



**COUNTRY  
COMPARATIVE  
GUIDES 2024**

# The Legal 500 Country Comparative Guides

## India

# CORPORATE GOVERNANCE

### Contributor

Shardul Amarchand Mangaldas & Co



#### Dr Shardul S. Shroff

Executive Chairman | [shardul.shroff@amsshardul.com](mailto:shardul.shroff@amsshardul.com)

#### Radhika M. Dudhat

Partner | [radhika.dudhat@amsshardul.com](mailto:radhika.dudhat@amsshardul.com)

#### Priya Subbaraman

Senior Advisor | [priya.subbaraman@amsshardul.com](mailto:priya.subbaraman@amsshardul.com)

#### Priyanka Sheth

Counsel | [priyanka.sheth@amsshardul.com](mailto:priyanka.sheth@amsshardul.com)

#### Vishnu Sumanth

Associate | [vishnu.sumanth@amsshardul.com](mailto:vishnu.sumanth@amsshardul.com)

#### Dhwani Baxi

Associate | [dhwani.baxi@amsshardul.com](mailto:dhwani.baxi@amsshardul.com)

This country-specific Q&A provides an overview of corporate governance laws and regulations applicable in India.

For a full list of jurisdictional Q&As visit [legal500.com/guides](https://legal500.com/guides)

## INDIA

# CORPORATE GOVERNANCE



### 1. What are the most common types of corporate business entity and what are the main structural differences between them?

The most common types of corporate business entity structures in India which are well regulated include publicly listed companies, public companies, private companies, one person companies (OPCs) and limited liability partnerships (LLPs). The other prevalent business entity structures in India are partnership firms (registered/unregistered) and sole proprietorships. While companies and LLPs typically provide for a limited liability of their economic owners, partnership firms and sole proprietorships do not.

Companies in India are generally governed by the Companies Act, 2013 and the rules framed thereunder ('**Company Law**'). Further, listed companies in India are also regulated by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('**LODR Regulations**') and other rules and regulations issued by the Securities and Exchange Board of India ('**SEBI**'), as applicable, that set out structural differences which *inter alia* include the applicable regulatory and compliance framework, requirement of capital and number of minimum and maximum directors/partners in the concerned entity.

### 2. What are the current key topical legal issues, developments, trends and challenges in corporate governance in this jurisdiction?

(a) The Company Law and LODR Regulations have comprehensive provisions in respect to corporate governance including setting out audit guidelines for conducting internal and external audits, the Companies (Auditor's Report) Order, 2020 (CARO Order), the need for auditor's views and comments on specific matters such as use of an accounting software by a company for maintaining its books of accounts which has a feature of recording audit trail (edit log) facility, whether the same has been operated throughout the year for all

transactions recorded in the software, whether the audit trail feature has been tampered with or not and that the audit trail has been preserved by the company as per the statutory requirements for record retention. Additionally, there are provisions in respect to setting up of committees in a company such as the audit committee, risk management committee, corporate social responsibility committee, nomination and remuneration committee and a stakeholders relationship committee, as applicable.

(b) As per the provisions of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ('**NDI Rules**') and Company Law, specified entities located in a country which share land boundary with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, can only invest after prior Government approval.

(c) SEBI has also mandated Foreign Portfolio Investors (FPIs) holding more than 50% (fifty per cent) of their Indian equity assets under management (AUM) in a single corporate group or FPIs who individually or along with an investor group hold more than over Rs 25,000/- Crores (Rupees Twenty-Five Thousand Crores) of equity AUM in the Indian markets, to disclose granular details of all entities holding any ownership interest, economic interest or exercising control in such FPIs.

(d) The LODR Regulations set out critical provisions with respect to disclosures required to be made by listed companies in India, including intimation of material events/information, conflict of interest and related party transactions at arm's-length basis within a specified period of the occurrence of such event(s) to the relevant stock exchanges, formulating an effective vigil mechanism/whistle-blower policy for directors and employees to report genuine concerns, restriction on communication while in possession of unpublished price sensitive information (UPSI) and maintenance of Chinese walls, to name a few.

