



PR No.15/2021

SEBI Board Meeting

The SEBI Board met in Mumbai today. The out of station Members joined the meeting through video conferencing. The Board, inter-alia, took the following decisions:

I. **Review of framework of Innovators Growth platform (IGP) under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018**

The Board has approved the proposals with respect to framework of Innovators Growth platform (IGP) under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, with an objective to make the platform more accessible to companies in view of the evolving start-up ecosystem.

The key proposals approved by the Board are as follows:

- Present eligibility requirement under IGP, for issuer to have 25% of pre-issue capital held by eligible investors for two years period, is reduced to one year.
- The term 'Accredited Investor' for the purpose of IGP is renamed as 'Innovators Growth Platform Investors'. At present, pre-issue shareholding of such investors for meeting eligibility, is considered for only 10%, which is now increased and shall be considered for the entire 25% required for meeting eligibility norms.
- In terms of present IGP provisions, Issuer Company is not permitted to make discretionary allotment. It has been decided to allow Issuer Company to allocate up to 60% of the issue size on a discretionary basis, prior to issue opening, to eligible investors with a lock in of 30 days on such shares.
- In line with the provisions of Main Board IPO, Issuer companies which have issued Superior Voting Rights (SR) equity shares to promoters / founders shall be allowed to do listing under IGP framework.

- For companies listed under IGP framework, stipulation for triggering open offer under Takeover Regulations, 2011, has been relaxed from existing 25% to 49%. However, irrespective of acquisition or holding of shares or voting rights in a target company, any change in control directly or indirectly over target company will trigger open offer.
- Delisting under IGP framework shall be considered successful if the post offer acquirer/promoter shareholding, taken together with the shares tendered and accepted, reaches 75% of the total issued shares of that class; and at least 50% shares of the public shareholders are tendered and accepted.
Further, for delisting under IGP framework, the Reverse Book Building mechanism shall not be applicable, and for computation of offer price, the floor price will be determined in terms of Takeover Regulations, 2011, along with delisting premium as justified by the acquirer/promoter.
- Presently for a company not satisfying the conditions of profitability, net assets, net worth, etc., migration from IGP to Main Board requires a company to have 75% of its capital held by QIBs as on date of application for migration. This requirement is now reduced to 50%.

II. Business Responsibility and Sustainability Reporting by listed entities

The Board has decided to introduce new requirements for sustainability reporting by listed entities. This new report shall be called the Business Responsibility and Sustainability Report (BRSR) and shall replace the existing Business Responsibility Report (BRR).

The BRSR shall be applicable to the top 1000 listed entities (by market capitalization), for reporting on a voluntary basis for FY 2021 – 22 and on a mandatory basis from FY 2022 – 23.

The BRSR lays considerable emphasis on quantifiable metrics, which allows for easy measurement and comparability across companies, sectors and time periods. Further, the disclosures on climate and social (employees, consumers and communities) related issues of the entity have been significantly enhanced and made more granular.

The disclosures under the BRSR are segregated into essential (mandatory) and leadership (voluntary) indicators. The BRSR also provides for inter-operability

of reporting i.e. the entities which prepare sustainability reports based on internationally accepted reporting frameworks (such as the GRI, SASB, TCFD, Integrated Reporting) can cross-reference the disclosures sought under the BRSR to the disclosures made under such frameworks.

The new reporting requirements are expected to bring in greater transparency through disclosure of material ESG-related information to enable market participants to identify and assess sustainability-related risks and opportunities. These requirements set the stage for taking a leap for better disclosures in the ESG space in India.

III. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012

The Board approved the proposal to amend SEBI (Alternative Investment Funds) Regulations, 2012 to

- (i) provide a definition of 'startup' as specified by Government of India for the purpose of investment by Angel Funds;
- (ii) remove the list of restricted activities or sectors from the definition of Venture Capital Undertaking to provide flexibility to Venture Capital Funds registered under Category I Alternative Investment Funds (AIFs) in making investments;
- (iii) allow AIFs, including Fund of AIFs, to simultaneously invest in units of other AIFs and directly in securities of investee companies subject to certain conditions;
- (iv) provide clarity on scope of responsibilities of Managers and members of Investment Committees; and
- (v) prescribe a Code of Conduct for AIF, Trustee and directors of the Trustee/Designated Partners/directors of the AIF, Manager, members of Investment Committee and key management personnel of AIF and Manager.

