>

Now, all members of the management one level below the CEO or MD or WTD shall be considered as a part of “senior management”.

Besides, functional heads by whatever name called shall also be considered as a part of “senior management”.

In terms of LODR, certain compliances are mandated for the senior management. With this amendment, newly included “functional heads by whatever name called” shall also be required to comply with the following:

- The functional heads shall also make disclosures to the board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

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- **Code of conduct** shall be applicable to the functional heads also and they shall be required to confirm compliance with the code of conduct
- Such functional heads shall facilitate the independent directors to perform their role effectively as a member of the board of directors and also a member of a committee of board of directors. Thus independent director may interact with functional head while performing their roles.

The remuneration payable to functional heads, now being part of senior management, shall also be recommended to the Board by the Nomination and Remuneration Committee.

Other important amendment in LODR:

In the Corporate Governance Report forming part of the annual report the following additional disclosure shall be made-

Details of material subsidiaries of the listed entity; including the date and place of incorporation and the name and date of appointment of the statutory auditors of such subsidiaries.

This disclosure shall be applicable for Annual Reports for the financial year 2022-2023 and thereafter.

<https://egazette.nic.in/WriteReadData/2023/242038.pdf>