(e) There is increased market awareness regarding the mandatory Business Responsibility and Sustainable Reporting ('**BRSR Reporting**') under the LODR

Regulations. It is still in its evolving phase and is being gradually implemented in a step-by-step manner across various companies and industries.

(f) Some of the other key developments and trends in India also include the increase in corporate governance due to shareholder activism and increasing awareness on green financing and e-governance.

(g) In addition, it is important to address issues pertaining to awareness, monitoring and reporting of conflict of interest situations, related party transactions being undertaken at an arm's-length basis, making of material disclosures as required under applicable laws and implementation of responsible corporate governance in small and medium enterprises and family-owned businesses, to ensure legal compliances in word and spirit and to protect the interests of the minority shareholders.

### 3. Who are the key persons involved in the management of each type of entity?

As per Section 2(51) of the Company Law, the chief executive officer (CEO), managing director (MD), whole-time director, chief financial officer (CFO), company secretary of a company, such other officer, not more than 1 (one) level below the directors who is in whole-time employment, designated as key managerial personnel by the board and such other officer as may be prescribed from time to time are the key managerial personnel ('**KMPs**'), who are involved in the day-to-day management of publicly listed companies, public companies and private companies, as applicable.

In case of an LLP, it is the designated partners in such LLP, while for partnership firms, it is the partners and for sole proprietorship concerns, it is the individual who has set up such sole proprietorship being the proprietor, who are the key persons in the respective entity.

In cases of statutory entities (such as the Reserve Bank of India ('**RBI**') for financial services companies and SEBI for listed entities), the list of KMPs is wider according to the requirement of the statutory framework applicable to such entities.

### 4. How are responsibility and management power divided between the entity's management and its economic owners? How are decisions or approvals of the owners made or given (e.g. at a meeting or in writing)

The control in the management of a company is achieved by virtue of their position on the board, acquisition of certain rights as a shareholder and certain affirmative rights under contracts/agreements.

The board of directors are responsible to ensure that the necessary corporate governance framework, the required checks and balances and the necessary competencies are in place to safeguard and optimise the interests of the company and its business. The actual implementation of such corporate governance framework and day-to-day operations of the business are undertaken by the executive directors, KMPs, the management along with the functional teams.

While the independent and non-executive directors are not directly responsible for the day-to-day affairs, the role of the independent directors is to apply their knowledge and expertise to improve and strengthen the corporate credibility, accountability, governance, business practices and the business of the company and to protect and safeguard the interests of the minor shareholders.

As per Section 179 of the Company Law, the board of a company are vested with the powers to make certain decisions on behalf of the company, which are agreed by passing of a board resolution in a board meeting or by way of a circular resolution, as applicable.

For matters other than those listed thereunder, the economic owners, being the shareholders, have the power to decide the same by way of passing either an ordinary resolution or a special resolution, as provided under the Company Law. Voting of shareholders may take place by show of hands at a general meeting (Section 107), remote electronic voting (Section 109) as well as by postal ballot (Section 110) before the meeting is held by a company.

### 5. What are the principal sources of corporate governance requirements and practices? Are entities required to comply with a specific code of corporate governance?

Currently, in India, there is no specific code of corporate governance. The enforcement of basic principles of corporate governance being transparency, accountability, confidentiality, ethical practices and regulatory compliances is ensured through various existing legal and regulatory framework being corporate laws such as the Company Law, LODR Regulations and laws governing specific areas such as environment, employment, data privacy, health and safety, anti-

bribery, anti-corruption and anti-money laundering and other applicable laws.

The principal sources of corporate governance requirements and practices evolve from the regulatory and legal framework which governs the specific entity depending upon its structure. For e.g., a private company shall be governed primarily by the Company Law and rules framed thereunder which sets requirements of certain filings to be made which envisages requirements of corporate governance. Similarly, for a listed company, in addition to the Company Law, LODR Regulations and other SEBI rules and regulations shall also be applicable.