IV. Review of regulatory framework for reclassification of promoter/ promoter group entities

The Board approved the proposal to rationalize the existing framework pertaining to reclassification of promoter/ promoter group entities which includes exemption from:

- Existing requirements, in cases of reclassification pursuant to an order of the regulator under any law in line with existing exemption already available to cases of resolution plan approved under section 31 of the Insolvency code.
- The requirement of seeking approval of shareholders in cases where the promoter seeking reclassification holds shareholding of less than 1%, subject to the promoter not being in control.
- Few procedural requirements related to reclassification such as obtaining request from promoter, approval from the board and shareholders in case of open offer under SEBI Takeover Regulations and scheme of arrangement. This exemption shall be subject to the outgoing promoter's intent of reclassification being disclosed in the letter of offer or scheme of arrangement alongwith fulfilling other requirements such as not being in control, not represented on the Board, etc.

It has also been decided to reduce the time gap between the date of board meeting and shareholders meeting for consideration of reclassification request, to a minimum of one month and a maximum of three months from the existing requirement of minimum period of three months and maximum six months.

V. Review of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. The Board approved several amendments to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). Some of the key amendments are as follows:
 - Requirement for formulation of dividend distribution policy by the existing top 500 listed entities has been extended to the top 1000 listed entities on the basis of market capitalisation.
 - In case of board meetings held for more than one day, the financial results shall be disclosed by listed entities within 30 minutes of end of the board meeting for the day on which the financial results are considered.
 - The provisions of the LODR Regulations which become applicable to listed entities based on (i) the market capitalisation criteria, shall continue to apply even if such entities subsequently fall below the specified thresholds (ii) paid-up capital and net-worth, shall continue to apply to such entities unless the

paid-up capital or net-worth falls and continues to remain below the threshold for a period of three consecutive financial years.

- The requirement to seek stock exchange approval for change of name of a listed entity is dispensed with.
 - The timelines for submission of periodic reports viz. statement of investor complaints, corporate governance report and shareholding pattern will be harmonized to 21 days from the end of each quarter.
 - Frequency of submission of compliance certificates relating to share transfer facility and issuance of share certificates within 30 days of lodgement for transfer, sub-division, etc. is revised from half-year to annual.
 - The requirement to publish newspaper advertisements for the notice to board meetings where financial results are to be discussed and for quarterly statement on deviation or variation in use of funds, is dispensed with.
2. Besides, the amendments are aimed at ensuring gender neutrality and maintaining consistency within the LODR Regulations, harmonizing certain provisions of the LODR Regulations with Companies Act, in addition to strengthening the corporate governance practices and disclosure requirements and easing the compliance burden on listed entities.

VI. Applicability, constitution and role of the Risk Management Committee

The Board considered and approved amendments to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to applicability, constitution and role of the Risk Management Committee (RMC) of listed entities.

The amendments *inter-alia* include the following:

- The requirement to constitute the RMC has been extended to the top 1000 listed entities by market capitalization from the existing top 500 listed entities.
- The RMC shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.
- The quorum for a meeting of the RMC shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

- The role of the RMC has been specified which, *inter-alia*, includes formulation of a detailed risk management policy and monitoring its implementation; periodic review of such policy; review of the appointment, removal and terms of remuneration of the Chief Risk Officer (if any), etc.

VII. Review of disclosures in respect of analyst/ institutional investor meets by listed entity

Presently, a listed entity is required to disclose the schedule of analyst/institutional investors meet and presentations made in such meetings, to the stock exchanges and on its website. The Board has decided to amend the regulation to introduce the requirement of disclosing:

- Audio/video recordings of such meetings on the website of the listed entity and exchanges promptly, before next trading day or within 24 hours, whichever is earlier.
- Written transcripts of such meetings within five working days.

VIII. Review of SEBI (Delisting of Equity Shares) Regulations, 2009

1. The Board has approved several amendments to the SEBI (Delisting of Equity Shares) Regulations, 2009 (Delisting Regulations) primarily with an objective to make the delisting process more transparent and efficient.
2. Some of the key amendments are as under:
 - Promoter/acquirer will be required to disclose their intention to delist the company by making an initial public announcement.
 - The Committee of Independent Directors will be required to provide their reasoned recommendations on the proposal for delisting.
 - Timelines for completion of various activities forming part of delisting process have been introduced / revised to make the process more efficient.
 - Promoter / acquirer will be permitted to specify an indicative price for delisting which shall not be less than the floor price.
 - Promoter will be bound to accept the price discovered through reverse book building if the same is equal to the floor price / indicative price.
 - Role of merchant banker involved in the delisting process has been elaborated.

IX. Amendment to SEBI (Portfolio Managers) Regulations, 2020

The Board approved amendment to the SEBI (Portfolio Managers) Regulations, 2020, mandating Portfolio Managers to obtain prior approval of SEBI for change in control.

X. Online payment of application fee, registration fee, renewal fee and annual fees by Intermediaries

Board approved the proposal for intermediaries to pay fees only through online payment gateway and doing away with physical mode of payment to encourage digital payment.

XI. Budget Estimates for the Financial Year (FY) 2021-22

The SEBI Budget for the financial year 2021-22 was considered and approved by the Board.

Mumbai

March 25, 2021