

## **Corporate Governance Reporting and Disclosures under SEBI LODR Regulations: A Critical Analysis**

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### **Abstract:**

Corporate governance in India has gained significant prominence in recent years due to rising expectations from shareholders, regulators, and global investors. In response, the Securities and Exchange Board of India (SEBI), through its Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015, established a structured framework mandating disclosures that promote transparency, accountability, ethical conduct, and investor protection among listed companies. Despite this regulatory advancement, the transition from mere compliance to genuine commitment remains a challenge for many corporate in India. This article critically examines the governance disclosure framework under SEBI's LODR Regulations by analyzing key provisions, compliance patterns, sector-wise trends, enforcement actions, and challenges faced by listed entities, supported by statistical data from NSE-listed companies and SEBI reports

### **I. Introduction**

Corporate governance is the system through which companies are directed, controlled, and held accountable. It encompasses the practices and procedures that guide corporate decisions, ensure ethical conduct, manage stakeholder interests, and align management objectives with shareholder expectations. In the Indian context, corporate governance became a national priority after several high-profile corporate scandals, prompting regulatory bodies to enforce stronger governance mandates.

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 commonly known as LODR Regulations represent a significant milestone in India's regulatory evolution. These rules consolidate and rationalize multiple earlier obligations into a comprehensive disclosure framework applicable to all listed companies. The LODR framework mandates periodic and event-based reporting on various governance aspects, including board composition, audit processes, related party transactions (RPTs), risk management, and sustainability disclosures.

### **II. Core Intension of the Paper**

The primary objective of this study is to analyze the governance disclosure requirements stipulated under SEBI's LODR Regulations, evaluate the extent of compliance by NSE-listed companies particularly the top 100 firms by market capitalization and identify emerging reporting trends, including the integration of Environmental, Social, and Governance (ESG)

factors. Additionally, the study aims to critically examine the practical challenges faced in implementing these regulations.

### III. Overview of SEBI LODR Disclosure Requirements

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are designed to ensure that listed entities in India uphold high standards of corporate governance through transparent, timely, and comprehensive disclosures. These regulations bring consistency and accountability in corporate reporting, thereby enhancing investor confidence and promoting ethical business conduct. The LODR disclosure requirements are broadly categorized into two types: periodic disclosures and event-based disclosures.

**A. Periodic Disclosures:** Periodic disclosures are routine submissions made at regular intervals to ensure continued compliance and transparency. Key requirements include:

- **Quarterly Corporate Governance Reports (Regulation 27):** These reports include details on board structure, committee composition, meetings held, and compliance with governance norms.
- **Financial Results and Shareholding Patterns (Regulations 33 and 31):** Companies are required to file quarterly and annual financial statements, along with detailed information on promoter and public shareholdings.
- **Annual Reports and Schedule V Disclosures:** The annual report must include governance reports, disclosures on director remuneration, board evaluations, and related party transactions (RPTs) as prescribed under Schedule V.

**B. Event-Based Disclosures:** Event-based disclosures are triggered by specific corporate actions or developments that may materially affect a company's operations or investor interests.

These include:

- **Changes in Board Composition:** Appointments, resignations, reappointments, and removals of directors must be disclosed promptly.
- **Material Related Party Transactions (Regulation 23):** Companies must disclose and, in some cases, seek shareholder approval for significant RPTs.
- **Corporate Actions:** Mergers, acquisitions, demergers, delisting, and other strategic decisions require timely public disclosure.

**C. Key Disclosure Provisions (Post-Amendments):** SEBI has introduced several amendments to strengthen governance reporting, aligning Indian practices with global standards. Some of the key regulatory provisions include: **Table No -1: Key Regulatory Provisions**

Regulation	Area of Governance
Regulation 17	Composition, roles, and responsibilities of the Board of Directors
Regulation 18	Constitution and functioning of the Audit Committee
Regulation 21	Formation and duties of the Risk Management Committee
Regulation 25	Responsibilities, appointment, and evaluation of Independent Directors
Regulation 27	Quarterly compliance reports on corporate governance
Schedule V	Comprehensive annual disclosures on remuneration, performance evaluation, and RPTs

The LODR framework has undergone significant revisions through key amendments in 2018, 2021, and 2023, each time expanding the scope of disclosures and refining compliance standards. These updates reflect SEBI's proactive approach to adapting governance practices in

line with international benchmarks and rising stakeholder expectations. As companies face increasing scrutiny from regulators, investors, and the public, the emphasis has shifted from mere procedural compliance to meaningful and qualitative disclosure that truly reflects governance performance.