Companies operating in specific sectors are also often subject to governance-related regulations framed by other sectoral regulators, such as the RBI for financial services companies, Insurance Regulatory and Development Authority of India ('**IRDAI**') for insurance companies and Telecom Regulatory Authority of India ('**TRAI**') for telecommunication players.

#### **6. How is the board or other governing body constituted? Does the entity have more than one? How is responsibility for day-to-day management or oversight allocated?**

The board of directors of an Indian company can be constituted by appointment through a meeting held by the shareholders of the company. The Company Law sets out the qualifications and process for appointment of a person as a director under Sections 149 to 172 of the Company Law.

Indian Companies are also required to constitute certain statutory committees as mandated under the Company Law and LODR Regulations which include a risk management committee, corporate social responsibility committee, audit committee, nomination and remuneration committee and a stakeholders relationship committee, as applicable.

The executive directors, KMPs, the management along with the functional teams and other committees as set out hereinabove govern the day-to-day affairs of the company and review the oversights, if any. The role of the independent directors is to apply their knowledge and expertise to improve and strengthen the corporate credibility, accountability, governance, business practices and the business of the company and to protect and safeguard the interests of the minor shareholders. Further, there are certain laws in India, framed to address specific matters which also mandate

constitution of certain committees for e.g., an internal committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ('**POSH Act**') and grievance redressal committee under the Industrial Disputes Act, 1947 which review issues pertaining to sexual harassment and/or grievances of workforce in an entity respectively.

#### **7. How are the members of the board appointed and removed? What influence do the entity's owners have over this?**

The members on the board, are appointed by the shareholders of the company, being the ultimate owners of the company, subject to such persons meeting the qualifications as set out under the Company Law, after following the due process and making the relevant filings with the Ministry of Corporate Affairs ('**MCA**') as set out under Sections 149 to 172 of the Company Law.

It is also important to note that the composition of the board in case of a listed company and other classes of company as specified under the Company Law, also requires appointment of an independent director, small shareholders director and a woman director respectively. Further, to maintain integrity, in the case of a listed company, all the directors are liable to retire by rotation at an annual general meeting ('**AGM**') in accordance with the provisions of the Company Law.

In terms of removal, directors may either resign (Section 168) or be removed by a vote of the shareholders, once they have been given a fair hearing (Section 169). Directors may also be removed by the National Company Law Tribunal ('**NCLT**') in exercise of its powers under Sections 241 and 242 of the Company Law.

#### **8. Who typically serves on the board? Are there requirements that govern board composition or impose qualifications for board members regarding independence, diversity, tenure or succession?**

The board comprises of individuals appointed by the shareholders in accordance with the provisions of the Company Law which sets out provisions in respect to the composition of the board (Section 149), keeping in mind factors such as diversity (Section 149(1)), tenure or succession (Section 149(6)) including having an independent director in specified cases (Section 149(4)) possessing appropriate skills, experience and knowledge in 1 (one) or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines

related to the company's business and qualifications (Section 152 read with Section 164) such as obtaining a director identification number (DIN), filing of consent with the MCA, someone who possesses relevant expertise and experience and who is not disqualified, owing to factors such as being of an unsound mind, undischarged insolvent or someone who already holds the maximum number of directorships as permissible under the Company Law.

For listed and specified public companies in India, there is a requirement to have at least 1 (one) woman director and at least 2 (two) independent directors on the board of the company. Further, listed companies are also required to have a Succession Policy and ensure that the same is implemented, for orderly succession for appointment to the board and senior management.

While the above is currently not mandatory for private companies in India, it is important for the private companies to comply with the same from a good governance and responsible practice standpoint from the beginning itself, so that the company is compliant and ready if and when it decides to go public and/or for listing on stock exchange(s).

### 9. What is the role of the board with respect to setting and changing strategy?

The board of directors are responsible to ensure that the necessary corporate governance framework, the required checks and balances and the necessary competencies are in place to safeguard and optimise the interests of the company and its business.

Any changes in the existing framework, the business or the manner in which it is operated, assets, capital and/or any change in the material aspects of the business is required to be made in accordance with the applicable laws, including the Company Law, SEBI, FEMA (as applicable) and requires (i) alteration to the Memorandum of Association (MOA) and Articles of Association (AOA) of the company; (ii) approval by the members of the board; (iii) approval by the members of the company, where applicable; and (iv) necessary filings with the applicable regulators in the form, manner and within such timelines as prescribed.

Depending on the reports, status on the financial health, strategic and technical inputs and feedback received from the CFO, CXO, COO, various department heads, finance, accounts, legal teams and committee(s) of a company, the board is required to evaluate the current position of the company and formulate a change in strategy, as may be required, keeping in mind the business risks.

### 10. How are members of the board compensated? Is their remuneration regulated in any way?

The directors of specified companies are eligible to receive managerial compensation, subject to the overall maximum limits prescribed under Section 197 read with **Schedule V** of the Company Law. Further, in specific cases, such as where the payment of remuneration payable to any 1 (one) MD or whole-time director or manager exceeds 5% (five per cent) of the net profits of the company and where there is more than 1 (one) such director and the remuneration exceeds 10% (ten per cent) of the net profits payable to all such directors and manager taken together, the company is also required to obtain a prior approval from the shareholders through a special resolution.

Further, where the company has defaulted in payment of dues to any bank or public financial institution or non-convertible debenture holders or any other secured creditor, prior approval of the bank or public financial institution concerned or the non-convertible debenture holders or other secured creditor, as the case may be, is also required to be obtained by the company, before obtaining the approval in the general meeting.

The company may also pay the board 'Director Sitting Fees' for attending the meetings of the board or any committees thereof.

### 11. Do members of the board owe any fiduciary or special duties and, if so, to whom? What are the potential consequences of breaching any such duties?

The board of directors have a fiduciary duty towards the company, its employees, the shareholders, the community and for the protection of the environment, which is more particularly set out under Section 166 of the Company Law. If a director of the company contravenes the provisions of this section, such director(s) shall be punishable with a fine which shall not be less than Rs 1,00,000/- (Rupees One Lakh) but which may extend to Rs 5,00,000/- (Rupees Five Lakhs).

Additionally, there are specific penalties which are set out under the Company Law such as for commission of fraud (Section 447), making a false statement (Section 448) or providing false evidence (Section 449) and a residuary provision in cases of offences where no specific penalty or punishment is provided under the Company Law (Section 450).

## 12. Are indemnities and/or insurance permitted to cover board members' potential personal liability? If permitted, are such protections typical or rare?

Companies in India have a directors and officers (D & O) liability insurance, which covers or protects the directors of a company from claims which may arise from various decisions and actions taken while serving their duty on behalf of the shareholders for the company. It also covers legal defense costs or other costs incurred by the company in defending such individuals against lawsuits.

A company may also be required to indemnify the director(s) for acts where no fault can be attributed to them, after conducting a thorough due diligence and documenting the findings, prior to making any decisions in this regard. Such indemnity provisions are set out under the key employee agreements and the AOA of the company.

The protections with respect to insurance and indemnity are typical in India. However, such protections shall not be available in cases of any willful default, fraud and/or negligence.

## 13. How (and by whom) are board members typically overseen and evaluated?

The role, duties and obligations of the board members are governed by the applicable legal framework and are subject to regulatory review as the situation may demand or as need may arise. The board of directors are subject to several evaluations as prescribed under the Company Law and LODR Regulations in respect to listed and public companies and evaluations that are voluntarily carried out by private companies from a good governance and best practices standpoint.