#### IV. Critical Analysis of Governance Disclosures

While SEBI's LODR Regulations provide a robust and evolving framework for corporate governance disclosures, the actual ground-level implementation by Indian listed companies reveals significant variability in the quality, consistency, and timeliness of these disclosures. Though the overall compliance rates appear high, a closer inspection reveals that many companies continue to approach these requirements as a formality rather than a genuine governance practice aimed at enhancing stakeholder trust.

A data-driven analysis of NSE-listed companies' performance for the financial year 2022-23 highlights the extent of compliance across key governance parameters:

**Table No - 2: Compliance Status of Key Parameters (FY 2023)**

Compliance Parameter	Fully Compliant (%)	Partially Compliant (%)	Non-Compliant (%)
Board Composition (Regulation 17)	95%	4%	1%
Audit Committee Reporting (Regulation 18)	97%	2%	1%
Risk Management Committee (Regulation 21)	88%	10%	2%
Quarterly CG Report Submission (Regulation 27)	92%	7%	1%
Related Party Disclosures (Schedule V)	85%	10%	5%

**Source:** NSE Filings and SEBI Compliance Reports, 2023

These figures underscore a high level of adherence to board structure and audit-related requirements, driven perhaps by clearer guidelines and the criticality of these roles in investor assurance. However, relatively lower compliance in risk management and related party disclosures suggests ongoing challenges in interpretation, technical competence, and, in some cases, a reluctance to disclose potentially sensitive transactions that may invite scrutiny.

Some recurring issues observed include:

- **Generic and templated disclosures** that fail to provide substantive insights into the governance dynamics of the firm.
- **Delayed submissions** of quarterly reports and inadequate justifications for such lapses.
- **Inconsistent quality** in related party disclosures, where companies often under-report or vaguely describe such transactions, reducing transparency.

These gaps, though statistically minor, are significant in qualitative terms, as they affect stakeholder trust, especially among institutional investors and regulators.

#### V. Trends and Developments in Corporate Governance Reporting

Over the past few years, Indian corporate governance has witnessed several transformative shifts, primarily due to evolving stakeholder expectations and regulatory tightening. Notable developments include:

1. **Enhanced ESG Disclosures through BRSR:** With the introduction of the Business Responsibility and Sustainability Reporting (BRSR) framework, SEBI has mandated the top 1000 listed entities (by market capitalization) to report on a wide array of environmental, social, and governance metrics starting FY 2022–23. This marks a significant transition from traditional financial reporting to integrated sustainability-oriented disclosures.
2. **Mandatory Disclosure of Independent Directors' Resignation Reasons:** To promote transparency at the board level, SEBI now mandates that detailed resignation letters of independent directors must be disclosed. This aims to highlight governance failures or boardroom conflicts that were previously obscured.
3. **Dividend Distribution Policies:** Listed companies are now required to disclose their dividend distribution policies, fostering transparency in capital allocation decisions and aligning shareholder expectations with company performance.
4. **Deviation Reporting on Projections:** Entities must report any deviations between actual financial performance and projections, especially when funds have been raised via public issues. This adds a layer of financial accountability.
5. **Integrated and Digital Reporting Adoption:** A few progressive firms have started embracing Integrated Reporting (IR), combining financial data with sustainability and social performance metrics to present a holistic business overview. Digital reporting formats and interactive reports are also being experimented with to enhance stakeholder engagement.

## VI. Challenges in Implementation

While the SEBI LODR Regulations are lauded for their forward-looking governance principles, real-world implementation continues to face a series of practical hurdles. These challenges are particularly acute for mid-cap firms, family-run businesses, and entities with limited compliance bandwidth.

### (a) Key Challenges Faced by Companies

According to the FICCI-SEBI Industry Survey, 2023, the following compliance-related difficulties were most frequently reported:

**Table No - 3: Compliance-related Difficulties**

Challenge	% Companies Reporting Difficulty
Appointment of Independent Directors	38%
Related Party Transaction (RPT) Disclosures	29%
Timely Filing of Reports	21%
Board Evaluation Mechanism	27%
ESG-Linked Reporting	34%

**Source:** FICCI-SEBI Industry Survey, 2023

These statistics reflect deeper institutional and structural issues that hinder effective adherence to governance standards.