While the operations of a company are evaluated by the shareholders, a company is also monitored by the concerned regulators governing such company such as the MCA, SEBI, RBI and the Competition Commission of India ('CCI') and such other designated regulators under applicable laws, pertaining to the operations of the company.

In cases of any non-compliance, such regulators will be responsible for questioning the company from time to time and taking necessary disciplinary actions against the company, the board and other key managerial personnel, as applicable. Additionally, under the Company Law and LODR Regulations, independent directors also play a key role in overseeing and

evaluating the performance of the board from an internal perspective.

## 14. Is the board required to engage actively with the entity's economic owners? If so, how does it do this and report on its actions?

The board is required to convene the AGM of the company every year in accordance with the provisions of Section 96 of the Company Law. For the same, a Notice of the meeting is required to be sent by the company, specifying the place, date, day and the hour of the meeting along with the agenda items to be transacted at such meeting. The resolutions/agreements passed at each meeting are required to be filed with the MCA within 30 (thirty) days in the manner specified under Section 117 of the Company Law.

The board of a company also have the power to convene extraordinary meetings of the Shareholders for any material transactions proposed to be undertaken by the company from time to time.

## 15. Are dual-class and multi-class capital structures permitted? If so, how common are they?

The Company Law permits companies to issue equity shares with differential voting rights (DVRs) and preference share capital, effectively creating dual-class or multi-class capital structures. A company can issue equity shares with DVRs, only after complying with the provisions of the Company Law and SEBI regulations, as applicable. It is quite common for companies in India to have equity and preference shares within their capital structures.

## 16. What financial and non-financial information must an entity disclose to the public? How does it do this?

Under the Company Law, a company is required to submit an annual return (Section 92), directors report (Section 134) which *inter alia* includes incorporating details regarding conservation of energy, technology absorption, foreign exchange earnings, a statement that the company has complied with the provisions relating to constitution of an internal committee under the POSH Act, a directors' responsibility statement (Section 134(3)(c)), which shall *inter alia* state that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with

proper explanation relating to material departures, if any, proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities and that the annual accounts are prepared on a 'going concern' basis. A company is also required to submit the register of members (Section 88), beneficial owners (Section 89), significant beneficial owners (Section 90) and related party transactions (Section 188) which is available to the general public through the MCA portal.

Under the LODR Regulations, an annual report (Regulation 34) is required to be filed by the company. Further, specified material events including but not limited to outcome of the board meetings, events of fraud or default, change or resignation by key personnel of the company and transactions such as acquisitions, any scheme of arrangement (amalgamation, merger, demerger or restructuring) or sale or disposal of any unit(s) (Regulations 30 and 30A) are also required to be disclosed within such timelines as may be prescribed by SEBI from time to time.

### **17. Can an entity's economic owners propose matters for a vote or call a special meeting? If so, what is the procedure?**

The shareholders of a company can call for a special meeting as per Section 100 of the Company Law. At the requisition of the specified number of shareholders of the company, as specified under Company Law, the members have the right to call for a special meeting of the company.

### **18. What rights do investors have to take enforcement action against an entity and/or the members of its board?**

Following are some of the rights that investors have to take enforcement action against an entity and/or the members of the board under Company Law, such as voting rights (Section 47), inspection rights (Section 119), right to information (Section 92), class action suits (Section 245) and approaching the NCLT alleging oppression and/or mismanagement (O&M) by majority shareholders (Sections 241 and 242). The powers of the tribunal to grant relief to O&M/class action petitioners are extremely wide and include the power to order changes to the management of the company, restrict the transfer of company assets, injunction or restricting certain transactions by the company, mandating audits and ordering remedial action.

Other avenues include seeking resolutions and remedies against companies and intermediaries under the Investor Grievance Redressal Forum/Investor Grievance Management Cell.

### **19. Is shareholder activism common? If so, what are the recent trends? How can shareholders exert influence on a corporate entity's management?**

Shareholder Activism has been gaining immense popularity in India. Shareholders through their interaction with the board, can have their voices heard on a consistent basis.

Some of the emerging trends with respect to Shareholder Activism in India include increased focus on ESG and sustainable practices, diversity and inclusion, climate change, corporate accountability, use of social media platforms which facilitate wider engagement and collaboration with proxy advisory firms who provide independent research and voting recommendations, influencing institutional investor votes.

Shareholders in India can exert influence on a corporate entity's management through shareholder meetings and resolutions, publicity campaigns, negotiations and litigation.

### **20. Are shareholder meetings required to be held annually, or at any other specified time? What information needs to be presented at a shareholder meeting?**

A company is required to convene an AGM within 6 (six) months from the end of the relevant financial year, in accordance with Section 96 of the Company Law. Further, the Company can also call for an extraordinary general meeting for matters/material transactions requiring special resolution or shareholders' approval.

During the meetings, the company is required to *inter alia* present the list of directors liable to retire by rotation, auditors to be appointed/re-appointed, annual return (Section 92), directors report (Section 134), including the register of members (Section 88), beneficial owners (Section 89) and significant beneficial owners (Section 90) to the shareholders at the meeting.

Further, a listed entity or a company which consists of more than 1,000 (one thousand) shareholders, debenture-holders, deposit holders and any other security holders at any time during a financial year, is

required to constitute a stakeholders relationship committee, consisting of a chairperson who shall be a non-executive director and such other members as may be specified under applicable laws. Such committee is required to specifically consider and resolve the grievances of the security holders of the company.

**21. Are there any organisations that provide voting recommendations, or otherwise advise or influence investors on whether and how to vote (whether generally in the market or with respect to a particular entity)?**

Institutional Investor Advisory Services (IIAS), InGovern and Stakeholder Empowerment Services (SES) are some of the major firms that are *inter alia* providing services with respect to proxy advisory services and voting recommendations for shareholder meetings in India. These firms are regulated by SEBI through the Securities and Exchange Board of India (Research Analysts) Regulations, 2014.

**22. What role do other stakeholders, including debt-holders, employees and other workers, suppliers, customers, regulators, the government and communities typically play in the corporate governance of a corporate entity?**

Every stakeholder is important to the overall corporate governance of the entity. Where an employee is not happy with the overall performance of the company, it can negatively impact their own individual performance and they may in turn resign from the company. Further, non-repayment to the debt-holders/lenders/suppliers on time can indicate the status of the overall financial health and the credit score of the company.

Concerned regulators governing the company also oversee and monitor the overall regulatory and compliance framework of the company and have a right to question the company from time to time, including taking necessary disciplinary actions against the company, the board and other key managerial personnel, as applicable.

**23. How are the interests of non-shareholder stakeholders factored into the decisions of the governing body of a corporate entity?**

The Company Law through Corporate Social Responsibility ('CSR') requires eligible companies to compulsorily discharge their CSR obligations (i.e., 2% of their average net profits) in each financial year, through different projects/subjects/activities specified under **Schedule VII** of the Company Law. **Schedule VII** enumerates an exhaustive list of eligible projects/subjects/activities that can be undertaken by companies in pursuance of their CSR obligation, for the benefit of employees, different communities and the environment.

SEBI through its LODR Regulations has set out Environmental, Social and Governance ('ESG') principles and the BRSR reporting framework which is currently mandatorily applicable to the top 1,000 listed companies (based on market capitalisation). There is an increasing focus of investors on sustainability investing, which may be reflected in an increase in total assets and inflows in sustainable funds. The Indian government and regulators are using ESG to actively implement responsible action, that focuses not only in creating wealth for the stakeholders but also safeguarding the interest of non-stakeholders.

Additionally, the Company Law (Section 166) also accounts for non-shareholders' interests in the management of a company and specifically requires that all decisions taken by directors shall be in the best interests of the company, its employees, its shareholders, the community, and the environment representing a more stakeholder-centric approach to governance. The stakeholder relationship committee of the board (Section 178) is also required to cater to and address grievances of non-shareholder security holders of the company.