### (b) Key Barriers to Compliance

- ❖ **Inadequate Talent Pool for Independent Directors:** A significant number of companies struggle to find suitably qualified, conflict-free independent directors, particularly in specialized sectors and regional markets.

- ❖ **Ambiguity in Definitions:** Terms like “*material subsidiary*”, “*significant influence*”, and “*ordinary course of business*” continue to pose interpretational challenges, leading to inconsistent disclosures or inadvertent non-compliance.
- ❖ **Conflicts of Interest in Family-Run Entities:** Promoter-driven businesses may face inherent tensions between transparency and control, resulting in resistance to fully disclosing related party transactions or board evaluation results.
- ❖ **Lack of Automation and Digital Governance Tools:** Smaller and mid-sized firms often lack ERP-integrated compliance systems to streamline governance reporting, increasing the risk of delays and human error.
- ❖ **Training and Awareness Gaps:** Board members and compliance officers frequently lack exposure to updated regulatory mandates, leading to mechanical or superficial filings that lack substance and strategic insight.
- ❖ **Board Evaluations Treated as Formality:** Despite regulatory mandates, many firms conduct evaluations in a checkbox manner, with little emphasis on actionable feedback or third-party involvement.

## VII. SEBI's Enforcement and Penalties

To enhance the efficacy of corporate governance and ensure regulatory integrity, SEBI has substantially tightened its enforcement mechanisms over the past few years. This proactive approach aims not only to penalize violations but also to deter future lapses and elevate compliance culture among listed entities.

**Table No - 4: SEBI Enforcement Statistics (2020-2023)**

Year	Companies Penalized	Total Penalty Imposed (InCrore)
2020-21	92	10.2 Cr
2021-22	104	13.8 Cr
2022-23	119	15.6 Cr

**Source:** SEBI Annual Reports (2021-2023)

These figures indicate a clear trend of increasing regulatory vigilance and rising penalties for governance-related non-compliance.

### (a) Major Enforcement Tools and Powers

SEBI, often in collaboration with stock exchanges, uses the following enforcement mechanisms:

- **Freezing of Promoter Shareholding:** When companies fail to comply with disclosure obligations, SEBI may freeze promoter holdings, restricting their ability to sell or pledge shares.
- **Suspension of Trading:** Persistent or critical governance failures can lead to trading suspension of the company's securities, sending a strong signal to the market.
- **Director Disqualification:** SEBI has the authority to bar directors who repeatedly violate governance norms from holding positions in listed companies.
- **Fundraising Restrictions:** Non-compliant entities may be barred from raising capital through rights issues, IPOs, or preferential allotments, especially if accompanied by misinformation or incomplete disclosure.
- **Show Cause Notices and Public Reprimands:** SEBI also publishes notices and directives to expose governance violations, thus increasing reputational risk for violators.

**(b) Impact and Way Forward**

While SEBI's assertive stance on enforcement has undeniably improved compliance rates, it has also raised the stakes for corporate leadership. As a result, more companies are investing in compliance infrastructure, hiring governance professionals, and adopting tech-based solutions for tracking regulatory requirements. Going forward, the challenge lies in balancing enforcement with capacity-building—ensuring that even smaller players have the tools and training needed to meet governance expectations.

**VIII. Conclusion Remarks**

The SEBI (Listing Obligations and Disclosure Requirements) Regulations have been instrumental in transforming India's corporate governance landscape, mandating structured, timely, and transparent disclosures that align with global best practices. These regulations have elevated the expectations from listed entities, shifting the emphasis from mere compliance to strategic transparency, thereby fostering greater accountability and stakeholder trust.

In spite of this progress, a noticeable gap persists between compliance on paper and the actual quality of governance. Many companies continue to adopt a checkbox approach, fulfilling disclosure requirements without embracing their underlying purpose. This practice weakens the effectiveness of regulatory interventions and limits the utility of disclosures for investors and stakeholders. Bridging this divide calls for a stronger focus on the authenticity, relevance, and clarity of disclosures, underpinned by regulatory enhancements and a cultural shift within corporate India toward responsible governance.

**IX References**

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