**24. What consideration is typically given to ESG issues by corporate entities? What are the key legal obligations with respect to ESG matters?**

In India, the ESG principles and BRSR reporting framework is currently mandatorily applicable to the top 1,000 listed companies (based on market capitalisation) and is being implemented in a step-by-step manner across various companies and industries. As per the LODR Regulations, a listed company is required to submit the BRSR report along with the annual report every year.

The current ESG-BRSR report in India is structured around disclosures about the overall performance of a company, which is based on the following 9 (nine) principles laid down by the 'National Guidelines on



Responsible Business Conduct' issued by the MCA ('NGRBC Principles') –

(A) Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.

(B) Businesses should provide goods and services in a manner that is sustainable and safe.

(C) Businesses should respect and promote the well-being of all employees, including those in their value chains.

(D) Businesses should respect the interests of and be responsive to all their stakeholders.

(E) Businesses should respect and promote human rights.

(F) Businesses should respect and make efforts to protect and restore the environment.

(G) Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

(H) Businesses should promote inclusive growth and equitable development.

(I) Businesses should engage with and provide value to their consumers in a responsible manner.

## 25. What stewardship, disclosure and other responsibilities do investors have with regard to the corporate governance of an entity in which they are invested or their level of investment or interest in the entity?

As per SEBI's circular on the 'Stewardship Code for all Mutual Funds and all categories of AIFs, in relation to their investment in listed equities', "Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including

*performance (operational, financial, etc.), strategy, corporate governance (including board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee company boards, voting in board or shareholders meetings, etc."*

It is expected for investors to identify the levels of monitoring for different investee companies, critical areas and mechanism for monitoring and also specifically identify and set-out situations where they do not wish to be actively involved. While seeking any information from the investee companies, it is expected for the investors to keep in mind the insider trading regulations.

Further, IRDAI has also issued a code for stewardship for insurance companies, considering that insurance companies are significant institutional investors in listed companies and investments are held by them as custodians of policyholders' funds.

Additionally, as per the LODR Regulations, listed companies in India are also expected to devise an effective whistle-blower mechanism to enable investors and other stakeholders to freely communicate their concerns regarding any illegal, discriminatory, harassing, any other unfair employment and/or unethical practices that may be prevalent in the company.

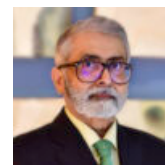
## 26. What are the current perspectives in this jurisdiction regarding short-term investment objectives in contrast with the promotion of sustainable longer-term value creation?

Indian regulators are looking to create the corporate governance environment to be conducive for a transparent and disclosure friendly regime, to make responsible governance a norm through understanding its long-term benefits and value creation through investor recognition. Hence, value creation sustained over time trumps any short-term gains.

## Contributors

**Dr Shardul S. Shroff**  
Executive Chairman

[shardul.shroff@amsshardul.com](mailto:shardul.shroff@amsshardul.com)



**Radhika M. Dudhat**  
Partner

[radhika.dudhat@amsshardul.com](mailto:radhika.dudhat@amsshardul.com)



**Priya Subbaraman**  
Senior Advisor

[priya.subbaraman@amsshardul.com](mailto:priya.subbaraman@amsshardul.com)



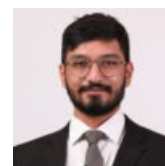
**Priyanka Sheth**  
Counsel

[priyanka.sheth@amsshardul.com](mailto:priyanka.sheth@amsshardul.com)



**Vishnu Sumanth**  
Associate

[vishnu.sumanth@amsshardul.com](mailto:vishnu.sumanth@amsshardul.com)



**Dhwani Baxi**  
Associate

[dhwani.baxi@amsshardul.com](mailto:dhwani.baxi@amsshardul.com)

